

OECD Employment Outlook 2026

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Introduction

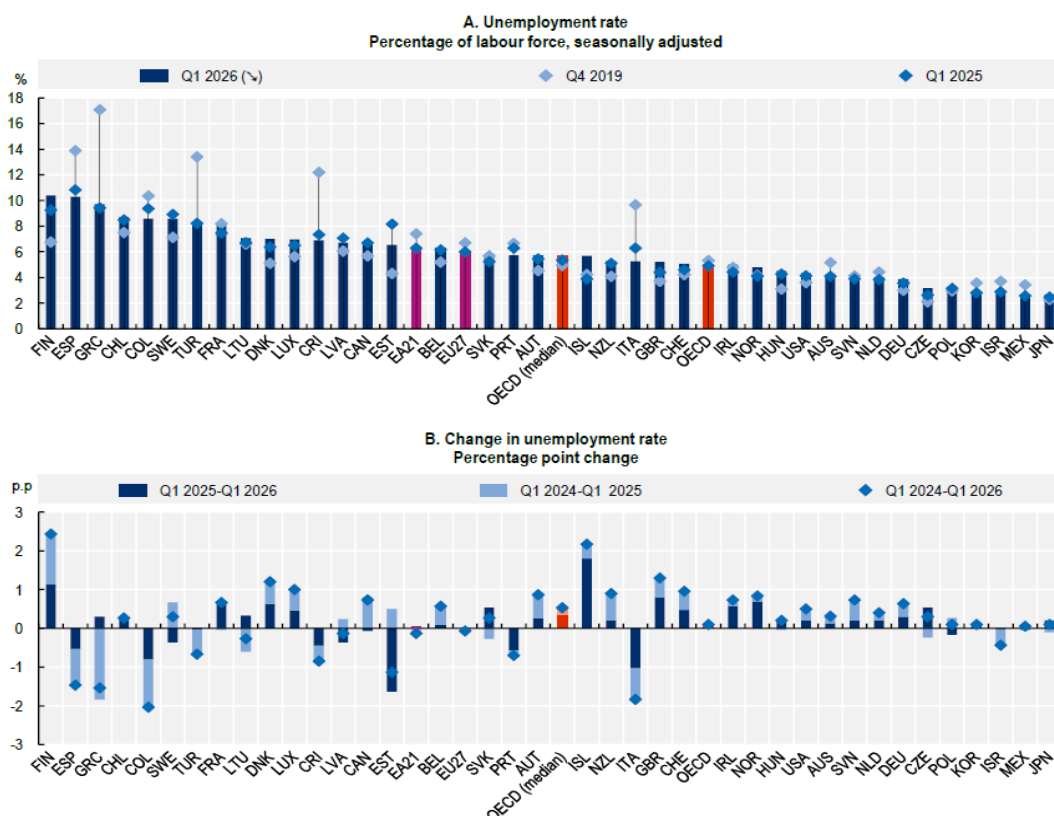
The *OECD Employment Outlook 2026* examines how labour markets are performing amid continued global uncertainty while drawing attention to an often-overlooked challenge: where people live increasingly shapes their access to jobs, wages, and economic opportunity. Although employment rates across OECD countries remain historically high, the report finds growing signs of labour market weakness alongside persistent regional inequalities that influence employment prospects, income mobility, and access to quality work. Beyond current labour market trends, the report explores how technological change, demographic shifts, skills development, and labour market institutions are reshaping employment outcomes and identifies policy measures needed to build more inclusive and resilient labour markets.

Labour Markets Remain Resilient but Signs of Weakening Are Emerging

The report notes that labour markets across OECD countries have remained remarkably resilient despite economic uncertainty. Employment rates reached historic highs, while unemployment remained relatively low through early 2026. However, this resilience is beginning to weaken.

Figure 1.2. Unemployment rates remain low but are on the rise

Unemployment rate (percentage of labour force), seasonally adjusted



Employment growth has slowed, labour force participation is stabilising, labour shortages are easing, and real wage recovery has begun to lose momentum even before the recent increase in global energy prices. Rising geopolitical tensions, higher tariffs, and persistent inflationary pressures are expected to further slow labour market recovery in the coming years.

Young people continue to face disproportionate challenges entering the labour market. The report highlights widening unemployment gaps between young workers and the broader working-age population, particularly among recent graduates, raising concerns about school-to-work transitions in an increasingly uncertain economic environment.

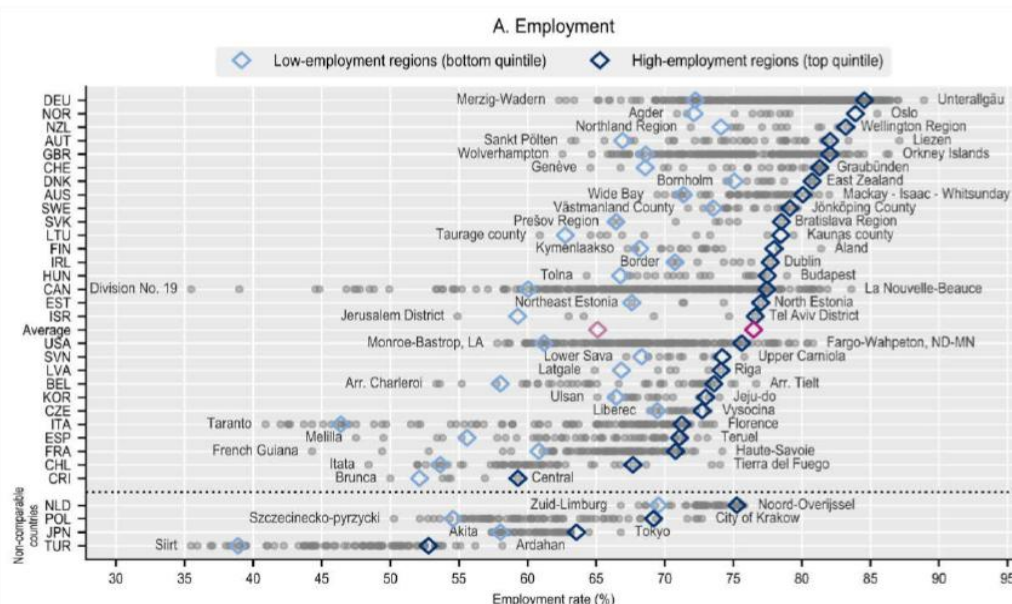
Geography Continues to Shape Employment Opportunities

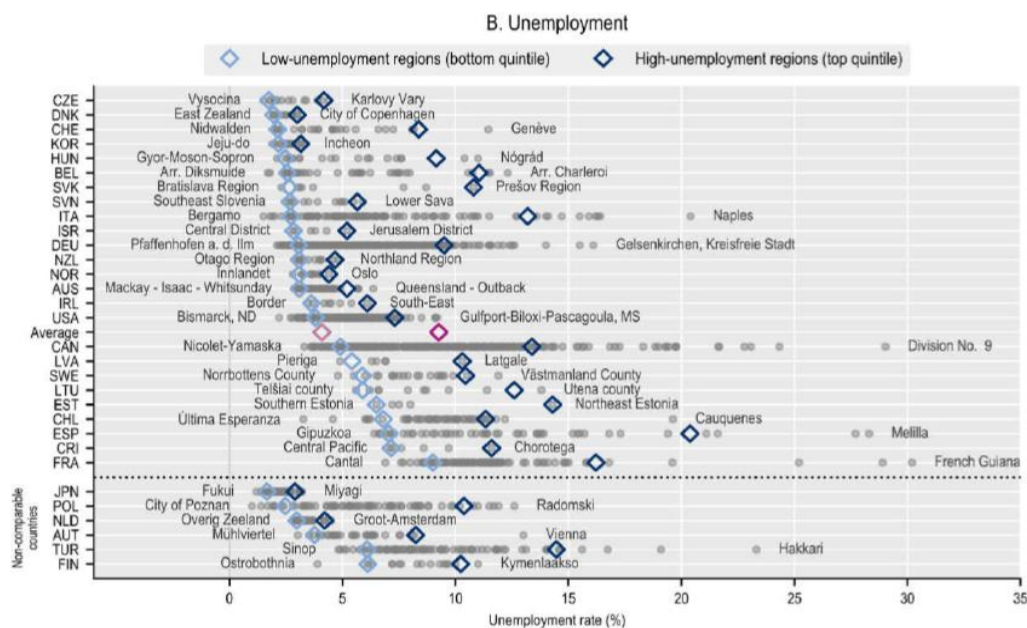
One of the report's central findings is that employment opportunities are increasingly influenced by geography. In more than half of OECD countries, employment rates differ by over twenty percentage points between regions, often exceeding differences observed between countries themselves. Regions with stronger labour markets continue to attract investment, skilled workers, and better-paying jobs, while economically weaker regions face declining employment opportunities and slower income growth.

The report also finds that labour mobility alone cannot address these disparities. Individuals who relocate are often younger and more highly educated, leaving disadvantaged regions with ageing populations and reduced economic dynamism. Instead, the OECD advocates place-based development strategies that strengthen local industries, improve infrastructure, and create employment opportunities within regions rather than relying solely on worker migration.

Figure 2.1. Regional disparities in labour market outcomes are large in most OECD countries

Employment and unemployment rates across TL3 regions, 2024 or latest available year





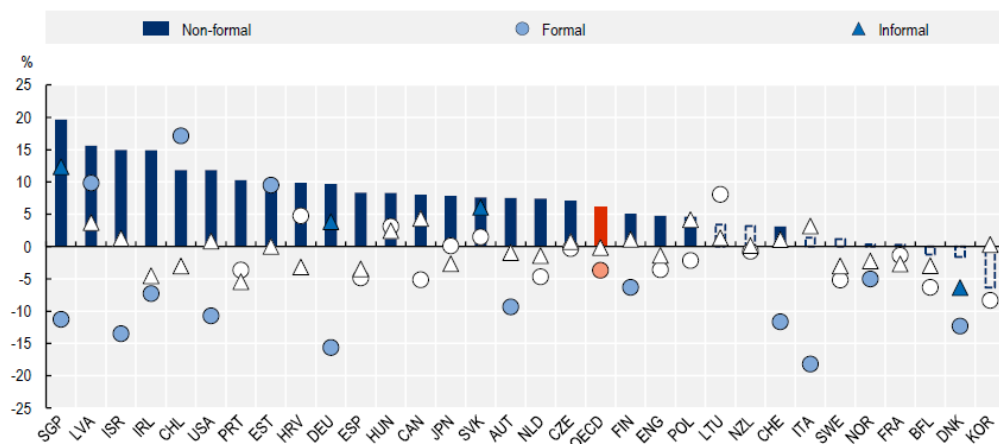
Skills Matter Beyond Formal Education

The report emphasises that formal qualifications alone are no longer sufficient predictors of labour market success. Drawing on the latest Survey of Adult Skills (PIAAC), it finds that numeracy, problem-solving abilities, and non-cognitive skills such as teamwork, leadership, and task autonomy significantly influence employment outcomes and wages. While education continues to improve access to better-paying occupations, skills acquired throughout working life increasingly determine career progression and resilience in changing labour markets.

The report also highlights the value of non-formal training. Flexible, employer-supported learning programmes are consistently associated with improved wages and stronger labour market outcomes, particularly when focused on practical workplace competencies. These findings reinforce the need for

Figure 4.10. On average in OECD countries, there is a clear and positive association between non-formal training and wages

Percentage change in hourly wages associated with participation in adult learning in the previous 12 months across countries, by training type



lifelong learning systems that respond to evolving labour market demands and strengthen collaboration between employers and training providers.

Supporting Workers Through Structural Change

Technological change, globalisation, demographic shifts, and the transition to low-carbon economies are reshaping labour markets unevenly across regions. While many regions eventually recover from economic shocks, workers displaced by structural changes often struggle to transition into new employment because emerging jobs require different skills and are frequently located elsewhere.

To improve resilience, the OECD recommends combining national labour policies with place-based approaches that anticipate future skill needs, diversify local economies, strengthen public employment services, and improve access to training aligned with regional demand. The report argues that labour market policies should focus not only on helping people move to jobs, but also on bringing quality jobs closer to where people live.

Non-Compete Clauses: When Job Protection Limits Mobility

The report finds that non-compete clauses are widespread across OECD labour markets, with around **one-third of workers in the countries studied** bound by such clauses. These contractual provisions can prevent workers from joining competitors or starting their own businesses after leaving a job. While they are intended to protect legitimate business interests such as trade secrets and firm-specific investments, the OECD finds that their widespread use can restrict workers' ability to move to jobs where their skills may be more productively used.

The evidence points to consequences beyond individual workers. Non-compete clauses can reduce job mobility, weaken workers' bargaining power, and limit wage growth. The report notes that more than 20% of workers who had a non-compete clause had been stopped from moving jobs, while more than 10% had been prevented from starting a business. Evidence from regulatory changes also suggests that restricting the use of non-compete clauses can increase both wages and worker mobility.

The report also connects these restrictions to productivity. When workers cannot move easily between firms, labour may be prevented from shifting towards more productive businesses, while the movement of knowledge and skills across firms can also be slowed. At the same time, the OECD recognises that appropriately designed clauses can encourage firms to invest in training, research and development, and the sharing of proprietary knowledge. The policy challenge, therefore, is to ensure that such restrictions protect legitimate business interests without unnecessarily limiting workers' mobility, entrepreneurship, and access to better opportunities.

Key Learnings and Recommendations

The report concludes that labour market resilience depends not only on maintaining employment levels but also on ensuring that opportunities are distributed more equitably across regions. Persistent geographic inequalities continue to influence access to employment, income mobility, and long-term economic prospects, making place-sensitive labour policies increasingly important.

The OECD recommends strengthening regional skills ecosystems, investing in lifelong learning, improving coordination between education systems and employers, and designing labour market policies that reflect local economic realities. Greater investment in infrastructure, digital connectivity, public employment services, and workforce development can help regions adapt to technological and structural change while reducing inequalities in access to quality jobs.

While the report focuses on OECD countries, many of its insights are relevant for countries such as India, where regional disparities in employment, migration, and access to skilling opportunities continue to shape labour market outcomes. Building stronger local economies, improving access to

skills training closer to communities, and aligning workforce development with regional industry needs can contribute to more inclusive and balanced economic growth.

Read More: [OECD Employment Outlook 2026](#)

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