

Fall in British unemployment figure misleading

Ann Talbot**13 August 2010**

The level of unemployment in the UK fell according to official figures released this week. The numbers of people claiming jobless benefits fell and the number of people in work increased. But the figures mask some disturbing trends that point to rising levels of exploitation and fundamental changes in the structure of the labour market.

Unemployment now stands at 7.8 percent according to figures compiled according to the International Labour Office criteria. This compares with 8 percent in the first quarter of 2010.

Britain appears to have lower unemployment levels than other Western countries. Unemployment is 10 percent in the Eurozone, and 9.5 percent in the US.

On closer examination it becomes clear that this fall in the number of unemployed and the rise in the number of employed are almost entirely accounted for by the increase in part-time work. The Office of National Statistics (ONS) calculates that 7.84 million people are now in part-time work. This is 27 percent of the workforce. It is the highest figure since comparable records began in 1992.

Young people are being forced into low-paid, part-time work because they cannot claim benefits. Unemployed people are being forced off benefits by an increasingly aggressive system of assessment. Even those receiving disability benefits are being pressured to take work. Many of those in work are finding that they face a choice between being sacked or going part-time.

The move to part-time working affects all sections of the workforce. The accountancy firm KPMG reckons it has saved £4 million by getting 10,000 of its staff in Britain to accept a four-day week or sabbaticals.

Other companies are following the same pattern. Norton Rose, the London law firm, has put 600 of its

2,000 staff on a four-day week. British Airways has saved £200 million through part-time working.

Many of the major retail chains that have always employed part-time workers have increased the number of their employees on part-time contracts.

What is new is the spread to the manufacturing industry. The trend began with the major car manufacturers—Honda, Toyota, Vauxhall and Jaguar Land Rover—but it is now widespread. Metal Assemblies, which makes car parts in the West Midlands, went to a four-day week last year. What began as a temporary measure in response to the recession is rapidly become permanent.

There has always been a demand for part-time work, but part-time contracts are now beginning to replace full-time work. At least 1 million people are thought to be working part-time because they cannot find a full-time employment. No figures are available to indicate the number of those working multiple part-time jobs.

The rise in the number of people in employment and the rise in the number of part-time workers is reflected in the record proportion of the population involved in the workforce. More than 70 percent of those over 16 years of age are now in work. This is the highest level since 1997.

It is a figure that paints a picture of financial stress. Few families can afford to keep economically inactive members. Both partners and their adolescent children must work as a matter of economic necessity.

The shift to part-time work results in much higher levels of exploitation. Part-time workers inevitably get lower pay. A 20 percent cut is not uncommon. Their social wage decreases too. Benefits that are dependent on contributions from the employee and employer are reduced. Job security is much less for part-time workers.

The pressure is evident in pay figures. Pay increased by 1.3 percent as compared to 2.7 percent last year. This is less than the rate of inflation, which is running at 5.1 percent according to the retail price index. Effectively the average worker has taken a pay cut.

All the indications are that unemployment will increase in the next quarter. Government cuts are set to slash an estimated 600,000 jobs in the public sector. More jobs will follow as the impact of the cuts hits the private sector. The claimant count, which is the first indicator of unemployment levels, is rising.

Gerwyn Davies of the Chartered Institute of Personnel and Development said, "This looks like yet another set of strong and encouraging figures on the surface. However, cracks now seem to be emerging; with a considerable growth in part-time work, lower pay settlements and a slower decline in the claimant count, all features of a more uncertain jobs market".

"This might be a sign that the slowdown in the wider economic recovery is already spreading to the labour market. And with sharp public sector job cuts looming, we still think that renewed rises in unemployment lie ahead", said Vicky Redwood of Capital Economics.

In some regions and among some sections of workers the trend towards rising unemployment is already evident. In Scotland the rate of unemployment increased by 0.2 percent to 8.4 percent. Nearly a quarter of a million people are now unemployed in Scotland, a region that is heavily dependent on public spending.

Youth unemployment fell nationally by 6,000. But at 17 percent this is still more than double the national average. The ONS calculates that 724,000 18 to 24-year-olds are now out of work.

Long-term youth unemployment actually increased. The number of 18 to 24-year-olds out of work for two years or more went up by 11 percent, bringing it to 2,000. This is a 41.9 percent increase in the past 12 months.

According to a study by the Trades Union Congress, long-term youth unemployment is now rising in most regions of Britain. The TUC found that 142 local authorities reported an increase in the number of young people who had been out of work for more than six months.

Scotland has been particularly badly hit by youth unemployment. But the steepest rise was Medway in Kent in the southeast of England. Medway has

experienced a 158 percent increase in long-term youth unemployment. It is closely followed by West Lothian, South Ayrshire and the city of Edinburgh in Scotland.

Young people without qualifications are most likely to suffer unemployment. But even graduates are struggling to find work. Each graduate vacancy now gets an average of 69 applicants.

It is not just young people who are at risk. Older workers are finding themselves increasingly trapped in long-term unemployment. The number of over-50s who have been out of work for more than a year has risen by 52 percent in the last 12 months. It is now at a 10-year high of 170,000.

"This is the highest level of long-term unemployment among over-50s that we have seen in a decade", said Michelle Mitchell, director of Age UK, "and brings back the spectre of the last two recessions which left a devastating legacy of unemployment among people in later life".

The figure is likely to rise still further when the government removes 750,000 over-50s from Incapacity Benefit and insists that they find work.

Long-term unemployment is increasing among all age groups. The figure for those out of work for more than a year is up 33,000 to a 13-year high of 796,000 over the quarter to June. Economists are increasingly warning of the dangers of structural unemployment. This will mean that more and more workers face the choice between either long-term unemployment or part-time work on low pay. A major change in the pattern of work is taking place as employers use the opportunity of the recession to crank up the level of exploitation and maximize their profits at the expense of workers.



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