UK unemployment hits new high

Julie Hyland 17 February 2012

Unemployment in Britain stands at a 16-year high of 8.4 percent, the Office for National Statistics (ONS) announced Wednesday.

The figure, based on the government's preferred International Labour Organisation measure, shows that the number of people out of work rose by 48,000 on the previous three months to 2.67 million.

While the increase was the slowest since June, this is largely due to the rise in those forced into part-time employment due to the lack of an alternative. The number of part-time workers in the UK now stands at 1.35 million—the highest figure on record.

Youth unemployment also rose to a new record again, by 22,000. Some 1.04 million 16- to 24-year-olds are out of work—a rate of 22.2 percent, or more than one in five.

Women workers accounted for two-thirds of the increase in jobless. Female unemployment rose by 32,000 with the number of women claiming unemployment benefits now at 531,700—the highest level since 1995.

More than 1 million women are now out of work. The rise is attributable to the government's austerity measures, which have seen tens of thousands of jobs lost in the public sector.

More than 530 workers lose their jobs daily in Britain. The ONS says that the UK economy shrank by 0.5 percent in the last three months.

Wages, meanwhile, continue to stagnate. Average earnings rose by just 2 percent on the year, well below the Consumer Price Index rate of inflation, despite its relatively sharp fall to 3.6 percent.

Mervyn King, the governor of the Bank of England, said the economy faced "substantial headwinds" but claimed that the UK was on the mend. Work and Pensions Minister Lord David Freud described the jobless figures as "mixed", but claimed there were "signs of stability."

The Conservative-led coalition has pointed to the rise in the numbers in employment and a decline in those classed as "economically inactive". But these figures are the result of the boom in part-time work, whereby workers have little or no employment protections, which rose by 83,000 on the last quarter. The other major factor is the government measures to drive the sick, disabled and single-parents into the job market.

The numbers claiming Jobseekers' Allowance rose for the 11th consecutive month by 6,900 to 1.6 million.

The North West saw the biggest increase in joblessness, up by 26,000. The North East still has the highest rate of unemployed, at 11.2 percent. In London, 18,000 people lost their jobs in the last quarter, bringing the unemployment rate in the capital to 10 percent. The city, supposedly the powerhouse of the UK economy, is second on the list of unemployment blackspots nationally.

Earlier, the Chartered Institute for Personnel and Development (CIPD) warned that Britons were facing the worst employment prospects since the 2007 recession, with the number of jobless on course for 3 million by the end of the year.

The CIPD said that claims that the private sector would compensate for the loss in jobs in the public sector were unfounded. Businesses were planning to shed jobs at the fastest rate for two years, it reported.

Figures released by the Trades Union Congress show that the UK unemployment rate is already far higher than official figures suggest.

The ILO measure of unemployment counts only those out of work who have actively sought a new job in the last month. The TUC said that the number of jobless wanting work, but who have not applied for a post in the last six weeks, is 2.2 million. Those underemployed, including those in part-time work because of the absence of full-time employment, add another 1.3 million to the total.

The ONS figures were released just days after Moody's rating agency downgraded six European countries—Italy, Spain, Portugal, Slovenia, Slovakia and Malta—and put Britain's AAA credit rating on "negative" outlook.

Moody's said that there was a one in three chance the UK would be downgraded in the next 18 months, citing a "slowdown" across the euro zone.

Vicious austerity measures have seen the Greek economy shrink by 7 percent and Portugal by 1.3 percent on the last quarter. Industrial output across the euro zone was down by 1.1 percent in December compared with the previous month, indicating the region was heading for recession. German output was down especially sharply, by 2.7 percent on the month.

Moody's decision was intended as a warning to Prime Minister David Cameron's coalition not to retreat on its own austerity measures, citing a potential downgrade if there was evidence of a "reduced political commitment to fiscal consolidation, including discretionary fiscal loosening or a failure to respond to a deteriorating fiscal outlook."

Last week, the Bank of England announced a £50 billion increase in its quantitative easing programme, buying gilts to pump money into the banks. It is the third rise in QE, taking the overall total to £325 billion.

None of this money is being passed on to shore up economic recovery as claimed. While the coffers of the banks and financial speculators are swelled at taxpayers' expense, bank lending to the private sector fell by up to 4 percent on the year in the last quarter of 2011 with lending to small and medium size firms most affected.

While the CEOs of UK banks—including those almost wholly owned by the taxpayer—continue to receive millions in bonuses, the government has targeted benefit claimants for sharp reductions in their income. Allowances for children and housing are all subject to cuts, along with tax credits paid to families on low wages.

According to the Institute for Fiscal Studies, more than 80 percent of the government's spending cuts have yet to take effect. It had called for Chancellor of the Exchequer George Osborne to make temporary cuts in Value Added Tax or employer's National Insurance contributions in his March budget to try and stimulate growth.

Following Moody's announcement, Osborne insisted there would be no retreat from spending cuts. The rating agency had served "a reality check that Britain has to deal with its debts," he said. "[H]ere is yet another organisation warning Britain that if we spend or borrow too much we are going to lose our credit rating and that will lead to a loss of investor confidence in our economy."

The chancellor accused the BBC of fuelling an "antibusiness culture," following an interview in which presenter John Humphreys queried if the government was favouring cuts over growth.

Likening the BBC to "women who gathered to watch French Revolution executions", Osborne said an "antibusiness" culture was being fed by a "relentless diet of stories that we're being ripped off by every single company in the country."



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