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OECD Employment Outlook

Recent Labour Market Developments and Overview of the Publication

Although the financial market turmoil might have passed its peak, its fallout will continue to act as a brake on growth in the OECD area for considerable time to come. GDP growth slackened in the second half of 2007 and is projected to slow further during the next two years in the OECD area, albeit in a differentiated manner across countries. Overall, employment growth continued moderately strong in 2007, but is projected by the OECD to slow significantly during the next two years. It is projected that 33 million persons will be unemployed in 2008 in the OECD area, up from 32 million in 2007. Against this background, the growth in real compensation per employee should slow down in 2008 in the majority of OECD countries and be broadly in line or below productivity gains.

After discussing recent labour market developments and short-term prospects, the following pages provide a brief overview of the content of Chapters 1-5 of this publication.

1. Recent labour market developments and short-term prospects

1.1. Recent economic developments

The financial market turmoil – originating from the US subprime mortgage and derived products problems – is believed to have passed its peak. However, OECD projections show that its consequences – together with other headwinds, including housing market corrections and high commodity prices (*e.g.* for oil and food) – are likely to reduce the pace of economic growth for some time to come.

Economic activity slackened in 2007 in almost all OECD economies after several years of strong growth, but in a differentiated manner (Table 0.1). The slowdown was particularly strong in the United States where private consumption weakened, as higher inflation reduced consumers' purchasing power and business investment decelerated. By contrast, growth in OECD Europe has been more resilient, slowing only by 0.3 percentage point to 3% in 2007. Robust business investment and exports – particularly in Germany – have offset sluggish private consumption and housing downturns, notably in Ireland and Spain. However, the resilience to financial turmoil has been uneven in OECD Europe and economic activity decelerated by more than 1 percentage point in 2007 in Denmark, Hungary, Iceland, Ireland, Luxembourg and Sweden. Economic expansion remained vigorous in Korea, Oceania, Mexico and Turkey, even after slowing markedly in the latter two countries. Only Australia, New Zealand, Norway, and Slovak Republic recorded growth in 2007 that was more than 1 percentage point higher than in 2006.

Economic growth in the emerging markets, while moderating, continued to be brisk. In China, GDP growth slowed, but still registered a robust year-on-year growth of 10.5% in the first quarter of 2008. Domestic demand emerged as the main driver of continued strong growth, as export growth slowed and monetary policy was tightened to fight against soaring headline inflation driven by sharp increases in food prices. Growth in India slackened by about 2 percentage points in 2007, reaching 8½, while surging inflation remains a source of concern. Due to strong increases in investment and consumption, economic growth accelerated in Russia and Brazil in 2007, reaching nearly 8% and 5.5%, respectively.

1.2. Economic outlook to the year 2009

The OECD projects that economic growth for the OECD area will slow to 1.8% in 2008 and then to 1.7% in 2009, as a result of the recent financial turmoil, cooling of housing markets and the soaring of commodity prices. The economic slowdown will be strong in 2008 in the United States, with GDP growing below potential, and in neighbouring countries with close economic links, especially Canada. Economic activity will also decelerate significantly in OECD Europe in 2008, with GDP growing below capacity in most countries. Activity will contract quite sharply in Iceland, which is being strongly affected by the financial turmoil. Falling residential construction investment will also be a significant drag on growth in Ireland, Spain and the United Kingdom. Already weak growth in Italy is

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Table 0.1. **Growth of real GDP in OECD countries**[a, b]

Percentage change from previous period

	Share in total OECD GDP 2000	Average 1995-2005	2006	2007	Projections	
					2008	2009
North America						
Canada	3.2	3.3	2.8	2.7	1.2	2.0
Mexico	3.3	3.6	4.8	3.3	2.8	3.3
United States	35.8	3.2	2.9	2.2	1.2	1.1
Asia						
Japan	11.8	1.1	2.4	2.1	1.7	1.5
Korea	2.8	4.5	5.1	5.0	4.3	5.0
Europe						
Austria	0.8	2.2	3.3	3.3	2.3	1.7
Belgium	1.0	2.1	2.9	2.8	1.7	1.7
Czech Republic	0.6	2.6	6.4	6.5	4.5	4.8
Denmark	0.6	2.1	3.9	1.8	1.2	0.6
Finland	0.5	3.7	4.8	4.3	2.8	2.3
France	5.6	2.2	2.4	2.1	1.8	1.5
Germany	7.8	1.3	3.1	2.6	1.9	1.1
Greece	0.7	3.9	4.2	4.0	3.5	3.4
Hungary	0.5	4.1	3.9	1.3	2.0	3.1
Iceland	0.0	4.6	4.4	3.8	0.4	–0.4
Ireland	0.4	7.5	5.7	4.0	1.5	3.3
Italy	5.3	1.3	1.9	1.4	0.5	0.9
Luxembourg	0.1	4.9	5.9	4.6	3.0	4.0
Netherlands	1.7	2.6	3.0	3.5	2.3	1.8
Norway	0.6	2.9	2.5	3.5	2.6	1.8
Poland	1.5	4.2	6.2	6.6	5.9	5.0
Portugal	0.6	2.5	1.3	1.9	1.6	1.8
Slovak Republic	0.2	4.3	8.5	10.4	7.3	6.1
Spain	3.1	3.7	3.9	3.8	1.6	1.1
Sweden	0.9	2.9	4.5	2.8	2.1	2.1
Switzerland	0.8	1.7	3.2	3.1	2.0	1.4
Turkey	2.1	4.3	6.9	4.5	3.7	4.5
United Kingdom	5.5	2.8	2.9	3.0	1.8	1.4
Oceania						
Australia	1.9	3.7	2.6	4.1	2.9	2.7
New Zealand	0.3	3.4	2.3	3.4	1.3	2.1
OECD Europe	**41.0**	**2.5**	**3.3**	**3.0**	**2.0**	**1.8**
EU15	**34.6**	**2.2**	**2.8**	**2.6**	**1.6**	**1.3**
EU19	**37.4**	**2.4**	**3.2**	**2.9**	**1.9**	**1.6**
Total OECD	**100.0**	**2.7**	**3.1**	**2.7**	**1.8**	**1.7**

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a) The OECD Secretariat's projection methods and underlying statistical concepts and sources are described in detail in "Sources and Methods: OECD Economic Outlook" which can be downloaded from the OECD Internet site (*www.oecd.org/dataoecd/47/9/36462096.pdf*).

b) Aggregates are computed on the basis of 2000 GDP weights expressed in 2000 purchasing power parities.

Source: OECD (2008), *OECD Economic Outlook*, No. 83, Paris, May.

projected to fall further to just 0.5% in 2008, while activity will slow in Germany and several previously fast growing eastern European economies. In Japan, GDP growth is projected to fall by a modest 0.4 percentage point in 2008, as falling industrial production and business investment, and sluggish private consumption amid rising inflation, are largely offset by strong export growth and improvements in the housing market. Economic activity is projected to slow more markedly in Australia, Korea and New Zealand. Growth is forecasted to re-accelerate somewhat in 2009 in about one third of the OECD countries, while it is projected to slow further in a larger number of countries, including Iceland where activity is forecasted to recede by 0.4% in 2009.

1.3. Employment and unemployment

Employment growth in the OECD area decelerated to 1.5% in 2007 from 1.7% in the previous year, yet continued to grow somewhat faster than labour supply in most OECD countries (Table 0.2). Employment growth weakened in the United States, affected by the slowdown in economic activity, while it was stronger than in 2006 in more than half of the European countries. In particular, Austria, France, Germany and Poland recorded an acceleration of employment growth of 1 percentage point or more in 2007, while employment growth slowed by at least this amount in Greece, the Slovak Republic and Spain. Employment growth picked up in Australia and Canada in 2007, but slowed in Mexico and New Zealand. In Japan, employment growth remained modest at 0.5% in 2007, while employment growth was stable at 1.2% in Korea.

Employment growth continued to outpace labour force growth in all but three OECD countries in 2007, leading to a fall in the unemployment rate. There were 31.9 million job seekers in the OECD area in 2007. This was down from 34.1 million in 2006 and corresponded to a reduction in the unemployment rate from 6% to 5.6% (Table 0.3). The unemployment rate fell in all OECD countries in 2007, apart from the 0.3 percentage point increase in Portugal and smaller increases in Ireland and Mexico. Unemployment rates fell sharply in 2007 in a considerable number of European countries, reaching their lowest levels since the early 1990s. Unemployment rates were down by more than 1 percentage point in three eastern European economies – the Czech Republic, Poland and the Slovak Republic – and Germany, and by nearly 1 percentage point in Finland, France and Norway. In Japan and Korea, unemployment rates declined a little, approaching their lowest levels during the 1990s.

Employment growth is projected to slow to 0.7% in 2008 and 0.5% in 2009 on average in the OECD area. The projected deceleration in 2008 is widespread, affecting all but three OECD countries (Mexico, Portugal and the United Kingdom), and quite sharp in some countries. Indeed, employment is projected to fall in 2008 in Hungary, Iceland, Japan, New Zealand and the United States, after having risen in all OECD countries in recent years. Employment growth is also projected to decelerate by over 2 percentage points in Ireland and Spain. Conversely, employment is projected to grow at more than 2% in 2008 only in three countries: Australia, Mexico and Poland. In many countries, projected employment growth during 2008-2009 is lower than labour force growth, implying rising unemployment. However, this is not the case in Japan, where both employment and the labour force are projected to decline slightly.

The declining trend in unemployment in recent years is projected to reverse in 2008, with the number of unemployed persons in the OECD area increasing by 1 million persons in 2008 and by nearly a further 2 million in 2009. This will bring the OECD average unemployment rate back up to 6% in 2009, the same level as in 2006. In the United States, the number of unemployed persons is projected to reach 9.5 million persons in 2009 – an increase of 2.4 million persons since 2007 – while the unemployment rate climbs from 4.6% in 2007 to 6.1% in 2009. In OECD Europe, the average unemployment rate is projected to remain essentially unchanged during the next two years, while it increases somewhat in North America and Oceania. The relatively strong performance of the European labour

Table 0.2. **Employment and labour force growth in OECD countries**[a]

Percentage change from previous period

	Employment						Labour force					
	Level 2007	Average 1995-2005	2006	2007	Projections		Level 2007	Average 1995-2005	2006	2007	Projections	
	(000s)				2008	2009	(000s)				2008	2009
North America												
Canada	16 865	2.0	1.9	2.3	1.6	0.8	17 947	1.7	1.4	2.0	1.7	1.0
Mexico	42 552	2.3	3.4	1.7	2.0	2.5	44 048	2.0	3.1	1.9	2.3	2.4
United States	146 049	1.3	1.9	1.1	–0.1	0.1	153 129	1.2	1.4	1.1	0.7	0.9
Asia												
Japan	64 119	–0.2	0.4	0.5	–0.1	0.0	66 687	0.0	0.1	0.2	–0.1	0.0
Korea	23 433	1.1	1.3	1.2	0.5	0.7	24 216	1.3	1.0	1.0	0.4	0.7
Europe												
Austria	4 273	0.6	1.0	2.1	1.0	0.6	4 497	0.6	0.7	1.6	0.9	0.5
Belgium	4 404	0.9	1.3	1.6	0.9	0.4	4 759	0.8	1.0	0.8	0.4	0.6
Czech Republic	4 908	–0.3	1.3	2.0	1.2	0.5	5 184	0.1	0.4	0.0	0.4	0.3
Denmark	2 858	0.5	1.6	1.8	0.4	–0.7	2 968	0.3	0.7	1.6	0.0	–0.3
Finland	2 482	1.5	1.8	2.0	1.4	0.5	2 666	0.6	1.0	1.0	0.8	0.2
France	25 640	0.8	0.6	1.9	1.1	0.3	27 854	0.7	0.6	0.9	0.6	0.5
Germany	39 736	0.3	0.6	1.7	1.1	0.2	43 334	0.6	–0.2	0.1	0.1	0.2
Greece	4 705	0.9	2.5	1.2	1.1	1.1	5 116	1.1	1.4	0.7	0.8	0.9
Hungary	3 890	0.8	0.8	0.1	–0.2	0.5	4 202	0.4	1.0	0.0	0.0	0.5
Iceland	177	1.3	5.1	4.5	–1.1	–2.3	181	1.1	5.4	3.9	0.0	0.1
Ireland	2 113	4.1	4.4	3.7	1.3	0.8	2 213	3.2	4.5	3.8	2.6	1.6
Italy	22 973	1.2	1.9	1.0	0.7	0.4	24 466	0.8	0.9	0.2	0.8	0.7
Luxembourg	211	1.9	2.1	2.2	1.4	1.4	220	2.1	1.9	2.1	1.6	1.8
Netherlands	8 543	1.4	1.8	2.1	1.4	0.5	8 836	1.1	0.9	1.3	0.7	0.6
Norway	2 444	1.0	3.2	3.4	1.9	0.5	2 506	0.9	2.0	2.5	1.9	0.9
Poland	15 240	–0.5	3.4	4.4	2.5	1.5	16 859	0.1	–1.3	–0.5	0.4	0.5
Portugal	5 135	1.1	0.7	0.1	0.6	0.5	5 583	1.1	0.7	0.5	0.4	0.6
Slovak Republic	2 357	0.3	3.8	2.4	1.6	1.3	2 649	0.7	0.4	–0.2	0.8	0.5
Spain	20 356	4.2	4.1	3.1	0.7	0.3	22 190	3.0	3.3	2.8	2.3	1.5
Sweden	4 446	0.6	2.0	2.4	0.8	0.2	4 661	0.4	1.5	1.7	0.5	0.3
Switzerland	4 210	0.6	2.3	2.3	1.6	0.6	4 368	0.7	1.8	1.9	1.6	0.8
Turkey	23 306	0.7	1.2	2.0	0.7	1.3	25 757	1.0	0.8	1.9	1.5	1.6
United Kingdom	29 207	1.1	0.9	0.7	0.8	0.1	30 867	0.7	1.5	0.6	0.9	0.4
Oceania												
Australia	10 507	1.9	2.1	2.9	2.2	1.3	10 986	1.5	1.8	2.5	2.0	1.8
New Zealand	2 156	2.0	2.1	1.8	–0.6	0.7	2 236	1.8	2.2	1.6	–0.4	0.7
OECD Europe[b]	210 308	**1.0**	**1.6**	**1.8**	**1.1**	**0.4**	226 180	**0.9**	**0.9**	**0.8**	**0.8**	**0.6**
EU15[b]	177 081	**1.2**	**1.5**	**1.6**	**0.9**	**0.3**	190 229	**1.0**	**1.0**	**0.9**	**0.8**	**0.6**
EU19[b]	203 477	**1.0**	**1.6**	**1.8**	**1.0**	**0.4**	219 123	**0.9**	**0.8**	**0.7**	**0.7**	**0.6**
Total OECD[b]	539 295	**1.1**	**1.7**	**1.5**	**0.7**	**0.5**	571 184	**1.0**	**1.1**	**1.0**	**0.8**	**0.8**

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a) See note *a)* to Table 0.1.

b) Aggregates are computed using employment and labour force weights respectively.

Source: OECD (2008), *OECD Economic Outlook*, No. 83, Paris, May.

market will cause the excess of the European unemployment rate over the average for all of the OECD area to continue to fall, declining from 1.3 percentage points in 2007 to 1.0 percentage point in 2009. Within OECD Europe, unemployment rates are projected to register the largest increases in 2008 in Iceland, Ireland, Spain and Turkey, while

Table 0.3. **Unemployment in OECD countries**[a]

	Percentage of labour force					Millions				
	Average 1995-2005	2006	2007	Projections		Average 1995-2005	2006	2007	Projections	
				2008	2009				2008	2009
North America										
Canada	7.9	6.3	6.0	6.1	6.3	1.3	1.1	1.1	1.1	1.2
Mexico	3.6	3.2	3.4	3.7	3.6	1.4	1.4	1.5	1.7	1.7
United States	5.1	4.6	4.6	5.4	6.1	7.2	7.0	7.1	8.3	9.5
Asia										
Japan	4.4	4.1	3.9	3.8	3.8	2.9	2.8	2.6	2.5	2.5
Korea	3.9	3.5	3.2	3.1	3.1	0.9	0.8	0.8	0.7	0.8
Europe										
Austria	5.4	5.4	5.0	4.8	4.8	0.2	0.2	0.2	0.2	0.2
Belgium	8.4	8.2	7.5	7.0	7.2	0.4	0.4	0.4	0.3	0.3
Czech Republic	7.0	7.2	5.3	4.6	4.4	0.4	0.4	0.3	0.2	0.2
Denmark	5.2	3.9	3.7	3.3	3.7	0.1	0.1	0.1	0.1	0.1
Finland	11.0	7.7	6.9	6.3	6.0	0.3	0.2	0.2	0.2	0.2
France	9.3	8.8	7.9	7.5	7.6	2.5	2.4	2.2	2.1	2.1
Germany	8.7	9.7	8.3	7.4	7.4	3.7	4.2	3.6	3.2	3.2
Greece	9.9	8.6	8.0	7.7	7.7	0.5	0.4	0.4	0.4	0.4
Hungary	7.4	7.5	7.4	7.7	7.6	0.3	0.3	0.3	0.3	0.3
Iceland	3.1	2.9	2.3	3.4	5.7	0.0	0.0	0.0	0.0	0.0
Ireland	6.5	4.4	4.5	5.7	6.5	0.1	0.1	0.1	0.1	0.2
Italy	9.9	6.8	6.1	6.2	6.5	2.3	1.7	1.5	1.5	1.6
Luxembourg	3.3	4.4	4.4	4.5	4.9	0.0	0.0	0.0	0.0	0.0
Netherlands	4.5	4.1	3.3	2.6	2.7	0.4	0.4	0.3	0.2	0.2
Norway	4.0	3.4	2.5	2.5	2.8	0.1	0.1	0.1	0.1	0.1
Poland	15.6	13.8	9.6	7.8	6.9	2.7	2.3	1.6	1.3	1.2
Portugal	5.8	7.7	8.0	7.9	7.9	0.3	0.4	0.4	0.4	0.4
Slovak Republic	15.9	13.3	11.0	10.3	9.6	0.4	0.4	0.3	0.3	0.3
Spain	12.6	8.5	8.3	9.7	10.7	2.3	1.8	1.8	2.2	2.5
Sweden	5.9	5.3	4.6	4.3	4.4	0.3	0.2	0.2	0.2	0.2
Switzerland	3.6	4.0	3.6	3.6	3.8	0.1	0.2	0.2	0.2	0.2
Turkey	8.2	9.7	9.5	10.2	10.5	2.0	2.4	2.5	2.7	2.8
United Kingdom	6.0	5.5	5.4	5.5	5.8	1.7	1.7	1.7	1.7	1.8
Oceania										
Australia	6.8	4.8	4.4	4.2	4.7	0.7	0.5	0.5	0.5	0.5
New Zealand	5.6	3.8	3.6	3.8	3.8	0.1	0.1	0.1	0.1	0.1
OECD Europe[b]	**8.9**	**8.0**	**7.0**	**6.8**	**6.9**	**19.0**	**18.0**	**15.9**	**15.4**	**15.8**
EU15[b]	**8.4**	**7.6**	**6.9**	**6.8**	**7.0**	**15.0**	**14.3**	**13.1**	**13.0**	**13.5**
EU19[b]	**9.1**	**8.1**	**7.1**	**6.9**	**7.0**	**18.7**	**17.7**	**15.6**	**15.2**	**15.5**
Total OECD[b]	**6.6**	**6.0**	**5.6**	**5.7**	**6.0**	**35.3**	**34.1**	**31.9**	**32.9**	**34.8**

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a) See note *a)* to Table 0.1.
b) Unemployment rates aggregates are computed using labour force weights.
Source: OECD (2008), *OECD Economic Outlook*, No. 83, May, Paris.

unemployment rates will fall in the Czech Republic, Poland and the Slovak Republic. The unemployment rate is projected to increase slightly during 2008-2009 in Australia and Canada, while remaining essentially unchanged in Japan and Korea.

1.4. Real compensation

The average growth rate of real compensation per employee in the business sector (henceforth real compensation) rose from 0.9% in 2006 to 1.2% in 2007 for the OECD area as a whole (Table 0.4). Despite this increase, the 2007 growth rate for real compensation was comparable with overall labour productivity growth (1.3%), as well as with average real compensation growth during 1995-2005.

OECD projections indicate that average real compensation growth in the OECD area will ease to 0.5% in 2008, before rising to 1.3% in 2009. In the United States, average real compensation is set to slow sharply in 2008, after having accelerated somewhat in 2007. The 0.3% rate projected for 2008 is expected to be well below labour productivity gains, but compensation growth is projected to quicken to match labour productivity growth in 2009. In OECD Europe, real compensation growth is projected to decelerate in 2008 to 0.6%, before rising to 1.3% in 2009 – remaining consistently below labour productivity growth. However, the situation is quite varied across European countries. Real compensation growth is projected to grow at a slower pace in 2008 than in 2007 in all but four European countries, and to turn strongly negative in Iceland and more moderately negative in Belgium, France and Spain. Growth in real compensation is projected to accelerate in 2009 in most European countries, but to slow in Finland, Poland and Sweden.

After falling in 2007, real compensation in Japan will begin to grow slowly during 2008-2009. There are some recent signs that Japan's deflationary trap has come to an end, with wages for full-time workers increasing in early 2008, but real compensation growth is projected to remain well below labour productivity growth through 2009. Real compensation growth accelerated in 2007 in Korea, but is projected to slow somewhat in 2008 before growing more vigorously in 2009. Real compensation growth was above 2.5% in 2007 in Australia, Canada and New Zealand and is projected to remain strong during 2008 and 2009. Real compensation fell 0.3% in Mexico in 2007 and is projected to remain unchanged in 2008 before rising modestly in 2009.

2. Overview of the publication

This section provides a brief overview of the content of Chapters 1-5 of this publication:

Chapter 1. Off to a good start? Youth labour market transitions in OECD countries. This chapter first provides an overview of youth labour market performance over the past decade. It then presents evidence on the sensitivity of teen and young adult unemployment to the business cycle and the increased prominence of temporary and part-time jobs as modes of entry into work. Several indicators of the pace and modality of the school-to-work transition following completion of initial education are then presented and the quality of youth jobs is analysed, including the extent to which temporary and low-paid jobs serve as stepping stones to better jobs. Lastly, this chapter underlines the difficulty of moving out of non-employment for some school leavers – especially those who did not successfully complete secondary schooling – despite the overall fluidity of the youth labour market.

Chapter 2. Declaring work or staying underground: informal employment in seven OECD countries. This chapter shows that informal employment and undeclared work is a significant labour market problem for some lower- and middle-income OECD countries, prompting concerns about worker protection, while at the same time making it difficult for

Table 0.4. **Real compensation per employee in the business sector in OECD countries**[a, b]

Percentage change from previous period

	Average 1995-2005	2006	2007	Projections 2008	Projections 2009
North America					
Canada	1.7	2.2	3.0	2.5	2.5
Mexico	–0.8	0.9	–0.3	0.0	0.4
United States	2.0	1.2	1.9	0.3	1.3
Asia					
Japan	–0.2	0.4	–0.3	0.2	0.7
Korea	0.8	0.5	1.1	0.6	2.4
Europe					
Austria	0.6	0.6	0.9	0.2	0.8
Belgium	0.5	0.8	0.7	–0.7	1.4
Czech Republic	4.3	3.9	4.4	1.4	2.9
Denmark	1.9	1.7	2.7	1.7	2.1
Finland	1.5	1.5	1.1	2.6	1.6
France	1.1	1.2	1.0	–0.1	1.1
Germany	–0.2	–0.1	–0.6	0.1	1.1
Greece	3.0	4.3	3.6	2.8	3.8
Hungary	2.2	0.8	1.2	0.5	2.7
Iceland	4.1	1.6	0.1	–1.8	0.0
Ireland	1.4	1.1	1.7	0.3	1.5
Italy	–0.4	–0.5	0.2	0.5	0.7
Luxembourg	0.9	2.0	1.0	0.1	0.9
Netherlands	0.8	0.0	0.9	0.3	1.5
Norway	2.6	5.5	4.5	3.0	2.9
Poland	2.3	–0.3	5.1	6.4	5.3
Portugal	1.0	0.0	0.5	0.3	1.1
Slovak Republic	4.5	2.3	6.7	3.7	3.5
Spain	–0.1	–2.2	–0.1	–0.5	0.6
Sweden	2.7	1.1	2.7	1.9	1.6
Switzerland	0.8	2.4	1.3	0.6	0.9
Turkey	. .	. .	. .	. .	. .
United Kingdom	2.3	2.0	1.3	0.6	0.6
Oceania					
Australia	2.2	2.6	3.1	1.8	2.6
New Zealand	1.7	1.9	2.6	2.3	2.5
OECD Europe[c]	**1.0**	**0.6**	**0.9**	**0.6**	**1.3**
EU15	**0.7**	**0.3**	**0.5**	**0.3**	**0.9**
EU19[c]	**0.9**	**0.5**	**0.9**	**0.6**	**1.3**
Total OECD less high-inflation countries[c, d]	**1.2**	**0.9**	**1.3**	**0.6**	**1.3**
Total OECD[c]	**1.2**	**0.9**	**1.2**	**0.5**	**1.3**

StatLink http://dx.doi.org/10.1787/362607518858

. . Data not available.

a) See note *a)* to Table 0.1

b) Compensation per employee in the business sector is deflated by a price deflator for private final consumption expenditures and aggregates are computed on the basis of 2000 GDP weights expressed in 2000 purchasing power parities.

c) Countries shown.

d) High-inflation countries are defined as countries which had 10% or more inflation in terms of GDP deflator on average between 1995 and 2005 on the basis of historical data. Consequently, Hungary and Mexico are excluded from the aggregate.

Source: OECD (2008), *OECD Economic Outlook*, No. 83, May, Paris.

governments to deliver high quality public services and hindering productivity and growth. Strong economic growth does not, *per se*, appear to guarantee a reduction in informal employment. What policies can countries adopt to address informal employment? This chapter emphasises that the answer differs from country to country. Depending on the situation in each of them, incentives for employing workers formally may be improved by a combination of reducing labour costs when they are excessive, increasing flexibility in countries with stringent employment protection legislation and improving the design of social protection schemes to increase the benefits of affiliation to workers. Better incentives should be complemented by enhanced tax, social security and labour enforcement efforts. Improved governance standards would also encourage voluntary compliance.

Chapter 3. The price of prejudice: labour market discrimination on the grounds of gender and ethnicity. Despite some progress, this chapter shows that there is still evidence of discrimination on the grounds of gender and ethnic or racial origins in OECD labour markets. Field experiments show pervasive ethnic discrimination in many countries. Indirect evidence shows that on average at least 8% of the gender employment gap and a larger proportion of the gender wage gap can be attributed to discrimination. Virtually all OECD countries have enacted anti-discrimination laws in recent decades, and evaluations as well as cross-country analysis suggest that, if well-designed, these laws can be effective in reducing disparities in labour market outcomes. However, enforcement of anti-discrimination legislation is essentially based on victims' willingness to claim their rights. Thus, public awareness of legal rules and their expected consequences (notably, victims' costs and benefits of lodging complaints) is a crucial element of an effective policy strategy to establish a culture of equal treatment. However, this chapter argues that legal rules are likely to have more impact if the enforcement is not exclusively dependent on individuals. In this respect, specific agencies may play a key role.

Chapter 4. Are all jobs good for your health? The impact of work status and working conditions on mental health. This chapter presents new evidence on the evolution of work-related mental illness in OECD countries and on the role that new work patterns have played in affecting it. Despite the steep rise in disability benefit receipt for mental illness in many countries, available indicators do not suggest an overall increase in mental health problems among the working-age population across the OECD area. However, mental health appears to have worsened in certain countries and for certain workforce groups, while the reported incidence of certain potentially stressful working conditions has increased in Europe. Longitudinal analysis for individual workers in five countries shows that non-employment generally is worse for mental health than working and that the mental-health payoff to employment varies depending on the type of job contract and working conditions, and pre-existing mental health problems. However, this chapter shows that the mental health benefits for inactive individuals who obtain a "non-standard" job appear to be smaller than for those moving into standard employment arrangements, particularly for persons with pre-existing mental health problems.

Chapter 5. Do multinationals promote better pay and working conditions? Foreign direct investment (FDI) by OECD-based multinational enterprises (MNEs) in developing and emerging economies has increased dramatically over the past two decades. While generally perceived as beneficial for local development, it has also raised concerns about unfair competition and the protection of workers' rights in host countries. This chapter assesses the effects of FDI on wages and working conditions for workers of foreign affiliates of MNEs and those of their independent supplier firms. The evidence suggests that MNEs tend to provide better pay than their domestic counterparts, especially when they operate in developing and emerging economies, but not necessarily better non-wage working conditions. The effects on wages may also spread to the foreign suppliers of MNEs, but those spillover effects are small. This chapter also discusses policies to strengthen the contribution of FDI to improving wages and working conditions.

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OECD publications on Employment and related topics

The Reassessed OECD Jobs Strategy: a major study of the factors underlying the deterioration of labour market performance. The *2006 edition of the OECD Employment Outlook* provides an overall reassessment of the "OECD Jobs Strategy". To find out more about it, consult *www.oecd.org/els/employment/strategy*.

Ageing and Employment Policies: a series of 21 country reviews examining how to promote better employment prospects for older workers (Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States).

A Profile of Immigrant Populations in the 21st Century: presents some of the most comprehensive information currently available on the origin and structural characteristics of the immigrant population in OECD countries (published 2008).

Babies and Bosses: Reconciling Work and Family Life: a series considering how tax/benefit and childcare policies and workplace practices help determine parental labour market outcomes and may impinge on family formation (Vol. 1: Australia, Denmark and the Netherlands, 2002; Vol. 2: Austria, Ireland and Japan, 2003; Vol. 3: New Zealand, Portugal and Switzerland, 2004; Vol. 4: Canada, Finland, Sweden and the United Kingdom, 2005; Vol. 5: A Synthesis of Findings for OECD Countries, 2007).

Going for Growth: a publication that takes stock of recent progress in implementing policy reforms to improve labour productivity and utilisation. Internationally comparable indicators provided here enable countries to assess their economic performance and structural policies in a broad range of areas.

Growing Unequal (forthcoming Oct 2008): a report providing evidence of a fairly generalised increase in income inequality over the past two decades across the OECD, but the timing, intensity and causes of the increase differ from what is typically suggested in the media.

Health at a Glance: a biannual publication providing the latest comparable data and trends on different aspects of the performance of health systems in OECD countries.

International Migration Outlook: an annual publication on recent developments in migration movements and policies in OECD countries.

Jobs for Youth: a series of 16 country reviews on the school-to-work transition process (already published Belgium, Canada, Korea, Netherlands, New Zealand, Slovak Republic, Spain, United Kingdom).

Pensions at a Glance: Public Policies across OECD Countries: a biannual publication presenting key features of mandatory pension systems – both public and private – in the 30 OECD countries, including projections of retirement income for today's workers.

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Society at a Glance: a biannual publication offering a wide range of data on social issues including demography, family characteristics, employment, working mothers, out-of-work replacement rates, poverty persistence, social expenditure, health care expenditure, subjective well-being and suicides.

Taxing Wages 2006-2007: provides unique information on income tax paid by workers and social security contributions levied on employees and their employers in OECD countries as well as cash benefits received.

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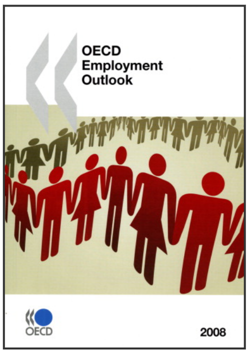
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