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Girding for 'a lost decade' of joblessness

By TAVIA GRANT

Stubbornly high, record unemployment is likely to get worse, experts say, as austerity measures kick in

The relentless rise of unemployment in many of the world's developed nations threatens a "lost decade" that will sap consumer confidence, squeeze government revenues and alter migration patterns.

Jobless rates are at or near record levels in Britain, Spain, Greece and the euro zone as a whole. In the United States, unemployment has stubbornly refused to budge from about 9 per cent for more than two years. And even Canada, where the labour market has been relatively robust, saw its worst job losses last month since the recession.

Rising unemployment is bad enough. But its surge, as austerity measures kick in across many advanced economies, leaves diminished funds to hire more government workers, boost infrastructure spending or expand programs to support those without jobs. Prolonged unemployment and underemployment carry numerous consequences, among them pressure on household incomes and the ability to spend and pay down consumer debt. People will also move from country to country, fleeing regions with few prospects in favour of lands of better opportunities.

All told, more than 200 million people are out of work around the world (the equivalent to Brazil's entire population), putting global unemployment at the highest level on record, according to the International Labour Organization.

"Clearly, we're in unprecedented territory," said Howard Rosen, labour market expert and visiting fellow at the Washington-based Peterson Institute for International Economics. "What we're seeing is only the beginning of the process because austerity measures are only just starting."

He sees unemployment remaining high in Europe and North America for "much of the next decade" and believes geopolitical tensions will heat up between higher-growth emerging markets and slow-growth industrialized nations.

The weak hiring climate comes on top of longer-term shifts in the labour market, notes Craig Riddell, economics professor at the University of British Columbia. Even before the slowdown, work was shifting away from permanent positions and toward temporary contracts with little or no benefits.

That shift "affects consumer confidence, and when you add that with downturn, it has a different impact on how secure people feel about the future."

The spectre of sticky unemployment is on officials' radar. Earlier this month, IMF managing director Christine Lagarde cautioned that the global economy has entered a "dangerous and uncertain" phase.

"If we do not act, and act together, we could enter a downward spiral of uncertainty, financial instability, and a

collapse in global demand," she said. "Ultimately, we could face a lost decade of low growth and high unemployment."

About 80 million jobs will have to be created in the next two years to return to pre-crisis employment rates, the ILO's annual World of Work report estimates. But the recent slowdown means the global economy is likely to create only half of the jobs needed. Thus employment levels among advanced economies won't return to pre-crisis levels until 2016, it said.

Social unrest is percolating too. The organization's new index, which tracks levels of discontent over the lack of jobs and opportunities, shows the risk of social unrest is escalating in 45 of the 119 countries examined.

But the picture isn't uniformly glum. The index shows social unrest is ebbing in Latin America – a reflection of the region's comparatively buoyant economies and improving poverty rates. In Argentina, the jobless rate has fallen to a record low of 7.3 per cent, while in Chile it has ebbed to 7.4 per cent.

"The mood is very optimistic," said Andrés Poch, president of the Association of Chilean Engineering Consulting Companies, in an interview while on a visit to Canada last week.

His association is in expansion mode as investments boom in natural resources and infrastructure. His sector needs to expand to 20,000 engineers and technicians in the next few years from 13,000 now.

In a reversal of history, Mr. Poch notes that many more workers from Spain are now seeking work in Chile, trying to escape the Spanish record jobless rate of 21 per cent.

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