

Article

Labour Market Flows: November 2015 (Experimental Statistics)

These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. The headline LFS estimates are published in the monthly Labour Market Statistical Bulletin.

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1. Background

In the Labour Force Survey (LFS) respondents are interviewed for five consecutive quarters over a 12 month period, with 20% of the sample being replaced at each quarter. This allows for a longitudinal dataset to be created over a limited time interval, where respondents' characteristics can be tracked over their time in the survey.

We publish population-weighted longitudinal datasets for each calendar quarter. These are available for each quarter since 1997 and can be used to analyse changes in labour market characteristics over two or five quarters. The datasets include "flow" variables, which estimate the size of the movements between the three main labour market statuses of employment, unemployment and economic inactivity.

Monitoring changes in the labour market status of respondents to the LFS aids the understanding of the quarterly changes in the levels of employment, unemployment and economic inactivity. These indicators are published as stocks for a given period, with changes expressed as the difference between successive quarters. These quarterly comparisons represent the net changes between the three labour market statuses. The underlying gross flows are usually considerably larger and may not correspond with those implied by the net changes. Estimates of the gross flows between the statuses can be derived from the LFS Longitudinal Datasets and are summarised in this note.

2. Method

There are two types of LFS longitudinal datasets: two-quarter and five-quarter. These are weighted using the same population estimates as those used in the main quarterly LFS datasets, although the weighting methodology differs (see technical note). Consequently the estimates are broadly consistent with the published aggregates, but not entirely. Also, the datasets are limited to people aged 16 to 64.

Both types of dataset contain a flow variable with eleven categories, with all combinations of employment, unemployment and economic inactivity accounted for, plus two categories for those entering and leaving the 16 to 64 population over the quarter. For the purpose of this analysis, those entering or leaving this population are excluded from the measured sample. The stock of the employed, unemployed and inactive at each quarter can therefore be estimated by summing the corresponding flow categories.

For this analysis, the two-quarter datasets have been used in order to gain some insight into the quarterly changes in the headline published aggregates.

3. The charts in this article

The charts in this article show the estimated gross flows, that is the total inflow or outflow for 16-64 employment, unemployment and inactivity from one calendar quarter to the next. They are seasonally adjusted. Analysis of the net flows, that is the difference between the total inflow and outflow, are also included and these are compared with the quarterly changes in the published aggregates, partly to give an indication of the robustness of the flows analysis.

4. Main points for quarter 3 2015

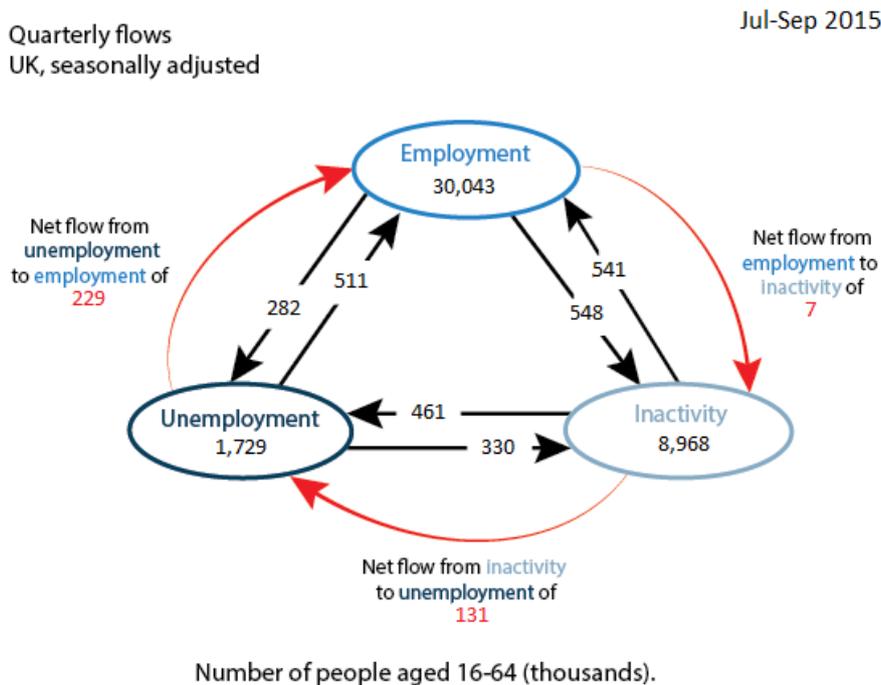
- the flow from employment to unemployment has decreased to its lowest level since the series began in 2001
- the job to job flow is at its highest rate since January to March 2008
- the flow from unemployment to inactivity has decreased to its lowest level since April to June 2008

5. Quarterly gross flows

The diagram below shows the gross flow between each economic status between April to June 2015 and July to September 2015. The stocks for each status represent the latter period and are the seasonally adjusted aggregates for people aged 16 to 64.

Quarterly population flows - July to September 2015

United Kingdom, seasonally adjusted (thousands)

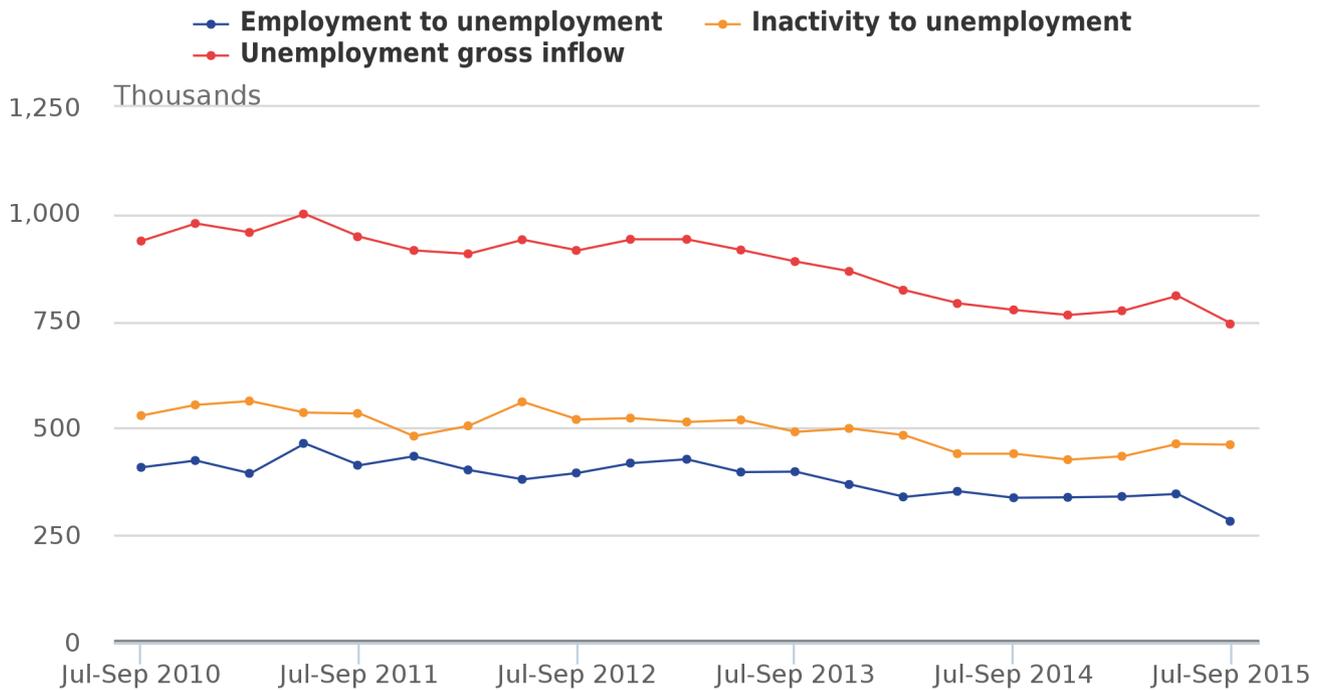


6. Unemployment

The flow from employment has decreased to its lowest level since the series began (in 2001). The gross inflow to unemployment is below 800,000 after two previous increases (Figure 1).

Figure 1: Inflow to unemployment

Seasonally adjusted (16 to 64)

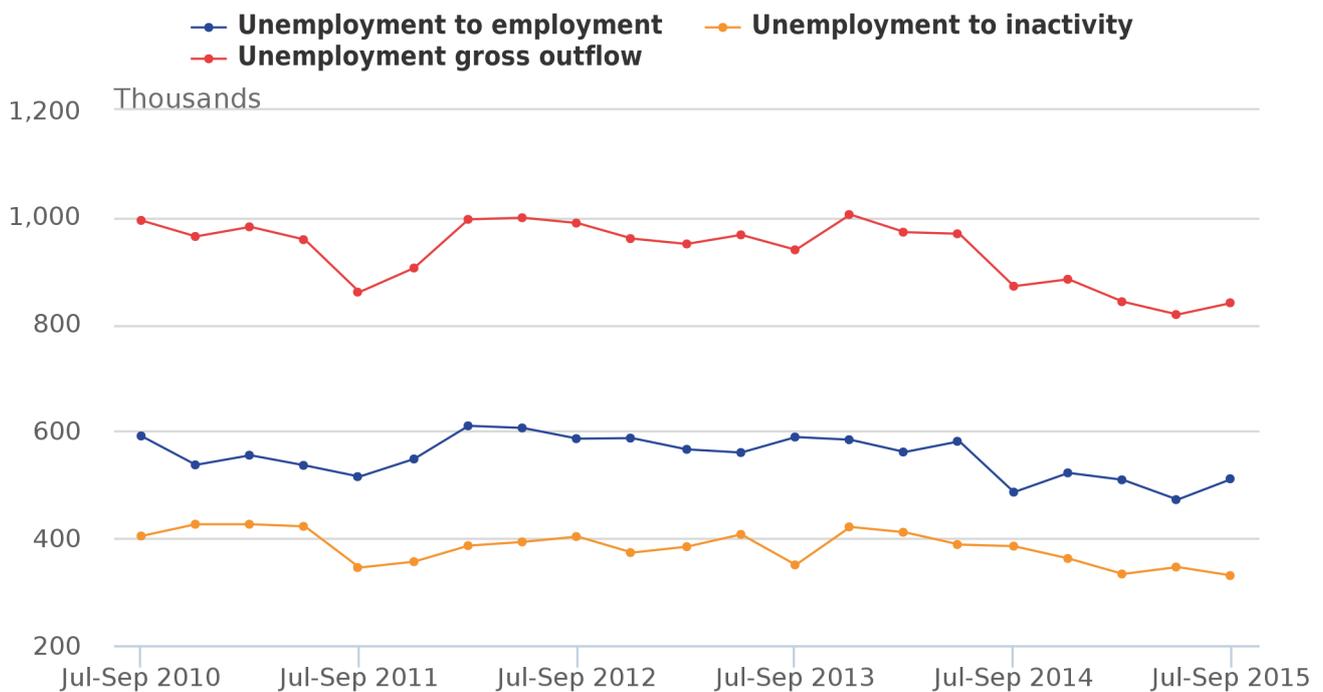


Source: Labour Force Survey

The gross outflow has increased slightly (Figure 2).

Figure 2: Outflow from unemployment

Seasonally adjusted (16 to 64)

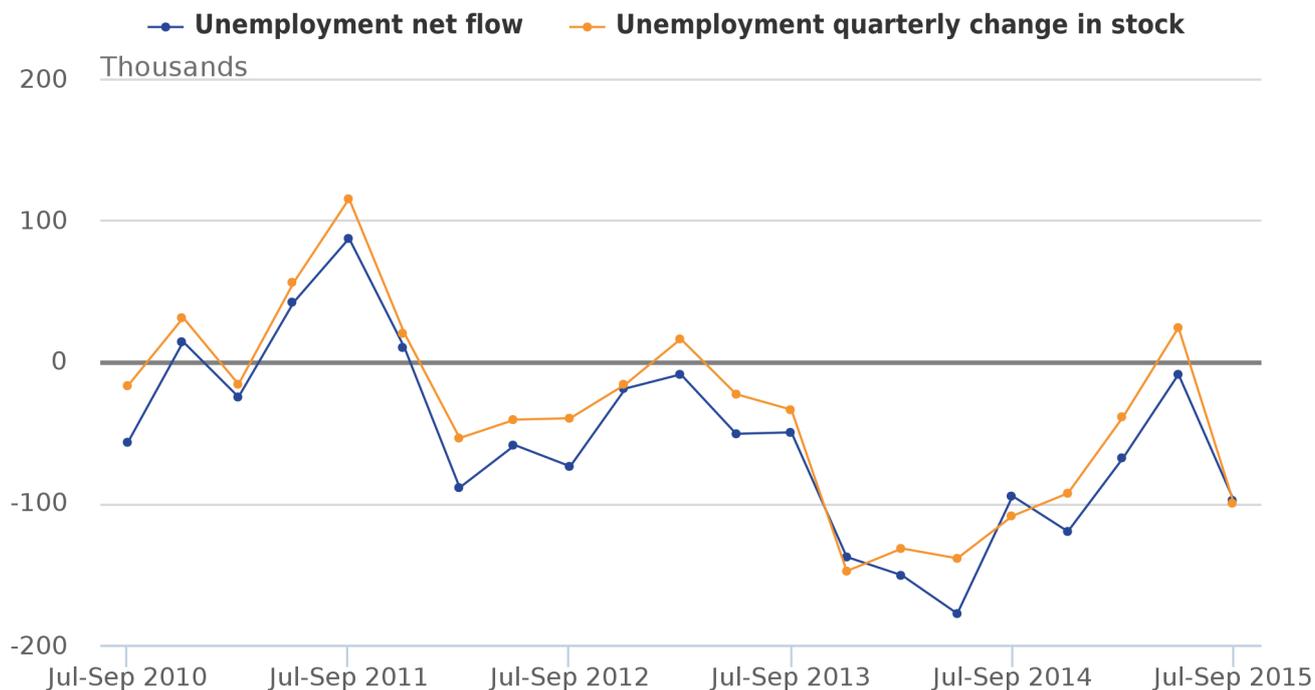


Source: Labour Force Survey

Figure 3 shows that the quarterly change in stock and net flow have both decreased by a similar amount.

Figure 3: Unemployment: Net flow vs change in stock

Seasonally adjusted (16 to 64)



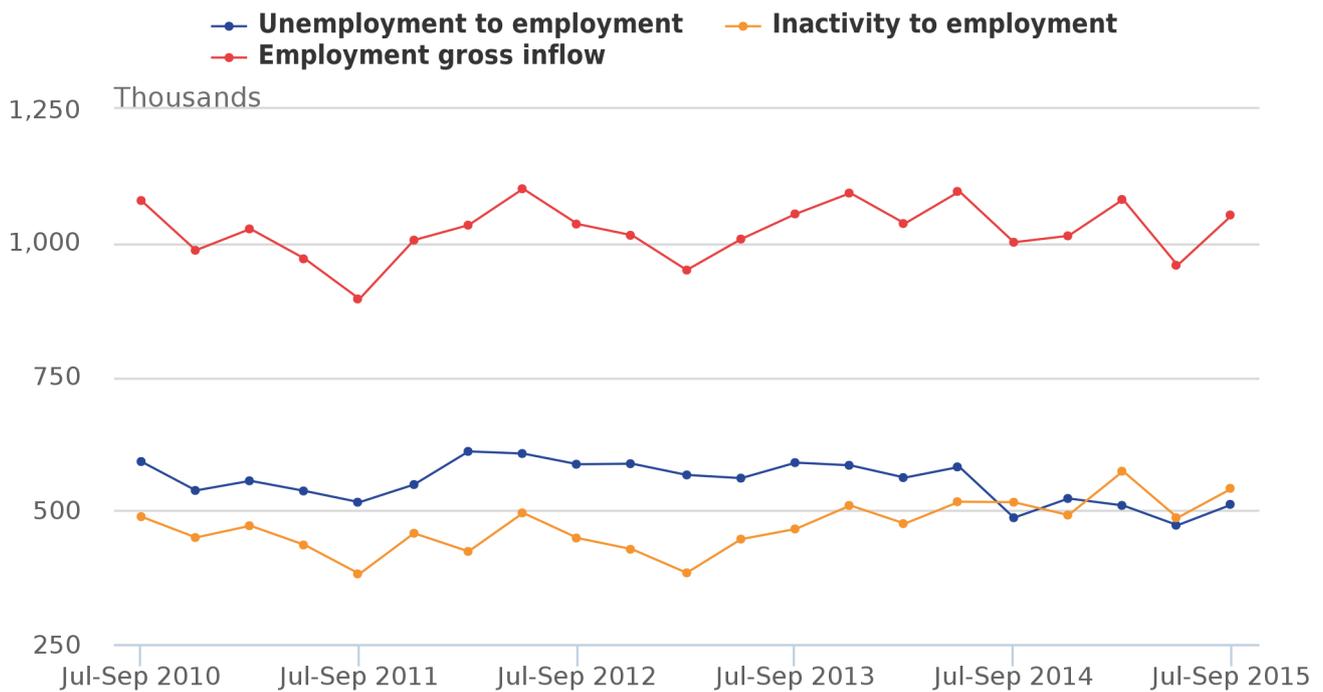
Source: Labour Force Survey

7. Employment

The flows to employment from both inactivity and unemployment (Figure 4) increased.

Figure 4: Inflow to employment

Seasonally adjusted (16 to 64)

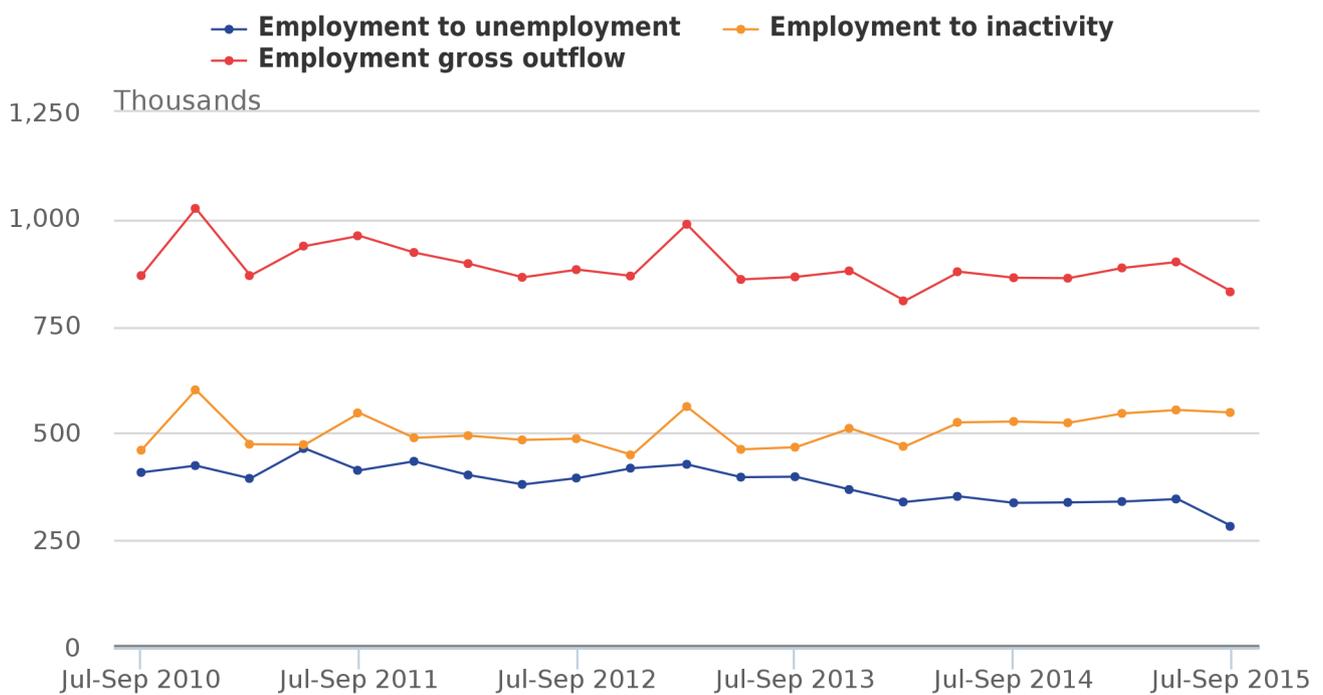


Source: Labour Force Survey

The flow from employment to unemployment (Figure 5) decreased to the lowest level since the series began in 2001.

Figure 5: Outflow from employment

Seasonally adjusted (16 to 64)

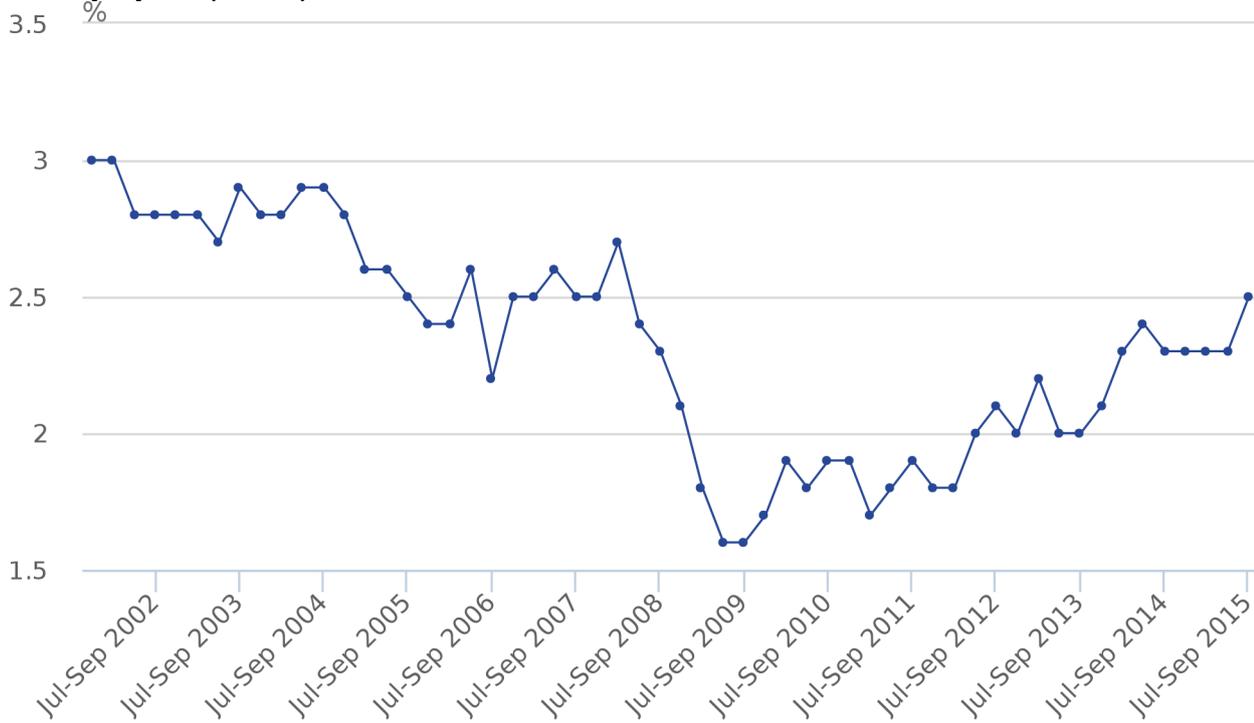


Source: Labour Force Survey

The job to job flow (Figure 6), that is the number of people who remained in employment over the quarter but are in a different job, increased to its highest rate since January to March 2008.

Figure 6: Job to job flow rate

Seasonally adjusted (16 to 69)

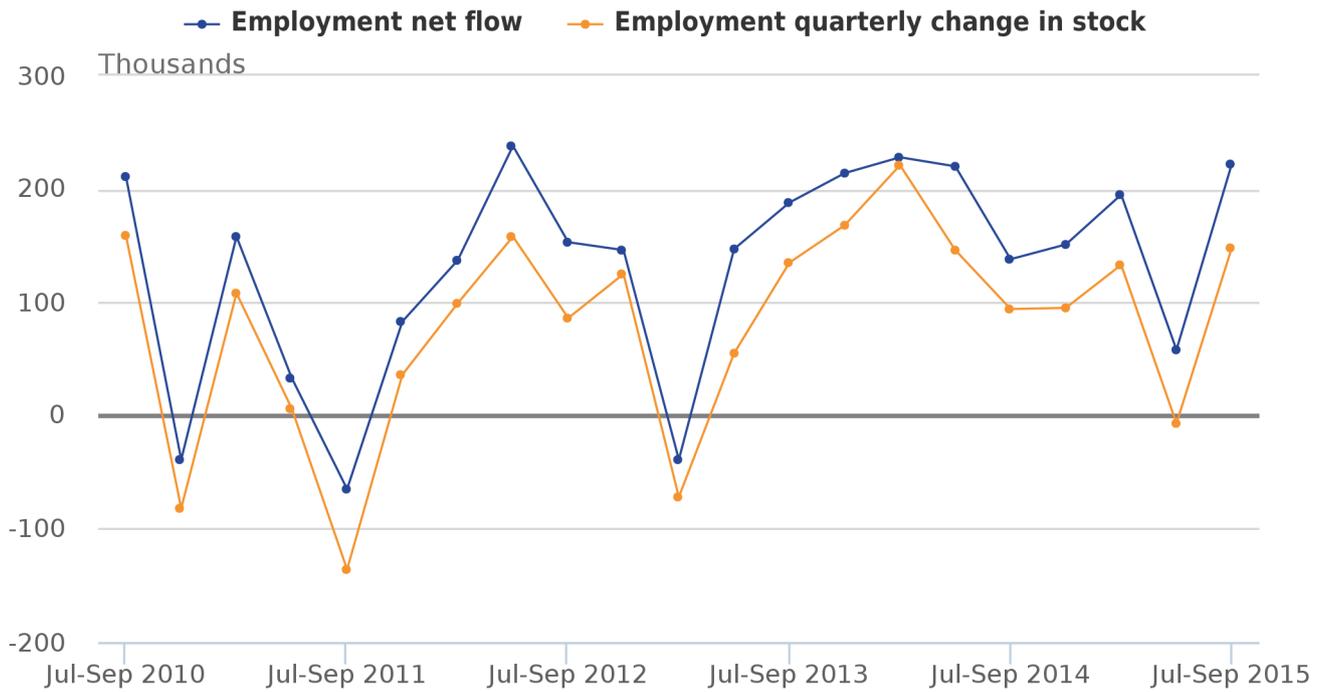


Source: Labour Force Survey

Figure 7 shows that the net flow and change in stock have both increased.

Figure 7: Employment: Net flows vs change in stock

Seasonally adjusted (16 to 64)



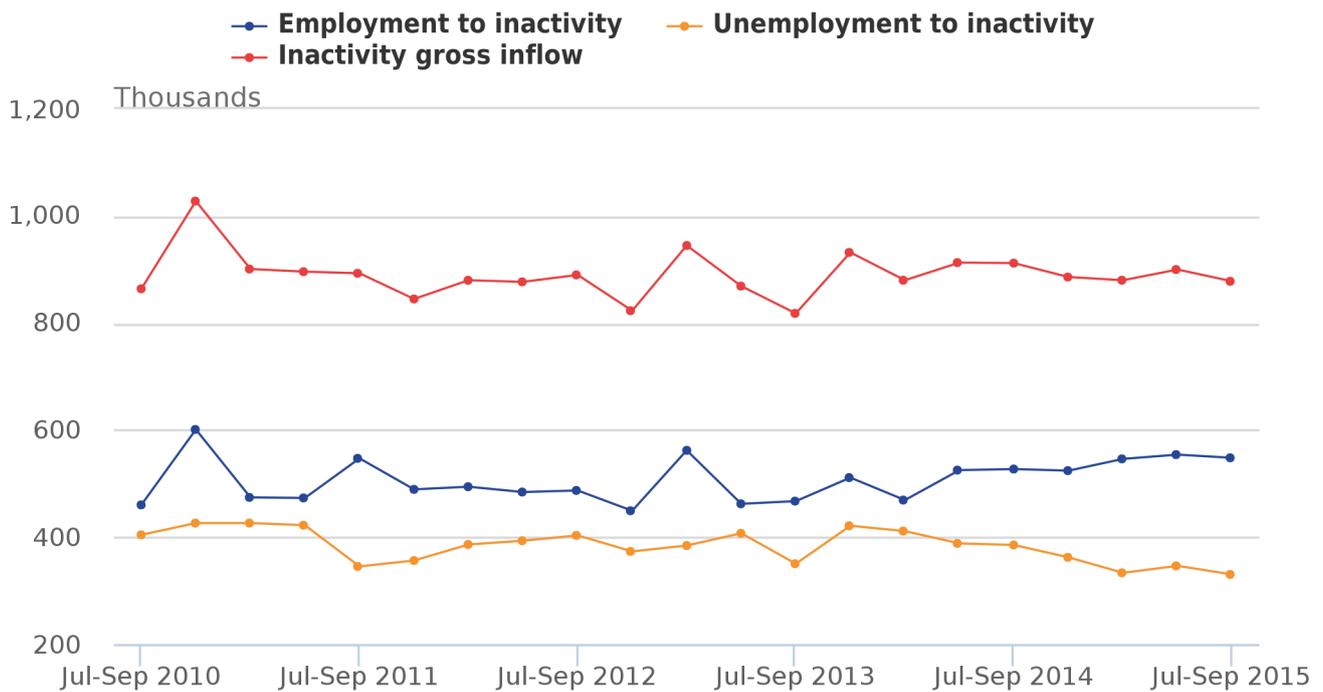
Source: Labour Force Survey

8. Inactivity

The flow from unemployment to inactivity (Figure 8) has decreased whereas the gross flow to inactivity remains broadly flat.

Figure 8: Inflow to inactivity

Seasonally adjusted (16 to 64)

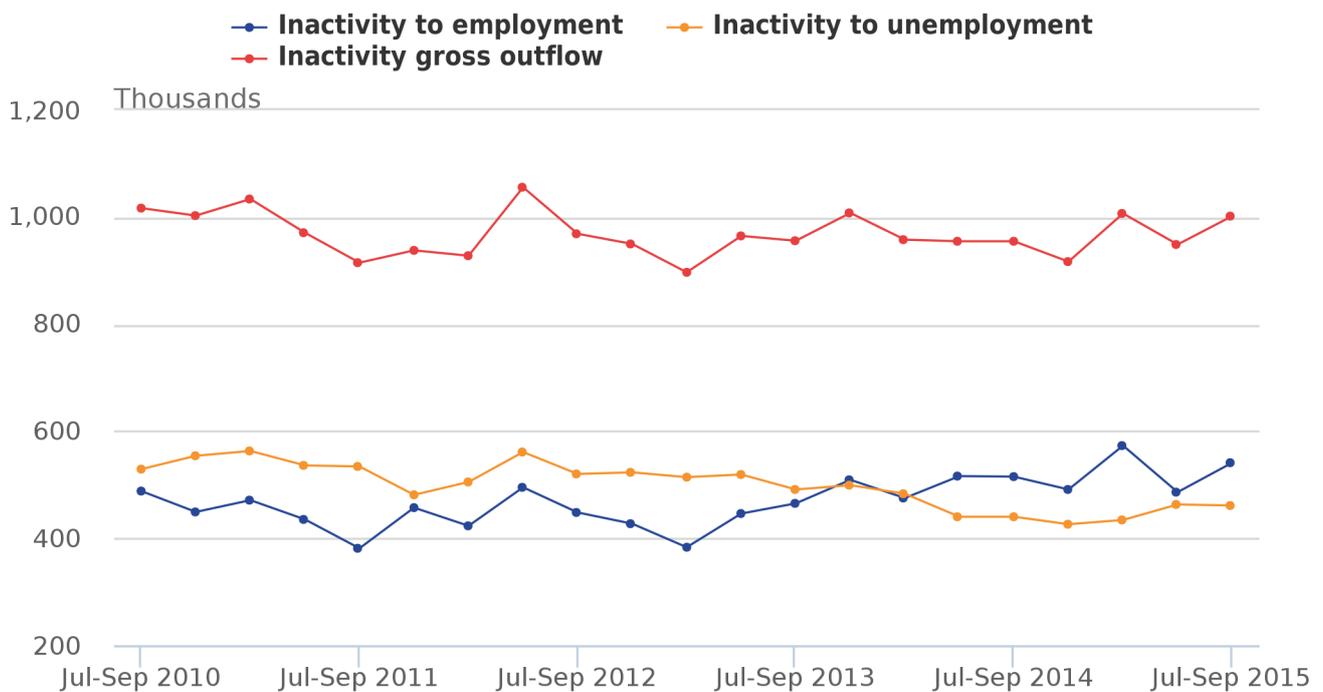


Source: Labour Force Survey

The gross flow from inactivity (Figure 9) has increased driven by the increase to employment.

Figure 9: Outflow from inactivity

Seasonally adjusted (16 to 64)

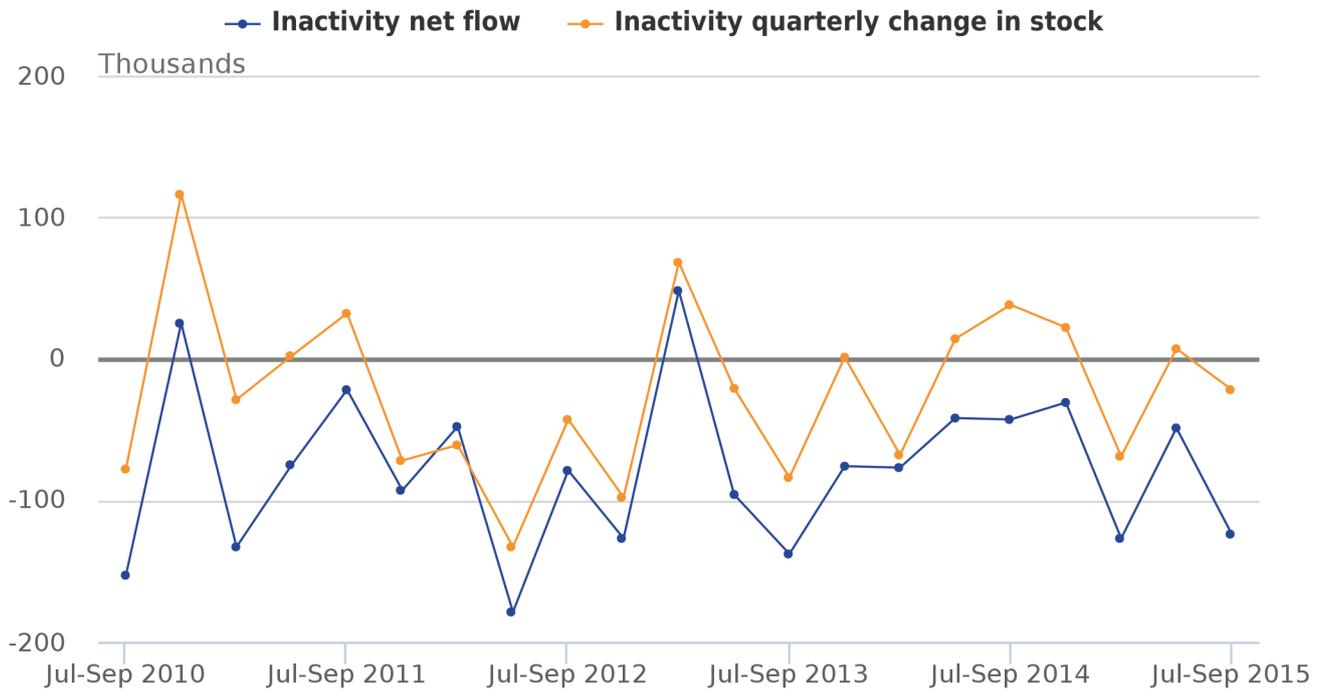


Source: Labour Force Survey

Figure 10 indicates that the quarterly change in stock and the net flow have decreased and are both negative.

Figure 10: Inactivity: Net flow vs change in stock

Seasonally adjusted (16 to 64)



Source: Labour Force Survey

9. Technical note

There are differences between the data used for the published LFS aggregate estimates and the longitudinal data used to estimate the gross flows:

1. Flows are currently adjusted for non-response bias through special calibration weights in the longitudinal datasets. These aim to account for the propensity of certain types of people to drop out of the LFS between one quarter and the next. For example, housing tenure features in the weighting of the longitudinal data because, historically, households in rented accommodation have been more likely to drop out of the survey than owner-occupiers.
2. There is some evidence that the longitudinal datasets are affected slightly by response error which causes a slight upward bias in the estimates of the gross flows. For example, if it was erroneously reported that someone had moved from unemployment to employment then, in addition to the outflow from unemployment being overestimated, so would the inflow to employment. In the main quarterly LFS dataset, any such misreporting errors tend to cancel each other out.
3. The differences in the net flows for inactivity shown in Chart 9 are mainly the result of excluding the entrants to, and leavers from, the population in the flows estimates contained in this piece of analysis. This effect is normally one that increases the number of people who enter inactivity. This is because the increase in inactivity from those people turning 16 is greater than those leaving inactivity due to becoming 65.
4. The stocks derived from the longitudinal datasets differ from those obtained from the quarterly LFS datasets due to their being based on a subset of the main LFS sample. The restriction to measuring only those who are commonly aged 16-64 across successive quarters discounts those entering or leaving the population and also those over 64. All such people are accounted for in the headline LFS aggregates.

10. References

Jenkins J and Chandler M (2010) [Labour market gross flows data from the Labour Force Survey'](#) (145.4 Kb Pdf). Economic & Labour Market Review, February 2010.

11. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk