

UK unemployment reaches 17-year high

Julie Hyland
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Unemployment in Britain reached its highest level for 17 years, official figures released Wednesday reveal.

Some 2.57 million people—8.1 percent of the population—are registered out of work, the number rising by 114,000 between June and August. Youth unemployment is now the highest on record, with 991,000 16- to-24-year-olds jobless, or 21.3 percent. Unemployment amongst 16- to 17-year-olds rose by 3,000 to 205,000.

Nearly one-quarter of the UK population are now classed as economically inactive—9.35 million people. Combined with the latest jobless figures, it is estimated that half of all those between the ages of 16 and 25 are out of work.

The numbers claiming jobseekers allowance rose by 17,500 in September, to 1.6 million, while 60,000 people joined the ranks of the long-term unemployed—those out of work for more than one year—making a total of 867,000.

Official figures show that employment fell by 178,000 and the decline in part-time employment was the largest-ever, down by 175,000. Some 150,000 were laid off in the last quarter—a rise of 6,000 on the previous.

Wages also continued to decline. Average earnings (minus bonuses) rose by just 1.8 percent, while tax and price inflation stands at 5 percent.

The statistics are an economic catastrophe for many families. As part of its £100 billion austerity measures, the Conservative-Liberal Democrat government is pushing through a major attack on welfare benefits, with cuts to housing and invalidity allowances, and workfare schemes. Some £18 billion is to be slashed annually from social security spending, at a time of rising unemployment and poverty.

According to a study by the Institute for Fiscal Studies, government changes to tax and benefits mean an ordinary family will see annual income decline by

£2,000 over the next year, while household spending power will fall in real terms by 7 percent. The report, funded by the Joseph Rowntree Foundation, calculated that this would represent the largest reduction over three years since the 1970s.

Government changes to tax and benefits will push 400,000 children into relative poverty by 2020, defined as below 60 percent of average household income in that year. A total of 3.3 million children—almost one in four—will be living in relative poverty by that date. The numbers of children in absolute poverty (below 60 percent of the 2010/2011 average—a measure set by the government) will rise by half a million, to 3 million.

An Internet campaign run by Graduate Fog is exposing how big business is taking advantage of rising unemployment rates, particularly amongst the young, to recruit unpaid or low-paid internships.

Urban Outfitters, for example, is running nine-month unpaid internships at merchandising departments in stores in several UK cities, while Reed recruiting agency was forced to remove adverts for 46 unpaid internships in the company due to national minimum wage legislation.

“Serial internships” are a growing phenomenon, with almost a third of interns—young graduates—doing three or more placements, often for months at a time, receiving only expenses.

A Graduate Fog “exclusive” disclosed an email from an intern recruiter at the UK science academy, stating that joblessness amongst young graduates had resulted in “a flood of excellent candidates” prepared to work for nothing.

The academy advises the United Nations and the European Commission, which means, the Graduate Fog web site stated, that the UN and EC “are indirectly benefiting from the unpaid labour of graduates so desperate for a job that they are willing to work for free.”

The unemployment figures and various studies came as the *Guardian* revealed that Britain's tax authorities had "forgiven" the United States banking giant, Goldman Sachs, £10 million interest on a failed tax avoidance scheme.

The newspaper reported, "In the 1990s, Goldman set up a company offshore in the British Virgin Islands. This entity, called Goldman Sachs Services Ltd., supposedly employed all of Goldman's London bankers, who were then 'seconded' to work there."

The purpose was "to avoid paying national insurance on huge bonuses for its bankers working in London".

The *Guardian* states that "at the height of Britain's banking crisis 100 London partners set their bonuses at £1m each. This level was considered a mark of restraint."

Goldman Sachs was among 21 investment banks and companies who used Employee Benefit Trusts (EBT), where bonuses were indirectly invested in share option schemes. In 2005 the UK's Inland Revenue proved in court that EBTs were a tax avoidance ruse, but Goldman Sachs refused to pay back the £30 million it owed. With interest, the amount outstanding had risen to £40 million last year.

In April 2010, a court rejected that Goldman's London bankers were employed by a company based in the British Virgin Islands. It was expected that the full bill would now have to be met. Instead, the *Guardian* reported that top tax official Dave Harnett, permanent secretary at Revenue and Customs, concluded a secret deal in December with Goldman Sachs to forgo some £10 million.

A separate study by the anti-poverty charity ActionAid, published Tuesday, reveals the extensive use of tax havens by the banking sector in particular. It is the first time that such a list has been drawn up.

All companies in the UK are legally obliged to list their subsidiaries and country of registration. Examination reveals that 98 of the UK's FTSE 100 companies have offshore subsidiaries in known tax havens such as the Cayman Islands, Switzerland and the Channel Islands. Only Mexico's Fresnillo mining corporation and financial services group Hargreaves Lansdown report no offshore subsidiaries.

The banking sector has the largest number, with the top four of the UK's banks—HSBC, Barclays and the taxpayer-funded RBS and Lloyds—holding a total of

1,649 offshore subsidiaries. Top of the list is HSBC, the world's second largest bank and financial services corporation, which is headquartered in London. According to the ActionAid report, it has 556 subsidiaries in tax havens. Barclays registers 174 subsidiaries in the Cayman Islands alone.



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