

# Recession Report

Number 6 April 2009

## Headline statistics

The latest employment figures cover the three months to February 2009, and show:

- 29.27 million people in work, 126,000 less than in the previous 3 months and 227,000 fewer than the same period a year earlier.
- A working age employment rate of 73.8 per cent, down 0.4 percentage points on the previous quarter and 1.1 points on the same period in 2008.
- Unemployment at 2.1 million (839,000 women and 1,261,000 million men), up 177,000 on the quarter and 486,000 on the year. The rate of quarterly increase was 9.9 per cent for men, and 8.2 per cent for women.
- An unemployment rate of 6.7 per cent, up 0.6 points on the previous quarter, 1.5 on the year.

Figures to the end of March 2009 show:

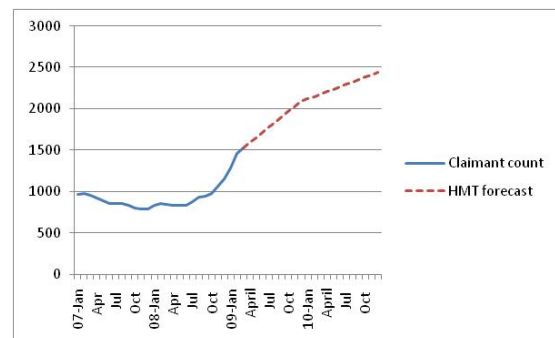
- 462,000 job vacancies, 68,000 down on the previous three months and 231,000 down on the year.
- 1,464,100 people claiming JSA, an increase of 73,700 on the month and 672,100 on the year.

There was a 5.3 per cent monthly rise in the claimant count, compared to rises of 11 per cent and 8 per cent respectively between the

preceding months. From Feb 09 – March 09 vacancy rates remained stable. It is however far too early to describe these trends as grounds for optimism. The monthly rise in JSA claimants remains one of the largest on record and between the rolling quarters Nov 08-Jan 09 and Dec 08 – Feb 09 ILO unemployment increased by 3.5 per cent, the fastest rate of increase between any set of rolling quarters since the recession started. Continued steep rises are very likely in the immediate future, and it will be several months before we know whether the rate at which unemployment is increasing is starting to slow.

The Budget analysis<sup>1</sup> forecasts that claimant unemployment will rise to 2.09 million this December and will stand at 2.44 million at the end of 2010. The estimates are reliant upon an average monthly claimant count increase of 29,500 during 2010, which may prove optimistic. The rate of increase implied by these assumptions is shown in the chart below.

**Claimant count Jan 07 – Mar 09 and HMT forecasts**



### Wider economic indicators

The Treasury's analysis of recent independent economic forecasts shows that the average of new forecasts is for the economy to shrink by 3.4 per cent in 2009, with very limited growth resuming in 2010.<sup>2</sup> This predicted average has fallen by 0.3 percentage points on the previous month. While the Budget analysis<sup>3</sup> concurs with independent forecasters this month it is more optimistic in its assessment of the prospects for next year, forecasting 1.25 per cent GDP growth.

Some commentators have recently been suggesting that the rapid rate of decline in the economy may be starting to slow. Examples cited include the most recent ONS index of production<sup>4</sup>, which showed that production output in the three months to February 2009 was 11.1 per cent lower than the same three month period a year earlier. Although this was the greatest annual fall since records began four decades ago the falls reported between January and February were less severe than analysts had been predicting.

Similarly, companies surveyed for the CBI's Access to Finance report<sup>5</sup> were reported to be less negative in March than they had been in February, and the number of companies expecting conditions to worsen in the next three months fell back a little during the month. However, concerns about the cost of existing finance increased, and the survey also suggests that problems with the availability of trade credit insurance have intensified.

While it is possible that the rate at which the recession is accelerating may be beginning to slow, it is also unlikely that growth will return in the near future. The TUC's assessment is that it remains too early to tell if the pace of the recession is easing, and that with unemployment set to rise for many months to come it is

unlikely that the real economy will feel any recovery this year.

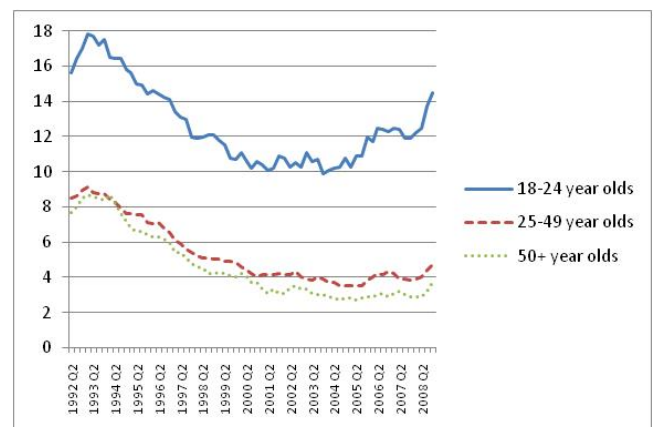
### Unemployment trends

#### Young people

Sharply rising unemployment among young people is now of extreme concern. The unemployment rate for young people aged 18-24 is 15.1 per cent, having increased by 3.2 percentage points since the same period last year. This is an increase of over twice as much as that experienced by other age groups: unemployment has increased by 1.3 percentage points for adults aged 25-49 and 1.1 percentage points for those aged 50 and over.

There are now 631,000 unemployed young people, 17.6 per cent of whom (111,000 young people) have already been unemployed for over 12 months. A further 110,000 (17.4 per cent) have been unemployed for 6-12 months. It therefore seems highly likely that by the end of this year at least 200,000 young people will have been unemployed for a year, and a large proportion will have spent over two years out of work.

**Unemployment rates for working age adults by age, Mar-May 92 – Dec-Feb 09**



## Recession Report

### International comparisons

Recent data from the United States<sup>6</sup> compare unemployment rates for 10 developed nations in December. The figures show the UK in the middle of the table:

**International comparisons of unemployment, Dec 2008**

Country	Rate
France	8.5
Germany	7.4
USA	7.2
Italy	7.0
Sweden	6.6
UK	6.5
Canada	5.8
Australia	4.5
Japan	4.4
Netherlands	2.8

The most recent Eurostat data<sup>7</sup> show that unemployment in the UK continues to increase faster than the euro zone average (1.3 percentage points from Feb 08 – Dec 08, compared to 0.9 percentage points across the eurozone) and at over twice the rates of France, Germany or Italy.

### Unemployment and previous occupation

While there has been a 0.5 percentage point increase in unemployment among higher paid professional groups, unemployment rate for those in elementary occupations has increased by 1.2 percentage points. In addition, those in low-skilled occupations have far higher overall rates of unemployment.

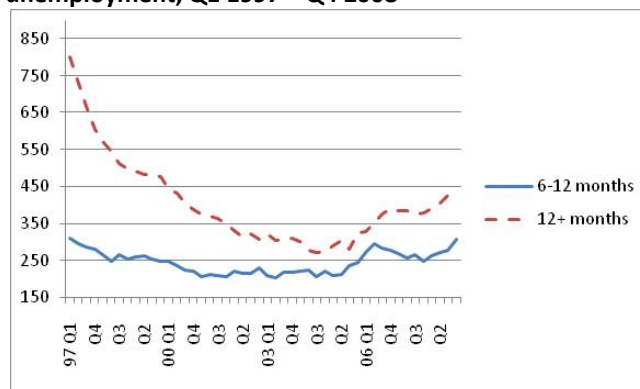
**ILO unemployment rates (%) by previous occupation 2008 Q1 – Q4**

	Mangers and senior officials	Professional occupations	Elementary occupations
Q1 2008	1.9	1.1	8.4
Q2 2008	2.0	1.3	9.1
Q3 2008	2.2	1.6	9.7
<b>Q4 2008</b>	<b>2.4</b>	<b>1.7</b>	<b>9.6</b>
Increase Q1-Q4	0.5	0.6	1.2

### Long-term unemployment

While levels of long-term unemployment look set to rise, they are still far lower than they were in 1997.

**Levels of 6-12 month and over 12 month unemployment, Q1 1997 – Q4 2008**



And there have not yet been significant changes in the proportions of unemployed people spending over six months on JSA. In January 2009 60.7 per cent of claimants had been on benefit for under six months, slightly more than the same period a year earlier when 59.2 per cent had been claiming for this long. As the recession progresses this balance is likely to change, although Government investment may mean long-term unemployment becomes less prevalent than in previous downturns.

### Notes

1. HMT (2009a) *Budget 2009: building Britain's future* London: The Stationary Office.
2. HMT (2009b) *Forecasts for the UK Economy: a comparison of independent forecasts* April 2009 London: HMT.
3. Ibid. HMT (2009a)
4. ONS (2009) *First Release: Index of Production, February 2009* Cardiff: ONS
5. CBI, Press Release, *Firms suggest credit crunch maybe becoming less severe – CBI survey*, 4<sup>th</sup> April 2009.
6. US Bureau of Labor Statistics, downloaded from <ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/flsjec.txt> on 23/04/2009 10:57.
7. Eurostat, Press Release, *Euro area unemployment up to 8.5 per cent*, 1<sup>st</sup> April 2009.

## Black workers and the recession

### Introduction

This month's *Recession Report* takes an early look at the impact of the recession on black and minority ethnic workers.

A year ago, the TUC published *Ten Years After*, marking the tenth anniversary of the Stephen Lawrence report by looking at the impact of ten years of Government policy on race equality. We found that, in employment, the Government had made some progress in closing the employment gaps, but we worried about the lack of employer engagement with the Government's efforts. Although the picture had improved with regard to employment rates, black and minority ethnic workers were still concentrated in low paid and part-time jobs, and they had difficulty in securing progression once they got jobs. *Ten Years After* was published just before the recession began to bite, so this *Recession Report* is an opportunity to review some of the issues we looked at in 2008 in the light of what has happened since.

### Summary

In previous recessions black and minority ethnic workers have been harder hit than other groups. The good news is that this does not appear to have happened in this recession so far: BME unemployment did rise during the early months of the recession, but not as steeply as white unemployment. Black and minority ethnic people are still less likely than white people to be employed and more likely to be unemployed, but the employment and unemployment gaps fell a little in 2008. It is important to remember of course that we still only have data for the early stages of the recession, and the picture may change as new figures are published.

These findings may be connected to the fact that a large proportion of black and minority ethnic workers live in London. London entered the

recession with high unemployment, but has had a net increase in the number of employees in 2008.<sup>1</sup> Another possible cause has been the fact that the public sector has not seen the same extent of job loss as the private sector in the early stages of the recession, and the sectors where BME employment performance has been strong have been largely in the public sector. Now that a number of public sector employers are making redundancies the picture may change, and any long term constriction on the public sector is likely to hit BME employment.

### Black and minority ethnic people and poverty

The background to our concerns continues to be the fact that black and minority ethnic families face a far greater risk of poverty than white families.

**Proportion of children living in poverty by ethnic group, 2006/7<sup>2</sup>**

Ethnic group	Proportion of children in poverty
White	27%
Mixed	41%
Asian or Asian British	50%
<i>of which</i>	
Indian	32%
Pakistani/Bangladeshi	63%
Black or Black British	48%
<i>of which</i>	
Black Caribbean	38%
Black Non-Caribbean	56%
Chinese or other ethnic group	46%
All children	30%

This is a politically important fact: all the political parties are supposedly committed to ending child poverty. These figures show that if they want to achieve this they will have to be serious about child poverty in black and minority ethnic families. The poverty gaps between white people and people from an ethnic minority are most severe for children, but they also exist for pensioners and people of working age:

## Recession Report

### Poverty rates by age and ethnicity<sup>3</sup>

Group	White - British	Ethnic minority
Children	26%	45%
Working age	18%	32%
Pensioners	17%	27%

Unemployment is a major cause of poverty. It is true that most poor children live in families where someone has a job, but that is because there are many more such families – the *risk* of being poor is much higher when you are unemployed:

### Risk of poverty, by economic status of adults in the family, 2006/7<sup>4</sup>

Economic status	Proportion of families who are poor
One or more full-time self-employed	23%
Single/couple all in full-time work	5%
Couple, one full-time, one part-time work	5%
Couple, one full-time work, one not working	25%
No full-time, one or more part-time work	30%
Workless, one or more aged 60 or over	23%
Workless, one or more unemployed	73%
Workless, other inactive	63%

If the current recession has a greater impact on black and minority ethnic workers we can expect problems of poverty, including child poverty, to become worse in absolute terms.

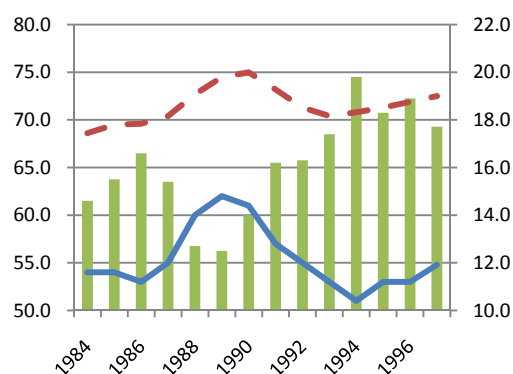
### Black and minority ethnic workers and recessions

The experience of previous recessions suggests that black and minority ethnic workers may be particularly vulnerable to rising unemployment. For the past ten years employment has been high, unemployment has been in retreat and during such periods members of black and minority ethnic groups benefit even more than whites, gaining jobs at a faster rate.

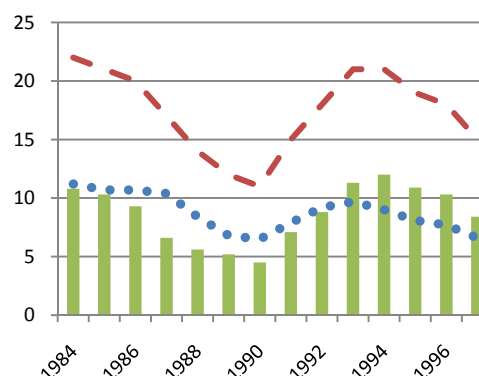
This does not mean that whites are in any way disadvantaged during the upswings of the economic cycle – their employment rates remain higher and their unemployment rates lower – but the gaps narrow between white and non-white employment and unemployment. This is sometimes called “hypercyclicity” – people from black and minority ethnic groups go through the same cycle of employment and unemployment as white people, but even more so.

The charts below show this happening over the course of an economic cycle. The first shows the employment rates (left hand scale) for people from an ethnic minority (unbroken line) and people generally (dashed line) between 1984 and 1997, the second does the same for unemployment rates.<sup>5</sup>

### Overall and ethnic minority employment rates and the employment gap



### Overall and ethnic minority unemployment rates and the unemployment gap



## Recession Report

We can see that, as employment rises and unemployment falls, so the gaps diminish, but during the down phase of the economic cycle, it grows. During the recession of the early 1990s both gaps were large, especially the employment rate gap.

### The picture so far

Fortunately, this does not seem to have happened so far in this recession, though we should be cautious about what we can say at present. It has to be emphasised that we only have data that takes us up to the end of 2008 for a recession that started in the spring of that year. This is a recession that has a long way to go – even if growth starts to recover at the end of this year, there will be a lag of 12 months or more before this is reflected in the employment figures.

These warnings are important, but the figures so far suggest that, in the course of 2008, the employment and unemployment gaps shrank a little:<sup>6</sup>

#### White and BME employment rates and gaps, 2007 - 8

	2007 4 <sup>th</sup> quarter	2008 4 <sup>th</sup> quarter	Change 2007/8
White employment rate	76.3%	76.1%	-0.2 points
BME employment rate	61%	61.5%	0.50 points
Gap	15.3 points	14.6 points	-0.70 points

#### White and BME unemployment rates and gaps, 2007-8

	2007 4 <sup>th</sup> quarter	2008 4 <sup>th</sup> quarter	Change 2007/8
White ILO unemployment rate	4.6%	5.9%	1.30 points
BME ILO unemployment rate	10.4%	11.2%	0.80 points
Gap	5.8 points	5.3 points	-0.50 points

Note that black and minority ethnic employment is still substantially lower than

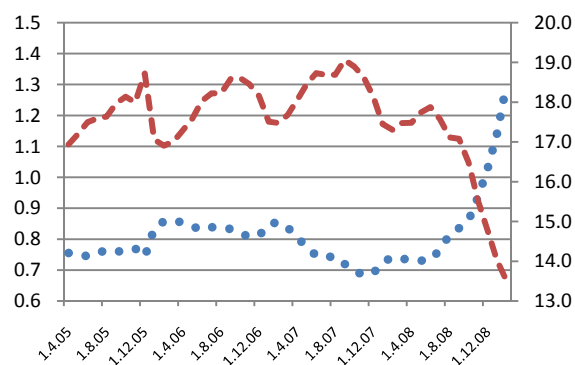
white employment and black and minority ethnic unemployment is substantially higher than white unemployment, but the change so far has been in the right direction.

### The claimant count

According to the most recent figures, there are 4.1 million black and minority ethnic people of working age – 11.3 per cent of the working age population.<sup>7</sup> In February, there were 176,230 black and minority ethnic unemployed workers claiming Jobseeker's Allowance – 13.5 per cent of the 1.3 million JSA claimants. In other words, black and minority ethnic people are over-represented in the “claimant count” measure of unemployment, just like other measures.

In recent years, the total claimant count and the black and minority ethnic proportion of the claimant count have moved in opposite directions. In September 2007, when there were just 720,000 JSA claimants overall, black and minority ethnic people accounted for 19.1 per cent of them. The chart below looks at the last four years: as the claimant count (dotted line, scale on the left) has shot up, the proportion of claimants from black and minority ethnic groups (dashed line, scale on the right) has fallen.

#### Claimant Count and Ethnic Minority Share of the Claimant Count



This does not mean that black and minority ethnic claimant count unemployment has

## Recession Report

fallen: between February 2008 and February 2009, it rose from 128,440 to 176,230, an increase of 37.2 per cent. But white claimant count unemployment rose even faster over the same period, from 613,670 to 1,129,005, an increase of 84.0 per cent.

The key point to note here is that, even after a year during which white claimant count unemployment rose more than black and minority ethnic claimant count unemployment, black and minority ethnic people are still over-represented on the claimant count. BME and white claimant count unemployment would have to continue their 2008 rates of growth for most of 2009 for the BME share of overall claimant count unemployment to fall to the BME share of the working age population.

### The geographical dimension

Most black and minority ethnic communities live in a comparatively few towns, cities and London Boroughs. Eighty per cent of Districts, Unitary Authorities and London Boroughs have a smaller black and minority ethnic proportion of the overall population than the national average.<sup>8</sup> Because of this, it can be instructive to look at what has happened in the areas where black and minority ethnic people live.

In the table below, we have looked at the impact of the recession in the 25 local authorities with the largest ethnic minority populations as a proportion of the total. In the second column we give their claimant count rates in February 2008, in the third column the rates in February 2009. The final column gives the increase over that period.

The average increase in the claimant count for all 380 local authorities was 1.7 percentage points, and we have highlighted those authorities in our table where the increase was higher – just two, Birmingham and Leicester. The reason for this can be seen when one looks at the column for the February 2008 results – 21

of the 25 have been highlighted because their claimant count level was above average.

In these districts, the claimant count was already high before the recession started, but the increase in the last 12 months has not been high.

Claimant Count Rates (%), 2008 – 9

	Feb 08 rate	Feb 09 rate	Increase
Barking and Dagenham	<u>3.4</u>	5.1	1.7
Birmingham	<u>5.3</u>	7.3	<u>2.0</u>
Brent	<u>3.4</u>	4.4	1.0
Camden	<u>2.2</u>	3.0	0.8
Croydon	<u>2.3</u>	3.7	1.4
Ealing	<u>2.4</u>	3.7	1.3
Enfield	<u>3.0</u>	4.3	1.3
Greenwich	<u>3.0</u>	4.7	1.7
Hackney	<u>4.6</u>	5.7	1.1
Haringey	<u>4.1</u>	5.4	1.3
Harrow	1.6	2.8	1.2
Hillingdon	1.8	3.1	1.3
Hounslow	1.8	3.1	1.3
Islington	<u>3.6</u>	4.7	1.1
Lambeth	<u>3.7</u>	4.8	1.1
Leicester	<u>3.9</u>	5.8	<u>1.9</u>
Lewisham	<u>3.3</u>	4.5	1.2
Luton	<u>2.8</u>	4.5	1.7
Newham	<u>4.1</u>	5.2	1.1
Redbridge	<u>2.4</u>	3.7	1.3
Slough	<u>2.1</u>	3.6	1.5
Southwark	<u>3.3</u>	4.2	0.9
Tower Hamlets	<u>5.1</u>	6.1	1.0
Waltham Forest	<u>3.8</u>	5.1	1.3
Westminster	1.9	2.5	0.6

This is largely a London phenomenon – it is noticeable that Birmingham and Leicester do not fit this pattern. In the most recent labour market statistics, London's unemployment rate, 7.9 per cent, was well above the 6.7 per cent GB average; only the West Midlands and the North East had higher rates. But London has had a low level of redundancies – in the fourth quarter of 2008 London's redundancy rate, 8 per cent, was the lowest in the country, well below the 10.4 per cent GB average. The pattern of BME unemployment in this recession may reflect the fact that London entered the recession with a

## Recession Report

very high level of unemployment, but has had a lower level of redundancies.

### The industries where black and minority ethnic jobs have been lost

During 2008 overall BME employment rose;<sup>9</sup> but this overall figure masks a mixed picture in different industries. In the table below, we have shown BME employment in different industries in the fourth quarter of 2007 and the 4th quarter of 2008.

**BME employment by industry, 2007 -8<sup>10</sup>**

Industry	Q4 2007	Q4 2008	Fall/ increase
Manufacturing	236,186	200,997	-35,189
Financial intermediation	127,454	125,259	-2,195
Mining quarrying	10,885	8,996	-1,889
Electricity gas & water supply	10,282	13,344	3,062
Construction	47,978	55,134	7,156
Transport storage & communication	164,209	178,375	14,166
Real estate, renting & business activ.	314,174	331,086	16,912
Education	157,011	180,746	23,735
Hotels & restaurants	162,894	186,866	23,972
Other community social & personal	70,261	102,522	32,261
Public administration & defence	116,083	150,331	34,248
Wholesale retail & motor trade	334,509	373,134	38,625
Health & social work	374,392	444,857	70,465

Agriculture is not included in this table because the numbers are too small to be confident of accuracy, but they show a fall in BME employment of one third. The figures for construction reflect the fact that construction employment grew until late in 2008; it has since fallen heavily, and it is unlikely that a table taking these figures up to spring 2009 would show the same growth for this industry.

It is also noticeable that the industries showing the strongest growth include those dominated by

the public sector – health, social work, public administration and education. This picture is changing rapidly – a recent survey by the *Daily Telegraph* found that local authorities are cutting their budgets by up to 10 per cent, with large job losses likely over the next three years.<sup>11</sup>

### Conclusion

This final point is important. If public sector cuts accelerate, the fall in the employment and unemployment gaps could end and we would see the BME employment picture return to the pattern of previous recessions.

### Notes

<sup>1</sup> LFS data shows that London had 3,065,746 employees in the 4<sup>th</sup> quarter of 2007 and 3,143,091 in the 4<sup>th</sup> quarter of 2008.

<sup>2</sup> *Households Below Average Income 1994/5 – 2006/7*, DWP, 2008, table 4.5.

<sup>3</sup> Taken from *The Poverty Site*, "Low Income and Ethnicity", data for graph 3, <http://www.poverty.org.uk/06/index.shtml> on 22/04/2009 14:59.

<sup>4</sup> *Households Below Average Income 1994/5 – 2006/7*, DWP, 2008, table 3.5. Poverty defined as in note 1, figures are totals for all age and ethnic groups.

<sup>5</sup> "Ethnic Minority Employment Policy" presentation by Khamani Eze at DTI workshop on *Equal and the Diversity Agenda*, March 2005; *Labour Force Survey Historical Supplement, 1984 - 1998*, ONS, 1999, table 9. LFS data, Spring Quarters, GB figures, not seasonally adjusted.

<sup>6</sup> LFS data, downloaded from the Office for National Statistics' SuperCROSS system on 22 April 2009.

<sup>7</sup> 4,129,900 in Summer 2008. Annual Population Survey data, accessed through the NOMIS website ([www.nomisweb.co.uk](http://www.nomisweb.co.uk)) on 21 April 2009.

<sup>8</sup> 74 of the 380 District, Unitary and Borough authorities

<sup>9</sup> LFS data shows that total employment for all ethnic groups was effectively unchanged, falling slightly from 25,425,283 in the 4<sup>th</sup> quarter of 2007 to 25,417,077 in the 4<sup>th</sup> quarter of 2008.

<sup>10</sup> LFS data, 4<sup>th</sup> quarter of 2007 and 4<sup>th</sup> quarter of 2008, downloaded from the Office for National Statistics' SuperCROSS system on 22 April 2009.

<sup>11</sup> *Daily Telegraph*, 17 April, as reported to the TUC by UNISON.