

LABOUR MARKET CONSEQUENCES

The crisis has led to worsening labour market conditions in most OECD countries. Even though the recovery has begun, joblessness is likely to rise further during 2010. Further, even after reaching its peak, it will take time before the unemployment rate returns to pre-crisis levels, and there is the risk that some of the cyclical rise in unemployment becomes structural, as many unemployed drift into long-term joblessness or drop out of the labour force.

Definition

The definitions of employment and unemployment are those given in the “Labour” section of this publication. The indicator used here to compare the labour market consequences of the current crisis with the previous ones, is an index measuring the relative increase in the unemployment rate since the third quarter of 2007 through the end of 2011, with quarters elapsed since the first observation shown on the horizontal axis. Unemployment rates and projections are from *OECD Employment Outlook 2009*.

Overview

The rise in unemployment experienced since the onset of the crisis is the most severe in recent decades for the OECD area as a whole. The OECD unemployment rate is expected to increase by nearly 80% between its previous trough and the twelfth quarter of the downturn, whereas the corresponding increases ranged between 20% and 50% in the previous recessions. In the United States, the impact of this downturn on unemployment would be the worst of any recession since 1970 by a considerable margin. By contrast, the rise in unemployment for France, Germany, Italy and the United Kingdom is expected to be comparable with that experienced in both the 1970s and 1980s recessions, but larger than that associated with the two most recent ones. In Japan, the unemployment rate began to rise sharply only in the fourth quarter of the current downturn, and the ultimate impact will be to rise by approximately one-half; even though this increase in the unemployment rate would not be unprecedented, the level projected for the end of 2011 would represent a post-war high.

There is considerable variation across countries in how labour markets have developed during the current recession, with employment recording a cumulative fall since early-2008 of 12% in Ireland and small rises in Australia, Korea, Mexico, Poland and Switzerland. These differences reflect both the differences in the severity of the economic crisis and differences in how labour markets have adjusted to the crisis. In most economies, average hours worked per week have declined, limiting the loss of employment that followed the fall in GDP. This effect was particularly strong in Germany, where total employment has not fallen despite a sharp fall in output, but much weaker in the United States, where the fall in economic activity has translated into job suppressions to an unusual degree. These different profiles are set to shape job trends in the upturn, with job growth resuming earlier and at a more rapid pace in countries where hours worked have declined the least during the recession.

Data on the cumulative changes in employment since the first quarter of 2008 up to the second quarter of 2009, and the corresponding change in GDP, refer to seasonally adjusted data as available in the OECD Main Economic Indicators.

Comparability

Data on employment and unemployment are based on *Labour Force Surveys* in most countries but on the most commonly used source in a few others. This may limit comparability of levels of the various indicators, but it is less of a problem for comparing changes and trajectories.

Sources

- OECD (2009), *OECD Employment Outlook 2009: Tackling the Jobs Crisis*, OECD, Paris.
- OECD (2010), *Main Economic Indicators*, OECD, Paris.

Further information

Analytical publications

- OECD (2007), *Society at a Glance: OECD Social Indicators – 2006 Edition*, OECD, Paris.

Online databases

- *Main Economic Indicators*.
- *OECD Employment Outlook*.

Statistical publications

- *OECD Labour Statistics Database*.
- *OECD Employment Policy*.
- *OECD Employment Data*.
- *OECD Main Economic Indicators*.

Trends in unemployment rates in recent crises

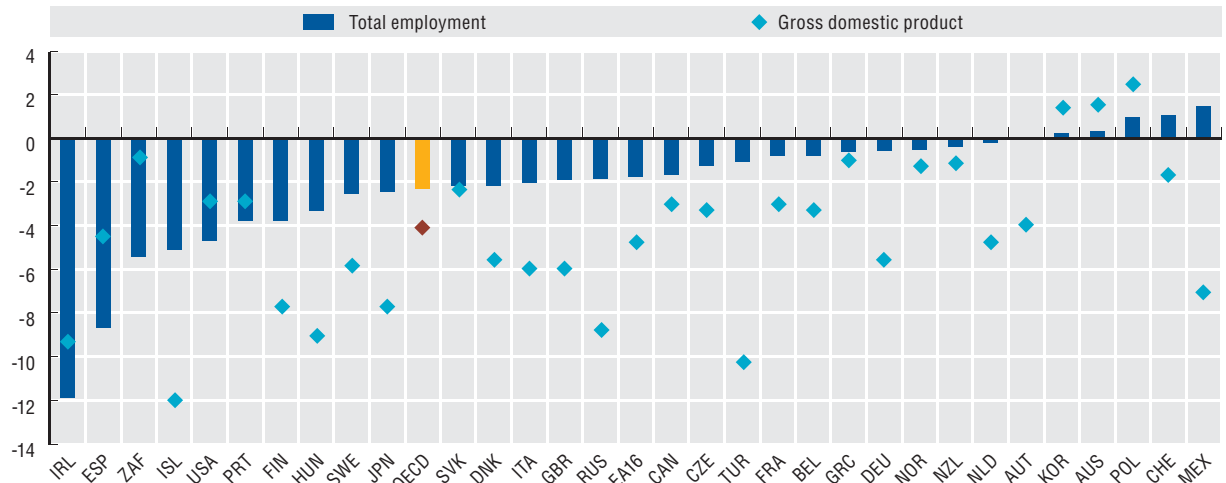
Index base = quarterly unemployment rate at the preceding business cycle peak



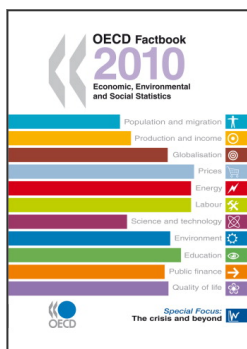
StatLink <http://dx.doi.org/10.1787/823423132501>

Trends in employment and gross domestic product

Cumulated percentage change from 2008Q1 to 2009Q3, seasonally adjusted



StatLink <http://dx.doi.org/10.1787/823428802057>



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