**A labour Challenge for Osborne**

It was the 12th May 2010 and George Osborne’s first day as the UK’s new Chancellor of the Exchequer. His arrival at HM Treasury coincided with the latest [ONS labour market release](http://www.statistics.gov.uk/pdfdir/lmsuk0510.pdf). Just in case you were rather distracted by political events, we take the opportunity here to trawl through some of the latest labour market numbers, focusing, in particular, on those that may pose real challenges for George Osborne and the new coalition government.

From the ONS release we observe that in the three months to March the total number of economically active individuals in the UK was 31.340 million. Of these, 28.829 million were employed while 2.510 million were unemployed (but actively seeking work). The number of people employed fell by 76,000 over the quarter (and by 341,000 over the year) while the number unemployed rose by 53,000 (279,000 over the year).

Now we consider the rate of unemployment. The unemployment rate expresses the total number unemployed as a percentage of those economically active. Over the first quarter of 2010 the unemployment rate rose to 8.0%, a rise of 0.2 percentage points on the previous quarter and a rise of 0.9 percentage points from a year earlier. It is the highest quarterly unemployment rate since the 8.1% recorded in Q3 1996.

Next, consider unemployment and gender. Of those unemployed in the first quarter of the year, 61.6% were male and 38.4% were female. The increase in the male unemployment rate during the economic slowdown has been especially marked. The male unemployment rate in Q1 2010 rose to 9.2%, up from 7.9% a year ago and 5.6% two years ago. The female unemployment rate has increased to 6.7% in Q1 2010 from 6.1% in Q1 2009 and 4.8% in Q1 2008. Therefore, over the past two years the male unemployment rate has risen by 3.6 percentage points while the female rate has increased by 2.1 percentage points.

Another troubling issue is unemployment amongst the young. The unemployment rate amongst those aged 18-24 is considerably higher than the overall rate. In the three months to March the unemployment rate for this age group was 17.9% compared with the overall rate of 8%. But, more than this, the current rate of unemployment amongst those aged 18-24 is actually higher than during the early 1990s when it peaked at 17.8% in Q1 1993. The male unemployment rate amongst this age group is especially high having risen to 20.7% in the first quarter of the year, up 2 percentage points on the year and up from 14.2% in Q1 2008. The female rate amongst this age group is 14.6%, up 1.3 percentage points on the year and up from 9.8% in Q1 2008.

Another issue that emerges out of the statistics is the rise in long-term unemployment. The number of people unemployed for more than one year rose to 757,000 in the first quarter, up from 509,000 a year ago and 397,000 two years ago. Perhaps, it is easier to see the magnitude of this problem when we note that 30.2% of those unemployed have been unemployed for at least one year – this is up from 24.5% in Q1 2008. Amongst females, 25% of those unemployed have been without work for at least one year, but amongst males this rises to 33.4%. In other words, one-quarter of unemployed females and one-third of unemployed males are now regarded as being long-term unemployed.

As troubling as these numbers are, the issue of long-term unemployment is one that, over the past two decades, has never really gone away. On average since 1992, 29.4% of those unemployed have been without work for at least one year (34.2% amongst men and 21.6% amongst women).

And now to our final observation: the historically high number of economically inactive individuals of working age. In the first quarter of 2010, 8.166 million of those of working age were economically inactive, up by 86,000 over the year. As a proportion of the working population, this equates to 21.5%, which is not in itself a record high – during 1983 it reached 23.2% – but it is, nonetheless, up from 20.7% a year ago. The inactivity rate amongst those of working age is highest amongst females at 25.9% (up from 25.7% a year ago) compared with 17.4% amongst men (up from 16.1% a year ago).

One factor that helps to explain the overall rise in inactivity is the 43,000 increase in the number of students who have become economically inactive over the past year. But, we also note upward pressures on inactivity over the past year from the increase of 37,000 in the number of people who are ‘long-term sick’ and from the 13,000 increase in the number who feel ‘discouraged’ from seeking work. These pressures highlight some of the many costs that arise from unemployment and potentially raise some tricky policy challenges for the new government.