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Job losses

When it gets personal

Nov 20th 2008
From The Economist print edition

The downturn is now gripping the labour market

FOR many Britons, especially workers and those looking for jobs, the past few days were when it all sank in. Falling GDP is one thing, a worry to be sure but still abstract. Lay-offs are another, evoking the insecurity of the recession in the early 1990s.

Scarcely a day goes past now without an announcement of job cuts. On November 13th BT, a telecoms company that has cut 4,000 jobs since April, said it planned to get rid of a further 6,000 by next spring; most of the losses, which include workers employed by outside contractors as well as the firm's own staff, will be in Britain. On November 17th Citigroup outlined big job losses around the world; among these will be some of the American bank's 11,000 employees in Britain. The following day Wolseley, a building-materials firm, said that it would cut around 2,000 British jobs.

Already, unemployment has started a menacing climb. The jobless rate has risen from 5.2% in the first three months of 2008 to 5.8% in the third quarter. That has taken the number of people out of work and looking for jobs to over 1.8m, the highest since 1997. The narrower measure of people claiming unemployment benefit (which excludes in particular many jobless women because their partners' earnings make them ineligible for it) is poised to break through the politically sensitive 1m mark. The three months to October saw a rise of 108,500, the biggest such increase since the end of 1992.

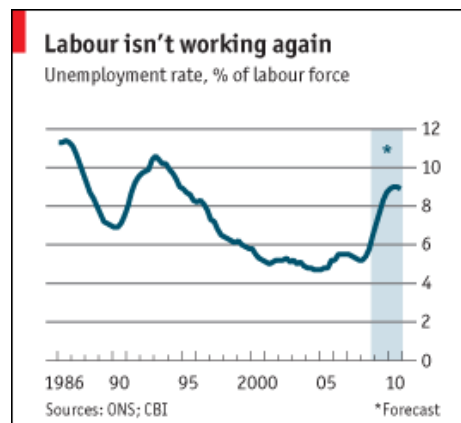
It will get a lot worse before it gets better. A forecast from the Confederation of British Industry (CBI) this week portrays the pain that lies ahead. The employers' group thinks the claimant count will rise to 1.9m in 2010, and the wider measure of unemployment to 2.9m. That will push the jobless rate to 9%, worryingly close to the previous peak of 10.7% in 1993 (see chart).

All this will put a chill in the air after 15 years in which workers have generally not had to worry about losing their jobs. Indeed, employment grew steadily, on an annual basis, from a low of 25.3m in 1993 to a peak of 29.5m this spring. When the economy slowed, as it did in 2002 and 2005, employers did not sack workers but instead clung on to them.

But in the third quarter of this year, employment fell by almost 100,000 from the previous three months. That decline looks set to worsen as firms batten down the hatches. Employers were reluctant to get rid of staff because redundancies are expensive and destroy morale among those who keep their jobs, says John Philpott, chief economist of the Chartered Institute of Personnel and Development. Now many believe they have no other option. Although a slowdown in immigration may soften the blow for those seeking work, the impact will still be severe.

Initially, job cuts were most apparent in finance and homebuilding. Now they are spreading throughout the private sector, says Lai Wah Co, the CBI's head of economic analysis. Manufacturers surveyed by her group are more pessimistic about the outlook for production over the next three months than at any time since 1980.

The regional profile of the recession is changing too. London is particularly vulnerable because of its dependence on financial services. A study for the Local Government Association published this week suggests that London will lose 374,000 jobs—a bigger share of its employment than elsewhere—over the next two years.



But early hopes that other regions might get off lightly have been dashed. Over the past year, the jobless rate has risen more in the north-east and in Yorkshire and the Humber than in London, and by as much in Wales. As the economic woe ripples out from finance, no part of the country will be spared a sharp rise in unemployment, says Mr Philpott. Across Britain, the recession is turning personal.

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