

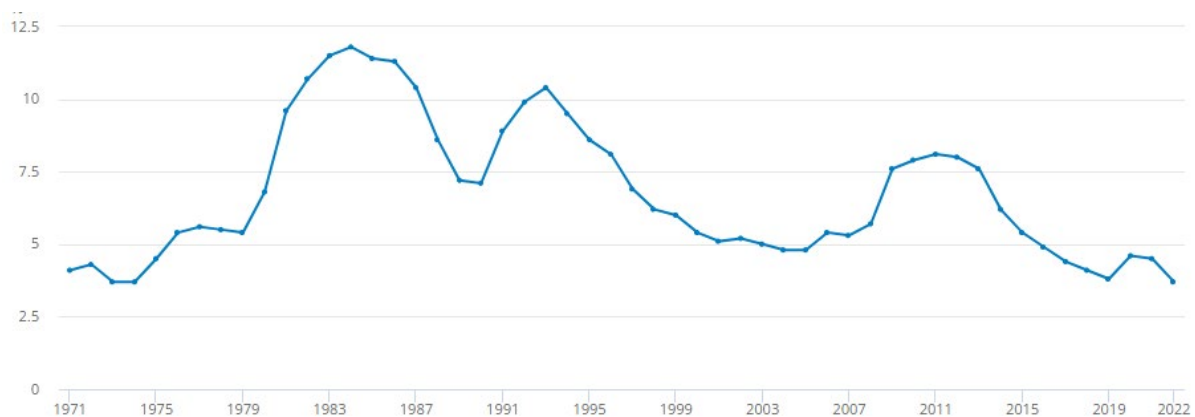
Unemployment: How has it changed?

In the first three months of 2023 the unemployment rate was 3.9% representing 1.29 million people. This was slightly up on the previous three months at 3.7%. The last time unemployment fell to 3.7% was in 1973 and 1974. Unemployment has been falling since 2013 when it fell from 7.6% to 3.8% in 2019, before rising again during the pandemic to 4.6%.¹

The recent low rates of unemployment however may not represent the full picture. A study by researchers from Sheffield University shows that the real rate of unemployment is “*substantially higher than the official figures.*”² By adding in what they refer to as ‘the hidden unemployed’ – people who are on incapacity benefits but “*who might reasonably be expected to have been in work*” – the researchers came up with a total of 2.34 million unemployed, a million higher than the official government figure. In total they number 790,000 around a third of the 2.57 million people in receipt of incapacity benefit. The researchers estimate that this group, plus those in receipt of unemployment benefit, represented an unemployment rate of 5.8% in early 2022. The official figure for the first three months of 2022 was 3.7%.

The ‘hidden unemployed’ also includes part-time workers and those on zero-hour contracts who would prefer to work more hours. They are in effect ‘underemployed’. According to the Office for National Statistics (ONS), 3.25 million or 7.4% of all those in employment wanted to work more hours during the first three months of 2023.³

Unemployment Rate: % of people not in employment but available for work, 1971-2023



The chart⁴ shows unemployment for the UK from 1971. The highest unemployment occurred in the early 1980s, the early 1990s and the late 2000s. The early 1980s saw the highest unemployment on record at 11.8% in 1984. In the early 1990s unemployment peaked at 10.4% in 1993. In 2011 unemployment reached 8.1% before falling back to 7.6% in 2013.

The table⁴ shows average rates of unemployment for a range of time periods between 1948 and 2022. From the late 1940s until the late 1960s unemployment fluctuated between 1-2%. In fact it averaged 1.6% between 1948 and 1969. Although unemployment increased during the 1970s reaching a high of 5.6% in 1977, the average for the 1970s was only 4.2%. This compares with an average of 9.9% in the 1980s, 8.2% in the 1990s, 5.4% in the 2000s and 6% between 2010 and 2019. The average for the whole period 1980 to 2019 was 7.4%.

Together the chart and the table show the low levels of unemployment that existed during the 1950s, 60s and 70s compared with more recent periods - since 1980 unemployment has been almost 3 times as high as it was in the period 1948 to 1979. As one economic historian has written, “*during much of the 80s and early 1990s, the unemployment rate was much closer to the interwar average than to the levels seen during the golden age.*”⁵

Average percentage rates of unemployment 1948 – 2022	
1948 – 1959	1.5
1960 – 1969	1.8
1970 – 1979	4.2
1948 – 1969	1.6
1948 – 1979	2.5
1980 – 1989	9.9
1990 – 1999	8.2
2000 – 2009	5.4
2010 – 2019	6.0
2020 – 2022	4.3
1980 – 2019	7.4

One of the main factors contributing to the very low unemployment during the ‘golden age’ of the post second world-war period was the high level of investment. Between 1946 and 1952 for example overall investment increased by 57.9%.⁶ In addition to huge investment in infrastructure, there was also significant investment to promote industrial production and employment. Much of the investment was carried out under the terms of the Distribution of Industry Act of 1945 and the Local Employment Act of 1960. The initial focus was on the North-East, West Cumberland, South and North-East Lancashire, South Wales, the Scottish coalfields, Dundee, and the Scottish Highlands. By 1950 over £30 million had been spent on the programme. Almost a thousand factory buildings were constructed in England alone with the creation of some 200,000 jobs. “*Similar success was achieved in Wales and Scotland.*”⁷ Between 1945 and 1960 the total amount of money spent by the Government on factory building in the development areas was £83½ million.⁸ The policy was “*expanded again under the Conservatives in the early 1960s and continued under the Wilson government of the late 1960s.*”⁹

A second factor was the international system of fixed exchange rates brought in as a result of the Bretton Woods conference of 1944. The system was based on being able to convert the dollar as the world’s leading reserve currency into gold at a fixed price of \$35 dollars to one ounce. Other countries then fixed their currencies to the dollar at appropriate levels. The effect was to keep inflation in check and make the management of economies with high levels of employment more effective. Serious recessions were avoided “*preventing cyclical declines in investment expenditure.*” The British economy in this period was one of the most stable economies of the OECD – before 1973 there had never been a fall in GDP.¹⁰

References

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Notes

For a summary of the Bretton Woods conference see, Creation of the Bretton Woods System, Federal Reserve History <https://www.federalreservehistory.org/essays/bretton-woods-created>

Incapacity Benefit is paid to people who are facing additional barriers to work because of a long-term illness, disability or health condition. It was replaced by Employment and Support Allowance (ESA) and from 31 January 2011 no new Incapacity Benefit claims have been accepted. Those who were receiving it before that date however continue to receive it. For an overview of further reforms to disability benefits which are in the pipeline, see the Guardian editorial for 20 March 2023, 'The Guardian view on reforms to disability benefits: exacerbating misery.' <https://www.theguardian.com/commentisfree/2023/mar/20/the-guardian-view-on-reforms-to-disability-benefits-exacerbating-misery>