

Bleak prospects for UK job market

The outlook for the UK job market is at its worst for a decade, according to a report from an employment organisation.

The Chartered Institute of Personnel and Development forecasts a net rise in employment of 75,000 in 2008, a third of the rise forecast in 2006 and 2007. The institute estimates unemployment will rise by around 150,000 to 1.8 million, or 5.8% of the workforce.

John Philpott, chief economist at the CIPD, said that in the previous two years, a downward trend in public sector employment "has in turn been more than offset by rising numbers of private sector jobs".

Slowdown

Mr Philpott warned that the slowdown in the job market could prompt "bigger cuts in interest rates than currently anticipated" and prolong the effects of the economic downturn into 2009.

In the private sector, the institute said job losses will be felt most in financial services, which in recent years has "been a substantial driver of employment growth" but is now "facing a direct hit from the credit crunch".

Many financial firms and banks have been hit by exposure to problems in the US housing market.

This has made banks reluctant to lend to consumers and each other, creating conditions known as a credit crunch.

Uncertainty

The Institute of Directors, a group representing business leaders, said the economy was "entering the most uncertain economic period for 15 years", with forecasts being made when the full extent and impact of the credit crisis was still unclear.

In October, the Centre for Economics and Business Research said that it expected 6,500 jobs to be lost in the City of London financial district during 2008, with cutbacks most pronounced in investment banking. The CIPD said that jobs were also likely to be lost in the public sector as the government attempted to improve public service efficiency.

A survey earlier this month by recruitment firm Manpower found that UK employers were set to take on new workers at their slowest rate in six years in the wake of the credit crisis

Limited options

Many analysts are warning that consumers may rein in spending when faced with deteriorating economic and job conditions.

"Any excessive spending over Christmas and at the New Year sales, especially where goods are paid for on credit, risks tipping even more consumers over the edge," said Mark Sands, director of insolvency at KPMG.

"The credit crunch is resulting in increased rejections of credit card applications and a reduction in the availability of loans secured by a second charge on the family home.

Figures from the Financial Services Authority (FSA) show that 48% of people are more likely to go on a diet or book a holiday than try to sort out their finances in January.

Just under a quarter of 16 to 44-year-olds are worried or scared about their bills arriving in the new year, it said.

"The consequences of not managing your money properly can be devastating," said Chris Pond, FSA Director of Financial Capability.

"If you don't make payments on time, it can affect your credit history and, at worst, put your home and even relationships under pressure."

The FSA has published a free MoneyMadedclear guide to help people manage their money.