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Statistical Update



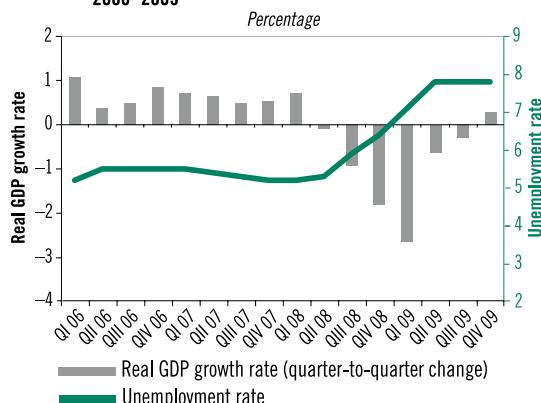
International
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UNITED KINGDOM: STRONG ECONOMIC AND LABOUR MARKET SHOCK

Despite signs of improvement in real GDP growth, the unemployment rate remains high

- Total decline in real GDP over the recession was 6.2 per cent up to the third quarter of 2009.
- Preliminary estimates for the fourth quarter of 2009 indicate that the UK economy grew by 0.3 per cent in the quarter.
- The unemployment rate rose from 5.2 to 7.8 per cent over the period Q1–2008 to Q1–2009, and has since remained stable.

Figure 1. Unemployment rate and real GDP growth rate, by quarter, 2006–2009



Source: UK Office for National Statistics. Seasonally adjusted data.

The stimulus programme assistance for the labour market is aimed at job creation and development of technical skills

Total package: £20 billion, or, 1.5 per cent of 2008 GDP.

Additional employment measures in 2009 include:

- Assistance to individuals looking for employment;
- Investment in public employment services through the Jobcentre Plus;
- Employee training programmes for small and medium-sized enterprises;

- Funds distributed to the Department for Work and Pensions (£1.1 billion allocated to Future Jobs Fund).

Future Jobs Fund aims to create 170,000 new jobs and prevent long-term unemployment.

Employers' "Golden Hellos": subsidies of up to £6,500 for recruiting, training and hiring workers who have been unemployed for six months or more.

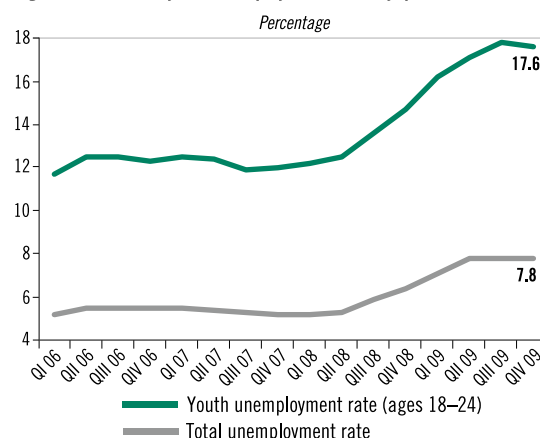
Protection of apprentices in construction sector who are at risk of not being able to complete their training.

Reduction in value added tax (VAT) from 17.5 to 15 per cent, effective for 13 months starting 1 December 2008.

Youth unemployment rate has increased more sharply than the total unemployment rate during the crisis

- The youth unemployment rate rose by 5.4 percentage points (compared with 2.6 percentage points for the total unemployment rate) between the first quarter of 2008 and the fourth quarter of 2009.
- The UK's stimulus package guarantees a job, training or work placement for 18–24 year olds who have been unemployed for 12 months or more.

Figure 2. Total and youth unemployment rates, by quarter, 2006–2009

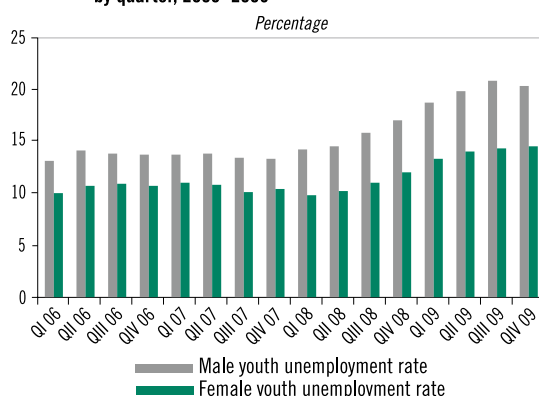


Source: UK Office for National Statistics. Seasonally adjusted data.

Both male and female youth unemployment rates have risen, but male increases were higher

- The male youth unemployment rate increased more rapidly (6.6 percentage points) than the female rate (4.5 percentage points) over the period QI-2008 to QIII-2009.
- In the fourth quarter of 2009, youth unemployment rates decreased by 0.5 percentage points to 20.3 per cent among males while it increased by 0.2 percentage points to 14.3 per cent among females.

Figure 3. Male and female youth unemployment rates, by quarter, 2006–2009



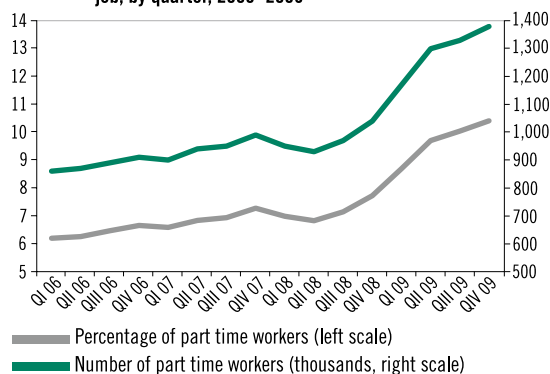
Source: UK Office for National Statistics. Seasonally adjusted data.

Changes in part-time work dynamics since the onset of the economic crisis reflect workers' inability to find full-time jobs

- Between the second quarter of 2008 and the fourth quarter of 2009, 359,000 more employees and self-employed were working part-time because of the inability to find full-time work

- This represents an increase of 4.5 percentage points to 13.8 per cent of the total number of employees and self-employed workers during this period.

Figure 4. Part-time workers that could not find a full-time job, by quarter, 2006–2009



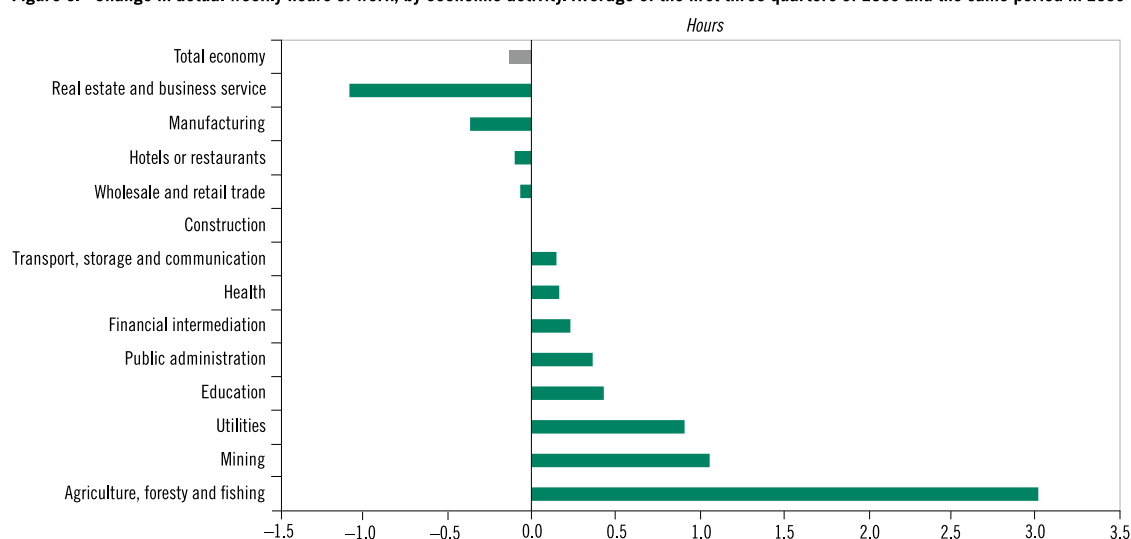
Source: UK Office for National Statistics. Seasonally adjusted data.

Part-time workers are given as a percentage of total employees and self-employed workers.

Actual weekly hours of work have slightly declined at the total economy level

- By economic activity, the most marked decline has been in the real estate and business services sector (-1.09 hours), followed by manufacturing (-0.4 hours), measured as the average change from the first to third quarters of 2008 to the same period in 2009.
- Over the same period, weekly hours of work have increased the most in the agriculture, forestry and fishing sector (3 hours).

Figure 5. Change in actual weekly hours of work, by economic activity. Average of the first three quarters of 2008 and the same period in 2009



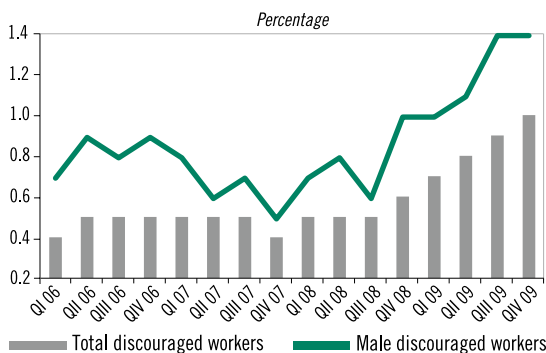
Source: EUROSTAT.

Discouraged workers have increased due to high levels of unemployment

Increase in the percentage of discouraged workers (QIII-2008 to QIV-2009):

- Total discouraged workers: 0.5 to 1.0 per cent.
- Male discouraged workers: 0.6 to 1.4 per cent.

Figure 6. Discouraged workers, by quarter, 2006–2009



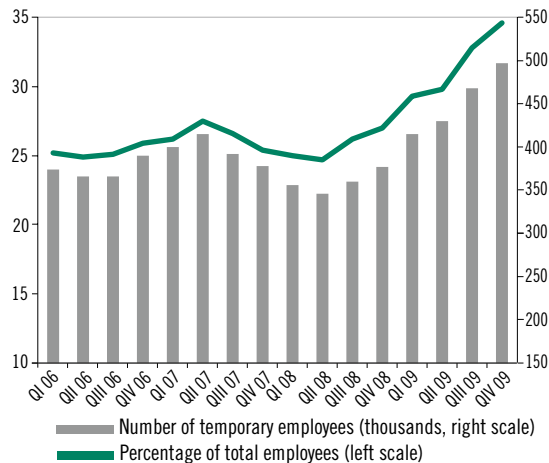
Source: UK Office for National Statistics. Seasonally adjusted data. Discouraged workers are given as a percentage of the economically inactive population for each respective group (total and male).

The number of temporary workers that are unable to find a permanent job has expanded

Increase in temporary workers (QII-2008 to QIV-2009):

- Number of persons: 346,000 to 497,000
- Percentage of total employees: 24.7 to 34.6 per cent

Figure 7. Temporary employees that could not find a permanent job, by quarter, 2006–2009



Source: UK Office for National Statistics. Seasonally adjusted data.

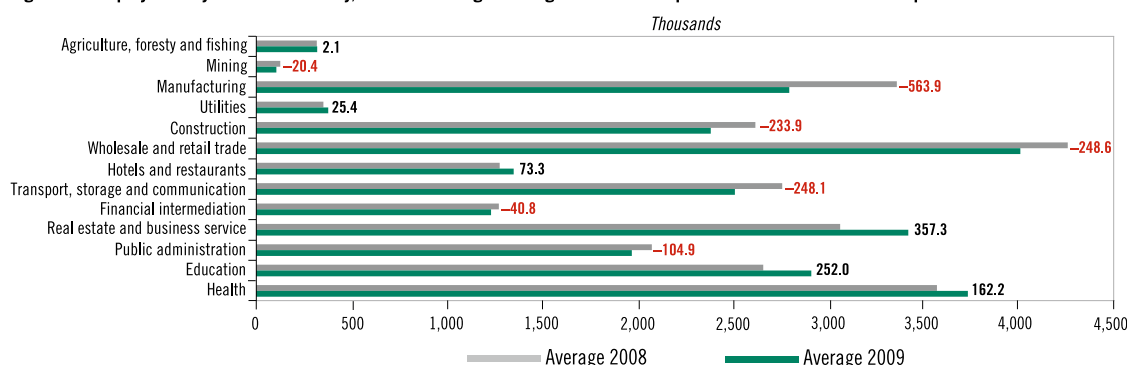
Manufacturing employment has dropped sharply

- Manufacturing has suffered the largest employment losses (563,900) followed by wholesale and retail trade (249,000); transport, storage and communication (248,000), and construction (233,900) in the first to third quarters of 2009 compared with the same period in 2008.
- Employment continued declining in these sectors in the third quarter of 2009 (year-on-year) although the pace of layoffs moderated slightly in manufacturing and wholesale and retail trade compared to the previous quarter. This signals a

mild recovery in private consumption, boosted by temporary government fiscal stimulus measures such as the car scrappage scheme and the reduction in VAT from 17.5 to 15 per cent, for the period from 1 December 2008 until 31 December 2009.

- Employment in the manufacturing sector was nearly 25 per cent below the pre-crisis levels in QIII-2009.
- Other active labour programmes – recruitment subsidies, self-employment, work-focused training, and volunteer support – may help to moderate the pace of layoffs in other sectors, as their implementation progresses.

Figure 8. Employment by economic activity, level and change. Average of first three quarters of 2009 and the same period in 2008

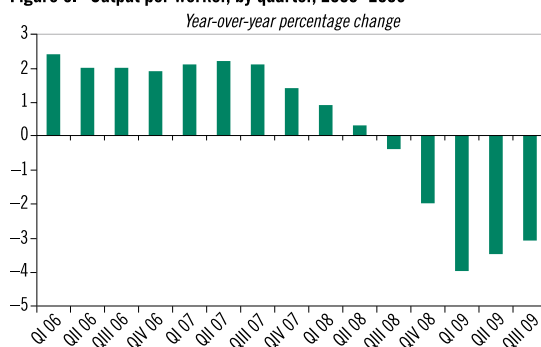


Source: EUROSTAT. Figures next to the bars reflect changes in employment between the two periods.

Labour productivity at the total economy level has fallen as a result of the widespread use of flexible working arrangements to offset layoffs across sectors

Year-over-year percentage change in output per worker: 0.9 to -4.0 per cent (QI-2008 to QI-2009).

Figure 9. Output per worker, by quarter, 2006–2009

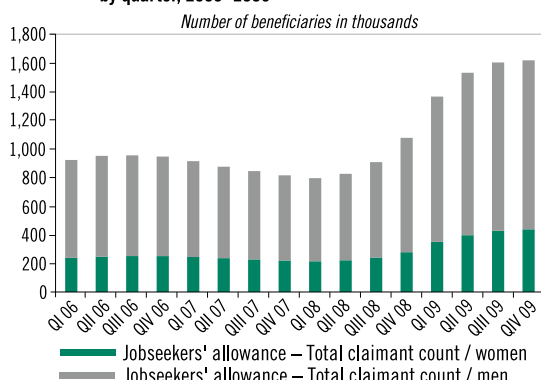


Source: UK Office for National Statistics. Seasonally adjusted data.

The number of persons claiming unemployment benefits yet actively seeking a job has been steadily increasing since the second quarter of 2008

- Total number of claimants: 1,078,233 to 1,620,233 (QIV-2008 to Q-IV 2009).
- Men have registered larger quarterly increases than women.

Figure 10. Claimant counts for jobseekers' allowance, by sex and by quarter, 2006–2009

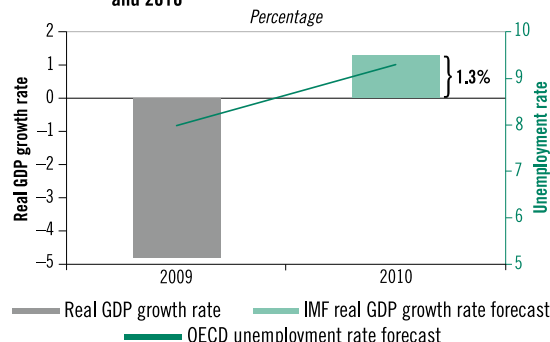


Source: UK Office for National Statistics. Seasonally adjusted data.

Despite a projected improvement in real GDP growth in 2010, unemployment is expected to rise

- Growth in real GDP contracted by 4.8 per cent in 2009 and is forecast at approximately 1.3 per cent for 2010.
- Nonetheless, the OECD projects that the unemployment rate will increase from 8.0 per cent in 2009 to 9.3 per cent in 2010.

Figure 11. Real GDP growth rate and unemployment rate in 2009 and 2010



Source: UK Office for National Statistics (real GDP growth rate); OECD *Economic Outlook* No. 86; IMF *World Economic Outlook* Update, January 2010.

Conclusions

The United Kingdom's stimulus package aims to dampen the effects of long-term unemployment (12 months or more) by funding public programmes to assist individuals seeking employment.

As part of the package, financial incentives are offered to employers to recruit, train and hire workers who have been out of work for six months or more.

Despite these measures, youth unemployment in QIII-2009 remained very high, especially for males at 25.2 per cent in QIII-2009. Moreover, the unemployment rate is projected to increase by 1.3 percentage points between 2009 and 2010.

Therefore, although renewed economic growth is forecast for 2010, unemployment should remain a top policy priority targeted through job creation schemes, particularly for youth. Continuing government support to households and businesses in 2010 will also be critical.