Record unemployment and indebtedness in Europe

Stefan Steinberg
1 November 2012

The latest figures released by Europe's official statistics agency confirm that the trend towards recession is deepening. The clearest indicator of this process is the steady increase in unemployment across the continent.

Unemployment in the 17-country euro zone rose to a record level of 11.6 per cent in September. With 146,000 workers losing their jobs that month, the total number of jobless in the eurozone climbed to 18.49 million. The latest figures for the 27 nations in the larger European Union (EU) reveal that no fewer than 20 EU states have recorded increases in unemployment compared to a year ago.

The jobless rate is highest in those countries that have been singled out by the EU, European Central Bank and International Monetary Fund (the so-called "troika") for punitive austerity measures. At the same time, there are signs that the trend towards recession is hitting core European countries and industries. Within the past week, Ford announced the closure of one of its main European factories in Belgium, while the Swiss Bank UBS announced it was slashing 10,000 jobs (Switzerland is not a member of the EU).

The EU country currently with the highest rate of unemployment is Spain at 25.8 per cent, which is now in its fifth quarter of recession. Second place is held by Greece (25.1 per cent), although the Greek figures come from July, so it is entirely possible that joblessness in that afflicted country is comparable to or even exceeds levels in Spain.

While one quarter of both the Spanish and Greek workforce is unemployed, the situation for young workers in each country is much worse. Youth unemployment reached 50 percent in both nations in March 2012. The latest Eurostat statistics confirm that the rate of unemployment amongst young workers is accelerating, with levels now recorded at 55 and 53 percent for Spain and Greece, respectively.

In Italy, which has also been subjected to the austerity diktat of the bankers' troika, the overall jobless rate rose to 10.8 per cent in September, while youth unemployment hit a 24-year high of 35.1 percent.

Europe's largest economy, Germany, registered a small decline in the number of unemployed, but this was bound up with seasonal adjustments. Normally, the German labour market swells in September-October by at least 50,000-60,000 as seasonal workers take up work. This year, this increase was limited to 35,000, reflecting the growing crisis for German industries heavily dependent on exports to the rest of Europe.

The head of the Federal Employers' Association of Personnel Services (BAP), Volker Enkerts, declared that his federation members were definitely feeling the effects of the economic downturn and predicted that an additional 60,000 short-term agency workers would lose their jobs by the end of the year. To supposedly ease the situation for struggling companies, Enkerts called for the introduction of part-time working for agency workers. His call was promptly endorsed by Berthold Huber, the head of Germany's biggest trade union, IG Metall.

While unemployment continues to climb relentlessly in Europe, other figures released earlier this month revealed that a total of 20 EU states have experienced an increase in their debt-to-GDP (Gross Domestic Product) ratio compared to the first quarter of this year. Just six EU states reported a decline in debt, and one country's debt remained stable. The combination of massive handouts to the banks in the form of virtually interest-free loans plus the effects of drastic austerity measures throughout Europe, which have dried up tax revenues, have led to burgeoning indebtedness.

Leading the debt table in Europe is Greece, which had the highest debt-to-GDP burden at 150.3 percent in June of this year. Greece was followed by Italy at 126.1 and Portugal at 117.5 percent (all figures for June). Greece is now in its fifth year of recession, and, in the wake of the latest austerity programme, the government recently revised its forecast for the country's economic output decline to 4.5 percent in 2013 from the previous 3.8 percent. Greece's budget deficit is expected to increase by 5.2 percent of GDP for 2013 (earlier forecast to be 4.2 percent), while its debt ratio is expected to soar to 189.1 of GDP.

Five euro zone countries are already in recession—Greece, Spain, Italy, Portugal and Cyprus—and it is expected that a recession will be announced for the entire region when the newest euro zone economic figures are published in mid-November. The only notable major country to buck the trend towards recession is Germany, where the economy grew by just 0.3 percent in the second quarter of this year. As its markets shrink in Europe, Germany is also expected to trend downward when economic data are published November 15.

The latest figures are a devastating indictment of the policies of the international financial and European political elites. The continent's working population is being bled dry in order to slake the thirst for profits by the big banks and major companies. A number of recent nervous commentaries in the media have warned of the potentially explosive social and political consequences of the attacks currently being carried out. Comparable levels of mass unemployment in industrially developed countries were last witnessed during the Great Depression in America and the Weimar Republic in Germany.