Record Unemployment in Euro Zone

By Christoph Dreier
Global Research, July 03, 2012
World Socialist Web Site 3 July 2012
Region: Europe
Theme: Global Economy, Poverty & Social Inequality

Three days after European Union leaders agreed at their summit in Brussels to intensify their social attacks on working people across the continent, the Eurostat statistics agency reported that unemployment reached a new record high in May in the 17-nation euro zone.

According to Eurostat, unemployment in the euro zone hit 11.1 percent in May, an increase from April's rate of 11.0. The April figure was a full percentage point higher than the rate in April 2010. The unemployment rate in the euro zone has risen continually since April 2008, when it stood at 6.8 percent.

The jobless rate is likely to rise further in the coming months. It is widely believed that the euro zone has officially slid into recession this quarter, and the most recent manufacturing data show overall stagnation and an outright decline in Germany, the strongest economy in Europe and the continent's biggest exporter.

The downward turn in Europe is part of a global trend. The Institute for Supply Management reported Monday that manufacturing activity in the United States declined sharply in June, marking the first monthly contraction since 2009. The Chinese government reported Sunday that the country's manufacturing activity in June grew at its slowest pace since November.

European youth unemployment, in particular, has risen dramatically. It increased from 20.5 percent in May 2011 to 22.6 percent last month. The highest youth jobless rate—52.1 percent—was recorded by Greece and Spain.

This means that more than half of all young people in these countries are out of work under conditions where many of their parents have been laid off or suffered wage cuts and the education systems are under systematic attack. According to the European Commission, 68 percent of all Greek youngsters say they would like to leave the country.

In Greece and Spain, the overall unemployment rates now stand at the record levels of 21.9 percent and 24.6 percent, respectively. In both countries unemployment has risen sharply in the past year. In May 2011, unemployment stood at 20.9 percent in Spain and 15.7 percent in Greece.

While these numbers are significant in terms of regional distribution and changes over time, they fail to reflect the true extent of unemployment.

Many unemployed people are excluded from the statistics because they have been out of work so long. The real jobless rate is significantly higher than the 11.1 percent reported by Eurostat.

The record unemployment is the result of the austerity measures imposed by the European Union, especially in southern European countries. These measures have been dictated by the banks, which are determined to make the working class pay for the bailouts of the financial elite that have bankrupted entire countries. In Greece, at the behest of the EU, real wages have been reduced by up to 66 percent, taxes on consumption have been sharply raised, pensions have been slashed, and hundreds of thousands of workers have been laid off in both the public and private sectors. Similar attacks have been imposed in Spain, Portugal and Ireland.

As social welfare programs are shredded, the impact on workers and their families of the loss of employment is magnified. In Greece, for example, unemployment benefits totaling €360 a month are paid for just one year. After the year is up, the unemployed are left with nothing.

The most recent quarterly report by the European Commission estimates that the number of homeless people in Greece has increased in the past two years by 25 percent, to 20,000.

The austerity policy has not only led to mass unemployment, it has deepened the recessionary trend in Europe. According to a report by the Center for Planning and Economic Research (KEPE), the economy in Greece is due to shrink by a further 9.1 percent in the third quarter of this year, while the Fitch rating agency predicts a deep recession for Spain lasting at least into 2013.

The crisis is by no means limited to the periphery of Europe. Germany, France and other northern European countries are confronted with a decline in industrial production, which will lead to further unemployment and wage cuts.

The Institute for Supply Management (ISM) Purchasing Managers Index remained at 45.1 for the euro zone in June, the same figure recorded for May. The total production of goods in the euro region has fallen by about one percent in the last quarter.

The ISM figure for Germany fell from 45.2 in May to 45.0 in June—the lowest level recorded since the immediate aftermath of the Wall Street financial crash of 2008. A number of German companies have announced mass layoffs in recent months, including the insolvent Schlecker drugstore chain, which has laid off nearly 30,000 employees.

Last week, the head of the Munich-based Ifo Institute, Hans-Werner Sinn, forecast that the German economy would stagnate at least until the autumn. The Institute for Macroeconomic Policy Institute (IMK) predicts zero growth for the German economy for the next two years.

The response of the European bourgeoisie to this crisis is to intensify its attacks on workers across the continent. At the EU summit last week, measures were agreed to facilitate further bailouts of the banks, but no serious steps were taken to combat the worsening recession.

Instead, the policy of austerity was reaffirmed, to be reinforced by the establishment of a central bank regulator for the euro zone and the implementation of the fiscal pact, which commits each country to slash spending in order to balance its budgets and reduce its external debt.

To comply with the fiscal pact, the German government will need to cut around 25 billion euros in its next budget. In France on Monday the official accountancy agency advised President Francois Hollande that he must make cuts in the current budget of 6-10 billion euros in order to compensate for plummeting tax revenues resulting from weaker economic growth. The agency said that an additional 33 billion euros will have to be cut from next year's budget.

The recently formed Greek government has confirmed that it will implement all of the cuts demanded by the troika—the European Commission, European Central Bank and International Monetary Fund. These measures include the slashing of a further 150,000 jobs in the public sector over the next two years

---

Articles by: Christoph Dreier