

Unemployment rate in uk



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1. 0 Introduction

Unemployment rate data has been used all around the world as an economic indicator for the economic strength of a country. In the United Kingdom, many changes have been observed in the last thirty years about the unemployment rate. Since the recession in 2008, the Gross Domestic Product published in 2009 curtailed 1.9 pc further than the previous quarter. (Economic Review, May 2009, 2009) According to recent research, 31.95 million people work in the United Kingdom, which is a great figure in comparison to the previous years. (ONS Digital, 2016, p. 3)

This report tries to determine what causes unemployment in UK. It begins by analyzing the three-main period, which are from 1992 to 2005 experienced drastically decreasing and slightly rose between 2006 and 2010, since when had been steadily dropping until now. The last section brings the recommendation to the British government and summarise the total observation. In the UK employment rate since 1992 up to date has changed and in between these years one can analyze and better understand the nature of employment.

2. 0 Analysis

The Trends in Unemployment in the United Kingdom (1992 to Date)

The unemployment rate of the UK has fluctuated from 3% to 9% during the last 25 years, it shows on the following graph.

[pic 1]

Source: National Statistics (2016b)

Based on the above graph;

1990-1993 The data above shows that in 1990 the unemployment rate in was 8.6 percent and increase up to 8.8 in the following year (National Statistics, 2016a). In comparison to other years, this is the highest record of the unemployment rate. In 1992 recession hit the United Kingdom's economy and played a huge role in the increase in the unemployment rate. The recession came after the high economic growth and inflationary period. It dominating caused by the decreasing of house price and a high rate of interest. Both the recession-hit and the high unemployment rate in the UK was reason enough for the conservative government to lose their fifth election.

However, the negative effects of the increased rate of unemployment did not make the government lose their fourth consecutive general election. Tony Blair joined the government promising to increase the number of jobs in the UK after this period (Pircado, 2009, pp. 2-4). The purchasing power of the unemployed workers was lost and led to unemployment of other workers. This is exactly what happened in 1993 where instead of the rate of unemployment decreasing it increased at an average of 0.2 percent (National Statistics, 2016a). It was a cascading negative effect on the UK's economy.

1994-1996 According to the data in 1994 to 1996 the rate of unemployment rate started to decrease. Between this two years and the years ahead, the Real GDP of the UK increased typically which can be associated with the <https://assignbuster.com/unemployment-rate-in-uk/>

increased level of employment. In comparison to the previous years, the Real GDP in the UK increased, and the UK government experienced a continuous sixteen-year economic growth. The output of UK fell in the year 2008 and 2009, but it increased again in the years after 2010. In 1996 the level of unemployment decreased but remained below 2 million which changed in the next four years. It remained lower than 1.5 in the years between 2000 to 2005.

2000-2006 This data explains the decreased rate in the unemployment rate in the UK during those years. According to numerous reports in the years between 1980 to 2014, the UK's GDP growth increased by an average of 2.2% per year (National Statistics, 2016b). The graph shows that from 1993 to 2005 the rate of unemployment kept on decreasing from 8.8% to 3.5%. However, between 2005 to 2006 the rate of employment suddenly increased from 3.5% to 4.5% (National Statistics, 2016a). The reason behind this increase was a higher rate of immigration. Most of the eastern Europe states had joined the European Union.

Many immigrants were competition for the same jobs with local citizens. Some big companies had collapsed, and many workers were left unemployed. For example, there was a decline of jobs in the manufacturing industries. In the West Midlands of England lost the MG Rover company after it collapsed and in the following the Peugeot companies decided to close its Ryton plant. According to reports in 2005, 30,000 jobs were despite MG Rover hiring more than 6000 people. More employees lost their jobs in other sectors related to these two companies such as the supply, and dealerships industries.

In the Ryton plant, more than 2000 employees who were previously employed lost their jobs after the plant was closed (Trading Economics, 2017). Other negative effects occurred during this period. First, those workers who lost the jobs moved to other cities and countries to look for work in the manufacturing industry. Due to this migration labor cost decreased the workers who remained in their positions started to receive a lesser salary in comparison to the previous years.

2006-2011 In the years between 2006 and 2007 the unemployment rate increased from 4.0% to 4.4% as the economy had started to stabilize, but in the following year, it decreased with an average change of 0.2%. In the years 2008 the official level of unemployment increase up to 2 million and above and was caused by the downturn in the United Kingdom's economy. In the next year, the unemployment level reached 2.5 million which resulted in an increased rate of 8.0 percent.

Between the years 2008 and 2011, the rate of unemployment increased from 4.4% to 6.5% (National Statistics, 2016b). This meant that the UK's population had increased and the level of unemployment increased as well. Both the level and rate of unemployment had begun to slow decrease, but in the years later from 2008 the level of employment reached 2.6 million. This was a sharp increase, and 8.0 percent was the increase of unemployment rate. The reason behind this great increase was job losses in the public sector caused by the " Conservative-led government's spending cuts."

2011- to Date

Since 2011, the rate of employment has decreased gradually from 6.5% to 3.8%. Which means the level of unemployment has decreased. According to Mark Carney, the Governor of the Bank of England, the bank would only lower the interest rate in response to the decrease in an unemployment rate of 7% (ONS Digital, 2016). In 2014 the unemployment rate decreased by 6.9%, and these statistics showed that many workers were getting employed. Despite the promise by Mark the Bank did not lower their interest rates since economist indicated that it would be so soon to see any upward movements.

The unemployment rate in 2016 according to news reports was 3.4 which was a 0.2 decrease from the previous year. In 2016 the employment rate between genders was 4.9 percent. This is an improvement in comparison to previous years. According to the unemployment forecast in the years to come, the unemployment rate will not follow the same trend as expected. The forecast believes that in 2017 the unemployment rate will be 5.0 between genders and the overall rate of unemployment which means that it will increase by 0.1 percent (BBC Business, 2017, pp. 2-4).

The above graph shows a different path since for the year 2011 the rate of unemployment has been decreasing slowly (National Statistics, 2016a). The North East of England according to the Regional UK unemployment rate shows that it has the highest rate of unemployment. This data will help policymakers to understand the nature of future unemployment. Other data includes the trend in unemployment, the skills levels of employees, the number of unemployed individuals, regional disparities and others.

The current decreased rate of unemployment has been caused by numerous changes in the UK's government (Pircado, 2009, p. 3). In 2014 the government increased the labor force as they looked to improve the unemployment situation. Due to regional differences in the level of unemployment, the government implemented laws that affect the ways of jobs advertisement. They detected that some of the areas received more jobs in comparison to others. Jobs in the UK that were being advertised in other countries had to be decreased to avoid many immigrants going to the UK and increasing competition for job opportunities with the local individuals.

The government had to implement measures that would affect the boundaries of advertisement. This was a response due to proposals , that informed the government, that most of their jobs were being taken by the immigrants. A massive change was observed due to these laws, and in the three months to November the UK's unemployment decreased by 52000 and result to a level of unemployment of 1. 6 million (ONS Digital, 2016). In this year according to the graph showed low levels of unemployment. According to the Office for National Statistics the unemployment rate was steady at an 11-year low of 4. 8 percent which resulted in a record of 74. 5% steady rate of employment. The gradual change of the unemployment rate shows an improvement in the UK'S economic growth.

3. 0 Recommendation

I would recommend the UK to increase labor and introduce policies that would cope with unemployment. Policies that improve labor market flexibility should be introduced. the government should also support collapsing

companies through funding to avoid occurrences that happened in 1993. Investments in the technology sector should be increased so as to increase the level of employment. Education and training policies should be changed for there to be an opportunity for the unemployed individuals. Unemployed individuals should have basic skill such as I. T and find work in the service sector.

4. 0 Conclusion

In conclusion, the United Kingdom rate of unemployment has decreased between the years 1992 up to date. The change according to the graph is from 8. 5 to 3. 8 percent. However one cannot ignore opposite changes in the years such as 1993, 2005, 2006, 2008 and 2009. In the graph these years the unemployment rate seemed to increase. Each year in which the unemployment rate has increased, there has been a substantial reason why such changes. For example, the country has observed changes due to recession-hit in 1993 and closure and the collapse of big companies in 2005.

According to recent research by the unemployment forecast, they believe in the years to come people have to expect different scenarios. They have depicted that at the end of 2017 the rate of unemployment will increase (BBC Business, 2017, p. 2). However, not all information should be fully accepted because some of the predictions end up being wrong. According to other research, the rate of unemployment in the months between January and March of 2017 the rate of unemployment has decreased. In the coming months, it has also been depicted to decrease by 0. 1 percent.