Britain: Financial pain and insecurity for millions of families in 2009

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"Catastrophic," "worst year for jobs," "off the map" are just some of the descriptions made by commentators assessing the likely impact of the developing world recession on the UK economy.

In a report published December 28, the Chartered Institute of Personnel and Development said that 2009 will be the worst for job losses in at least 20 years, with some 300,000 workers laid off in the months leading up to March 31. The "winter surge" in job cuts would see the equivalent of some 3,333 people losing their jobs every day over the next few months.

John Philpott, chief economist, said, "This time last year, in the face of some scepticism, the CIPD warned that 2008 would be the UK's worst year for jobs in a decade. It was. But in retrospect it will be seen as merely the slow-motion prelude to what will be the worst year for jobs in almost two decades."

In apocalyptic terms, he compared the situation facing many personnel departments as comparable to scenes in emergency hospital units. "Managers will be attempting to perform the organisational equivalent of emergency triage," he said.

"Staff will be traumatised by news of colleagues losing jobs, anxious that they might be next, or simply feeling hard done by because their pay and perks are being scaled back."

The CIPD states that the 18 months from mid-2008 to the end of 2009 will see some three-quarters of a million jobs destroyed, "equivalent to the total net rise in employment in the preceding three years."

Leading economists have predicted that unemployment would top 3 million by the end of 2009.

According to a study commissioned by the *Daily Mail,* between November 1 and December 21 some 869 separate announcements of job cuts were made, with some 165,000 workers in the private sector laid off.

Philip Arnold, managing director at Mandis Research, described the situation as "catastrophic, as it is different in nature to any other recession ever to hit the UK. "We are helplessly buffeted by the economic winds of a global recession," he said.

The report came as frantic price cutting on the high streets, and exhortations by the government for families to consume more, appeared to have failed to stem the crisis in the retail industry.

On December 28 the children's clothing retailer Adams called in administrators. The firm makes clothes for Boots and its own brand and has 260 stores employing approximately 2,000 staff. It called in PricewaterhouseCoopers on Christmas Eve.

The move came just as Woolworths began laying off its 27,000 employees as the high street chain began closing its 800 plus stores. Window notices stated that everything in the stores—including fixtures and fittings—was for sale.

At the same time, the music chain Zavvi, menswear retailer The Officers Club and tea and coffee merchant Whittard of Chelsea all went into administration. The Officers Club and Whittard were subsequently sold.

In the run-up to Christmas, Bradford & Bingley, Abbey, Alliance & Leicester and Rolls Royce were amongst major names to announce job losses.

Analysts at Bank of America and Capital Economics have said that the UK economy is now heading into its steepest yearly slump since 1947, with economic output shrinking by up to 2.5 percent in 2009. The year 1947 saw the austerity measures of the war period intensified, with cuts in already meagre rations instituted and a wage freeze implemented.

The assessment came after the Office for National Statistics (ONS) revealed that the fall in GDP in the third-quarter from July to September had been greater than expected—down 0.6 percent on the previous quarter compared to an anticipated 0.5 percent contraction. This was the largest fall since the end of 1990, when Margaret Thatcher was ousted from power by a coup in the Conservative party.

Jonathan Loynes of Capital Economics said, "The economy has already contracted more sharply than previously estimated. We expect GDP to fall by 2.5 percent next year, the worst performance in any single year since 1947."

Economist Matthew Sharratt of Bank of America said, "Hit by a global credit crunch, a domestic housing market collapse, and now a sharp contraction in world demand, the UK economy has slumped into a serious recession."

Writing in the *Guardian*, Ashley Seager stated, "We have not yet had the figure for the fourth quarter—that will come at the end of January and is likely to be simply horrible at—1% or more. It could even surpass the 1.2% contraction of the third quarter of 1990, when the economy was slumping into recession.

"The speed of the deterioration is such that we are going off the map in terms of what to expect—we have not seen a recession like this before and with Barclays chief John Varley warning it could be two years before banks start lending again in normal volumes, who knows how bad it could get?"

According to new research by consultancy Oxford Economics, it gets much worse. Oxford Economics reported that Britain's gross domestic product in dollars per head has fallen 4.6 percent in the past year, largely due to the collapse in sterling, which has plunged by 25 percent against the dollar in just six months. The pound has fallen by 40 percent against the Japanese yen and is now trading close to parity against the euro.

The result, the consultancy forecast, is that living standards will fall to the lowest of any major economy over the next year.

Writing on the report, the *Guardian* noted, "As recently as 2007, Britain was at the top of the heap, with GDP per capita—measured at market exchange rates—exceeding that of America for the first time since the Victorian era."

The UK has subsequently slipped behind the US, France and Germany, Oxford Economics reports, and is expected to fall against Italy and Japan in the new year. Adrian Cooper, managing director of Oxford Economics, said, "The bust in financial markets has taken a heavy toll. Recession and falling sterling have relegated the UK to the bottom of the G6 league table."

ONS figures confirm that UK manufacturing is already in recession with "significant" falls in the manufacture of electrical equipment, transport equipment and paper, printing and publishing. Output in the services sector recorded its worse fall since July-September 1990, down by 0.5 percent. The service sector accounts for four-fifths of the UK economy.

Almost immediately, big business made clear its intention to demand that workers pay for the economic downturn. Britain's Chamber of Commerce called for the government to ensure there would be no increase in the national minimum wage in 2009. Any increase would "simply add to unemployment," the BCC argued. Currently, the minimum wage is set at the hourly rates of £5.73 for those aged over 21, £4.77 for 18- to 21-year-olds and £3.53 for 16- and 17-year-olds.

A survey by the BCC also found that 43 percent of its members intend to freeze wages next year, and a further 9 percent intend to cut them by up to 10 percent.