UK unemployment on track for 3 million mark

Linda Slattery
21 December 2011

Unemployment continues to rise in the UK, to a 17-year high at 2.64 million, or 8.3 percent of the population. During the previous quarter, unemployment rose to 7.9 percent of the population. Between August and October of this year, the upward trend continued as 128,000 more joined those out of work. Economists forecast that it is on track to reach 3 million next year.

Young people and women have been particularly hard hit. Female unemployment increased by 45,000 to 1.1 million, the highest for 23 years since 1988. One in five people between the ages of 18 to 24 (1.026 million, or 22 percent) are now jobless, as 54,000 more failed to find work in the last quarter. This is the highest figure since records began in 1992.

A substantial increase in unemployment was recorded in most UK regions. The largest rise was in the east of England, with a rise of 26,000 people, to 218,000. In Scotland, the number rose by 25,000 up to 229,000, and in the north west of England, the figure rose by 19,000 to 301,000. In Wales, unemployment rose by 11,000 to 133,000 (9.1 percent)—an increase of 8,000 on the same period last year.

In London, official unemployment edges towards half a million, as a further 13,000 were added to the unemployment rolls, putting the total there at 423,000. The seasonally adjusted rate for the capital for the three months to October was just under 10 percent. This was the highest rate seen by any region apart from the north east of England, and an increase of 0.3 percent from the previous quarter.

Many of London's boroughs are blighted by unemployment including Hackney South and Shoreditch (with a rate of 8.6 percent), Tottenham (8.3 percent), West Ham (7.6 percent), Walthamstow (7.4 percent), Edmonton (7.3 percent) and Bethnal Green and Bow (7.3 percent).

Youth unemployment is far higher. Tottenham is within the London borough of Haringey, and was the area in which the police killing of an unarmed man occurred in the summer, sparking off riots in the UK nationally. In August, the youth unemployment rate in Haringey stood at 28 percent. In June, the number of new jobs in the borough had fallen by 50 percent since 2009, leaving 54 people chasing every vacancy. Social conditions have only deteriorated markedly since then.

The figures also dispel the government's incessant propaganda of a "private sector-led" economic recovery that will supposedly compensate for the destruction of tens of thousands of jobs as a consequence of its austerity policies.

Over the last year, public sector employment has been cut by 276,000, while employment increased in the private sector by 262,000. This has all but come to a grinding halt now, however, with the onset of a recession in all but name in the UK and the ongoing crisis in the eurozone (Britain's largest trading market). In the last quarter, private sector employment rose by only 5,000 while public sector employment fell by 67,000.

In the shadow of the euro crisis and an anticipated drop in demand, firms are either not hiring or making redundancies. The 170-year-old travel agent group Thomas Cook is closing 200 of its UK branches over the next two years—125 more than previously announced. Last week, some 661 staff at 115 Thomas Cook stores were told that their branch could close. A spokesman for the firm explained that the proposed closures were due to losses of £398 million last year in the UK and France.

The rise in public sector unemployment is set to continue as local authorities up and down the country continue to slash vital services.

Labour Party-led Oldham Council, for example, has agreed to axe up to 800 jobs in order to save £24 million—more than a tenth of its total budget.

The social services department will be taking the biggest cut with £8.2 million followed by £5.2 million from the internal services budget and £4.6 million from highways and other environmental services, as well as £3.5 million from libraries and neighbourhood services and £2.8 million across the board. Oldham Council is inviting the public on its web site to participate in the slashing of services on which they depend.

Conservative-controlled Trafford Council, Greater Manchester, is proposing to axe 100 jobs and replace staff with unpaid volunteers to work in parks and libraries in a bid to make a £16 million cut in its budget. The mobile Library Service, on which the elderly and disabled rely, is to be axed completely.

One of the hardest hit areas will be communities and well-being services, which will lose 6.2 percent of their budget—a cut of £6.8 millions. This includes reducing the Supporting People Fund, where people will be forced to pay for their care earlier, face cuts in some domestic support, and bear the brunt in increases to the cost of transport to day care.

Unable to put a gloss on the rising unemployment figures, Chief economist at the Chartered Institute of Personnel and development John Philpot declared: "Today's figures were encouraging in as much as they might have been worse."

One of the first measures imposed by the coalition government was to scrap the £1 billion Future Jobs Fund, under which got more than 100,000 young people into work. "Two fifths of unemployed young people have been jobless for more than six months," Prince's Trust chief executive Martina Milburn noted in relation to the cut.

Graeme Leach, chief economist at the Institute of Directors, stated that the dire economic conditions facing the eurozone were only likely to result in even higher unemployment in the UK. He said, "The ongoing failure to resolve the euro crisis is likely to mean that unemployment rises still further over the winter. Many businesses are still watching and waiting."

Not only is unemployment rising, but the problem of job insecurity is compounded by the fact that wages are lagging behind inflation. The Consumer Price Index inflation rate is running at 4.8 percent, while pay rises slowed to only 2 percent in the three months up to October this year.

The unemployment figures were released as a new survey by financial services group Deloitte found that a fifth of UK households had suffered a drop in income in the last quarter. Deloitte noted that the drop in income was attributable to unemployment, loss of bonuses for those in work, a reduction in overtime or more part-time working.

The survey found that increases in inflation had forced up the cost of essential items. Some 44 percent of respondents reported spending more on food; 50 percent said they were spending more on utility bills and 37 percent were spending more on transport costs.

The report found 28 percent of people were cutting back on holidays, and 36 percent were spending less on clothing and footwear. Deloitte's survey found that 41 percent of consumers were also spending less on entertainment.

Ian Stewart, chief economist at Deloitte, said, "A fierce squeeze on disposable income and high levels of macroeconomic volatility pushed the consumer sector back into recession in 2011". He added, "The UK has generated far higher levels of inflation over the last year than any other industrialised nation, and this has hit consumer spending power."

In the face of this onslaught on the living standards of millions, the Trades Union Congress (TUC) had virtually nothing to say. For more than a year, the TUC has worked to demobilise opposition to the government's assault on jobs and living standards. In response to the latest figures, TUC general secretary Brendan Barber called for the government to "invest in employment schemes to get people back into work."

As Barber is well aware, any such schemes would be used solely to provide cheap labour for the major companies, and to drive down wages across the board still further.