Article

Labour market flows: March 2019

Movements between employment, unemployment and inactivity in the labour market.

Notice

19 March 2019

This edition of the article, published on 19 March 2019, was the last edition to be published. However we will continue to publish Dataset X02 (Labour Force Survey Flows estimates) on a quarterly basis.

Table of contents

1 . Things you need to know about this release

This edition of the article, published on 19 March 2019, is the last Labour market flows article to be published. However we will continue to publish Dataset X02 (Labour Force Survey Flows estimates) on a quarterly basis.

Unlike the current headline Labour Force Survey (LFS) estimates, the flow estimates presented here do not take into account the latest population estimates. To maintain consistency throughout this release, the stock estimates are also based on the previous population estimates and therefore differ from the current headline LFS estimates. The estimates will be revised to reflect the latest population estimates with the publication of the next Dataset X02 in May 2019.

2 . 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.

3 . Method

There are two types of Labour Force Survey (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 Section 9: 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 years.

Both types of dataset contain a flow variable with 11 categories, with all combinations of employment, unemployment and economic inactivity accounted for, plus two categories for those entering and leaving the 16 to 64 years 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.

4 . The charts provided

The charts in this article show the estimated gross flows, that is, the total inflow or outflow of people aged 16 to 64 years for 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.

5 . Main points for Quarter 4 (Oct to Dec) 2018

- The gross flow from unemployment has seen the largest quarterly increase since January to March 2017.

- The flow from inactivity to employment has reached its highest level since records began in October to December 2001.

- The gross flow to employment has seen the largest quarterly increase since July to September 2015.
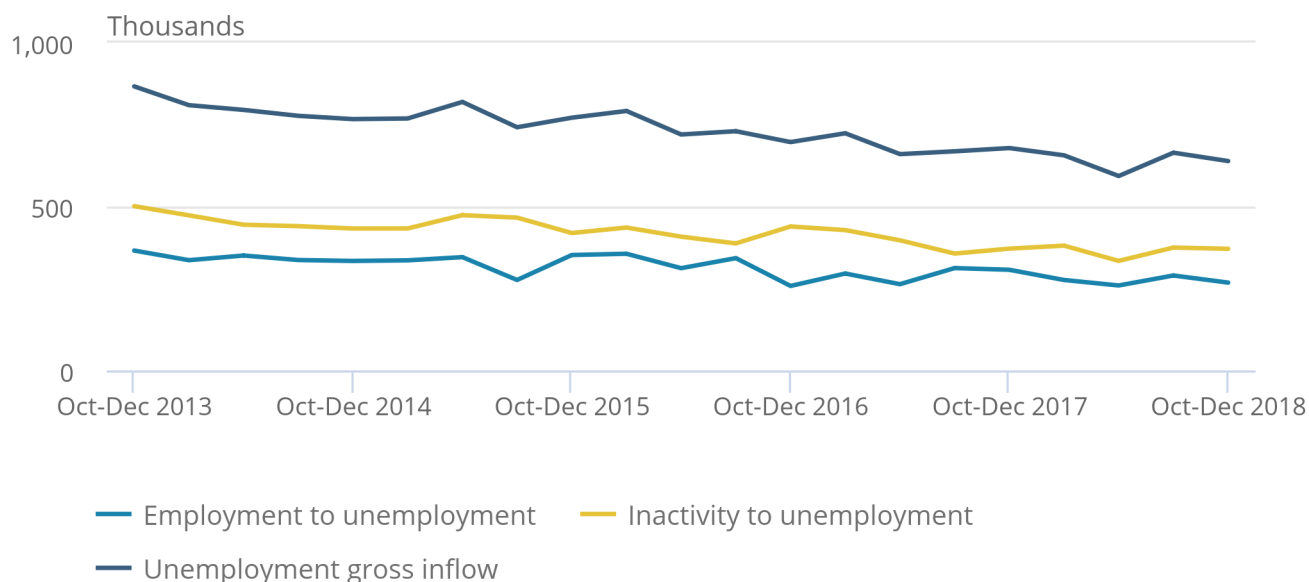
6 . Unemployment

Figure 1 shows that the flows from both employment and inactivity to unemployment have decreased, which is reflected by a decrease in the gross inflow.

Figure 1: The gross flow to unemployment is down on the quarter

Inflow to unemployment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 1: The gross flow to unemployment is down on the quarter

Inflow to unemployment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Thousands

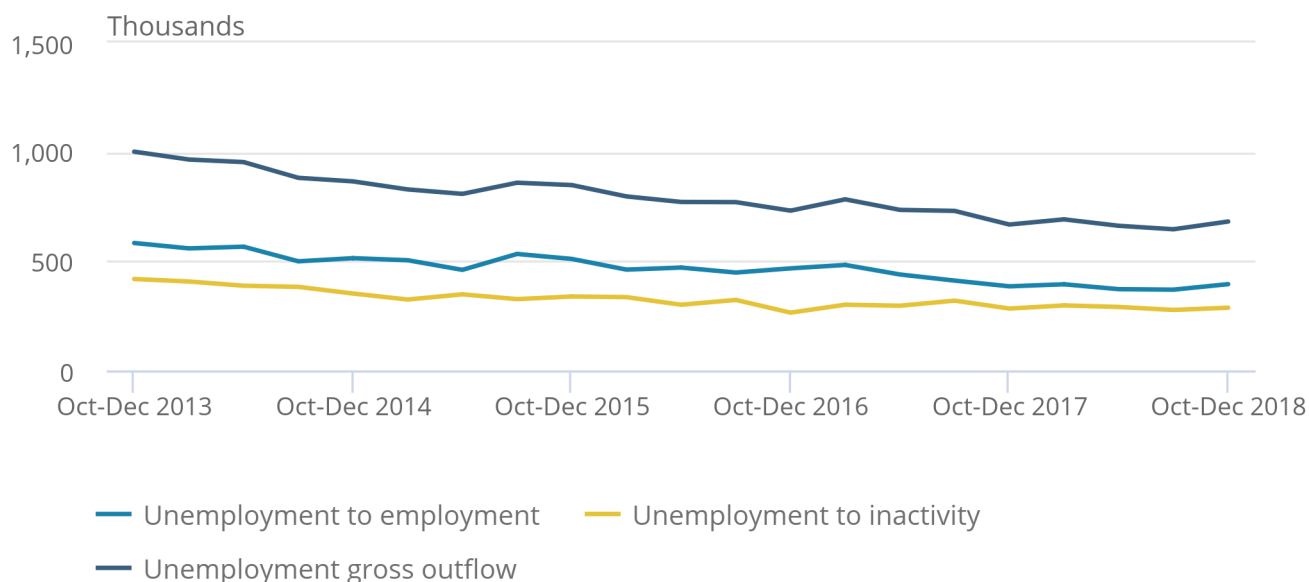|	
Employment to unemployment	Inactivity to unemployment
Unemployment gross inflow	

Source: Office for National Statistics

Figure 2 shows that the flows from unemployment into both employment and inactivity have increased, resulting in the largest quarterly increase in the gross outflow since January to March 2017.

Figure 2: The gross flow from unemployment is up on the quarter

Outflow from unemployment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 2: The gross flow from unemployment is up on the quarter

Outflow from unemployment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Thousands

1,500

1,000

500

0

Oct-Dec 2013   Oct-Dec 2014   Oct-Dec 2015   Oct-Dec 2016   Oct-Dec 2017   Oct-Dec 2018

— Unemployment to employment   — Unemployment to inactivity

— Unemployment gross outflow

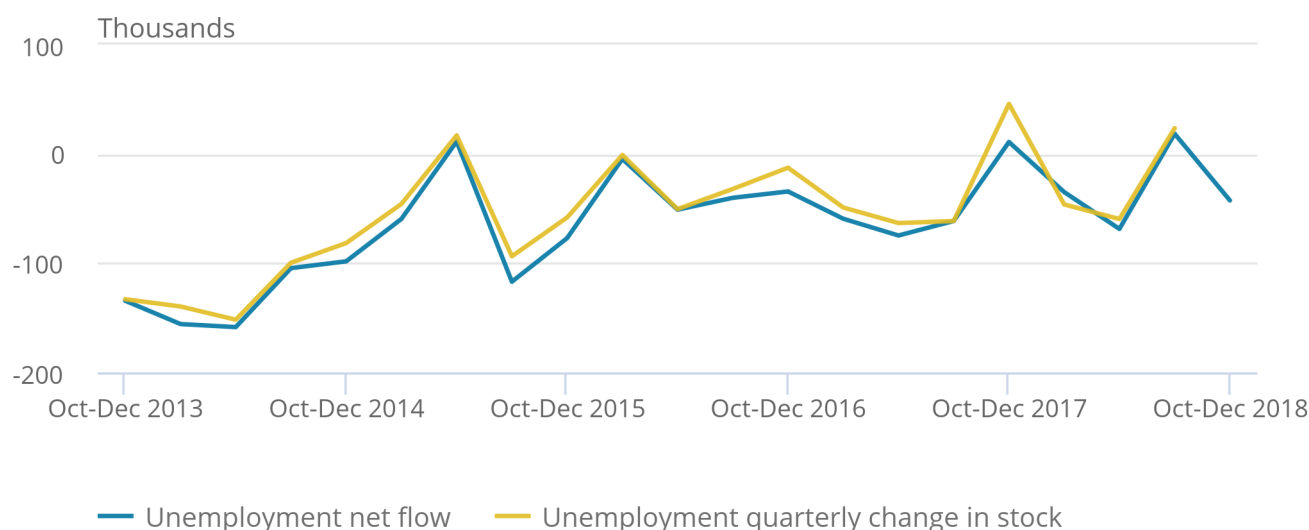**Source: Office for National Statistics**

Figure 3 shows that the unemployment net flow has returned to negative. The quarterly change in stock estimate for October to December 2018 is not available.

Figure 3: The unemployment net flow has returned to negative

Unemployment: net flow vs change in stock, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 3: The unemployment net flow has returned to negative

Unemployment: net flow vs change in stock, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Source: Office for National Statistics

Notes:

1. Stock estimates for October to December 2018 are not available on a consistent basis with the flow estimates (see note at top of article).
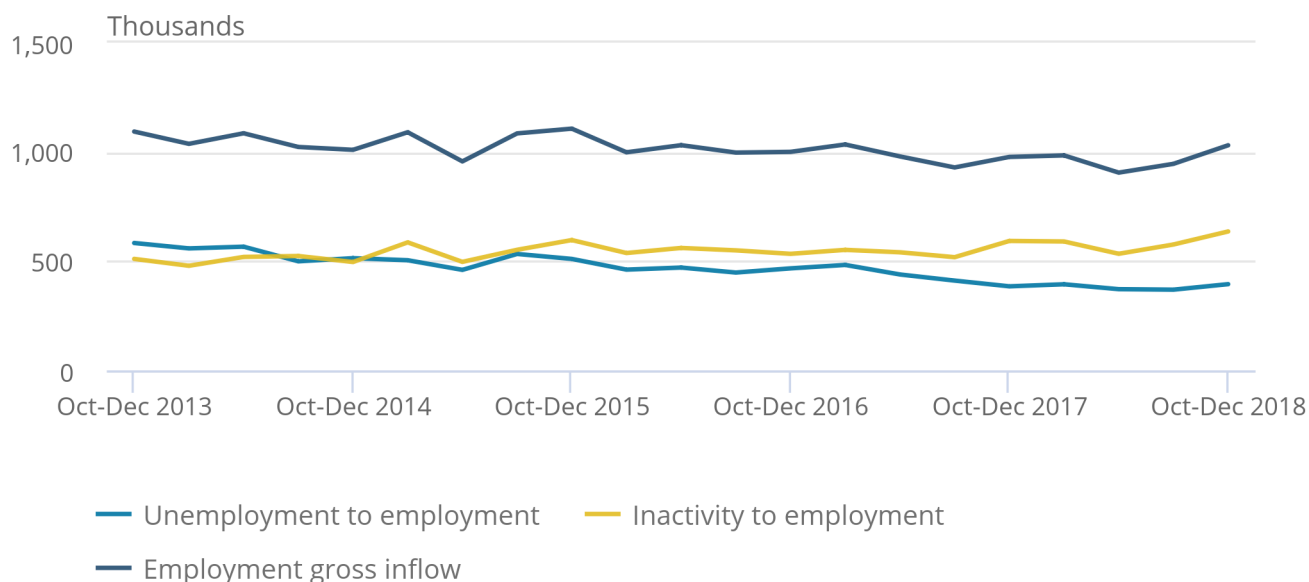
7 . Employment

Figure 4 shows that the flow from inactivity to employment has seen the largest quarterly increase since October to December 2017, to reach its highest level since records began in October to December 2001. The flow from unemployment to employment has also seen a quarterly increase; the largest since July to September 2015. This has contributed to the sharpest quarterly increase in the gross flow to employment since July to September 2015.

Figure 4: The gross flow to employment is up on the quarter

Inflow to employment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 4: The gross flow to employment is up on the quarter

Inflow to employment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Source: Office for National Statistics

The flows from employment to inactivity and unemployment have both decreased, resulting in a decrease in the gross outflow after two consecutive quarterly increases (Figure 5).
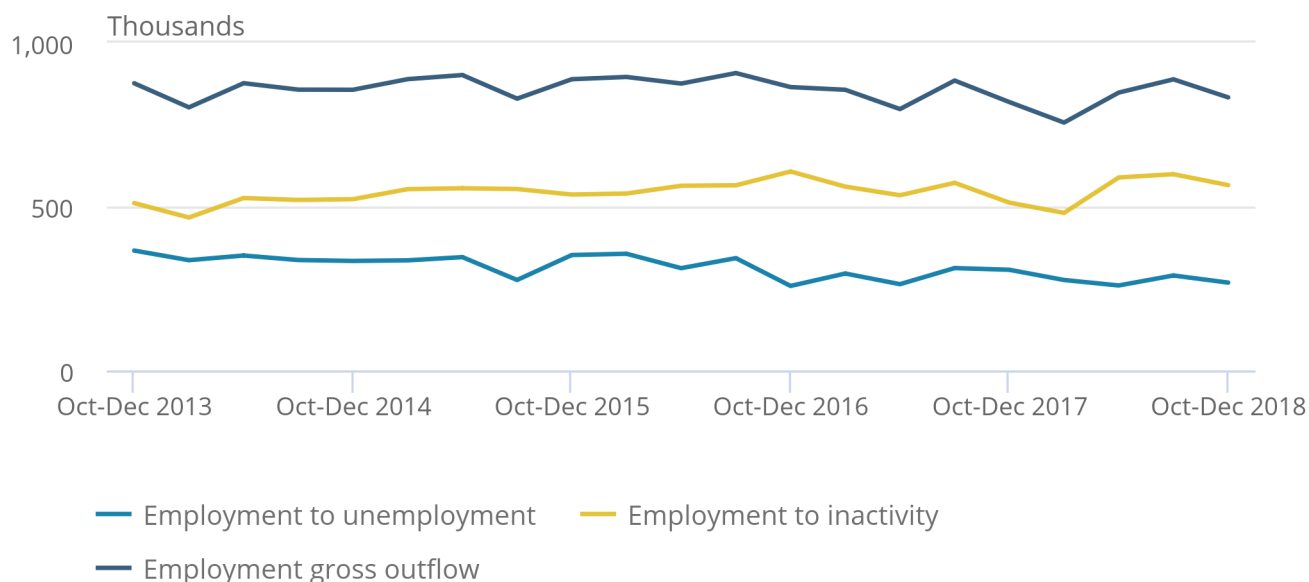
Figure 5: The gross flow from employment is down on the quarter

Outflow from employment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 5: The gross flow from employment is down on the quarter

Outflow from employment, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018
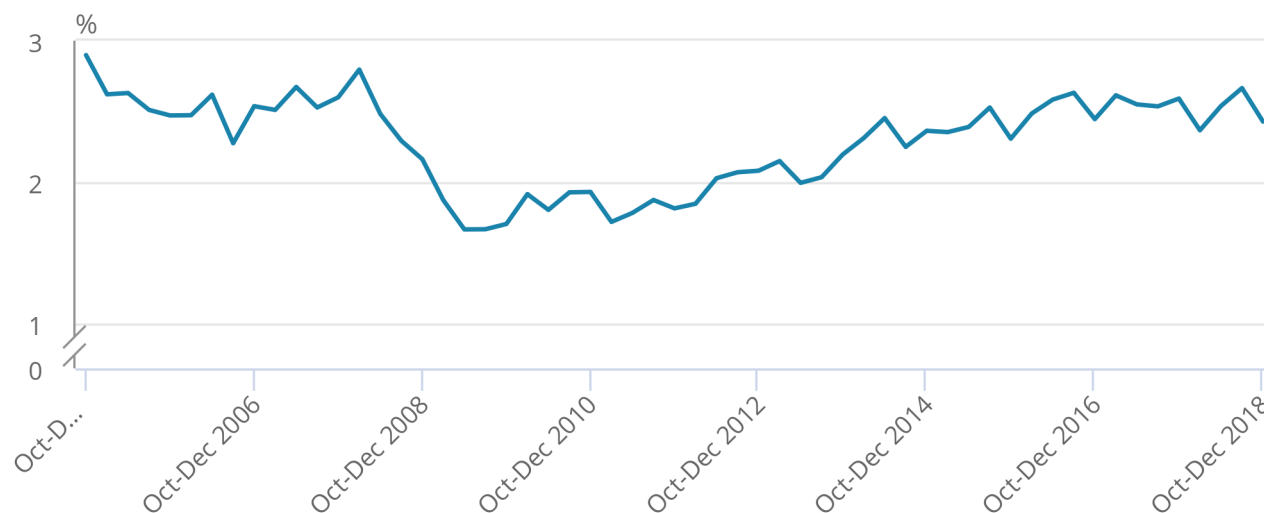

Source: Office for National Statistics

Figure 6 shows that the job-to-job flow rate has decreased.

Figure 6: The job-to-job flow rate is down on the quarter

Job-to-job flow rate, seasonally adjusted (aged 16 to 69 years), UK, October to December 2004 to October to December 2018

Figure 6: The job-to-job flow rate is down on the quarter

Job-to-job flow rate, seasonally adjusted (aged 16 to 69 years), UK, October to December 2004 to October to December 2018

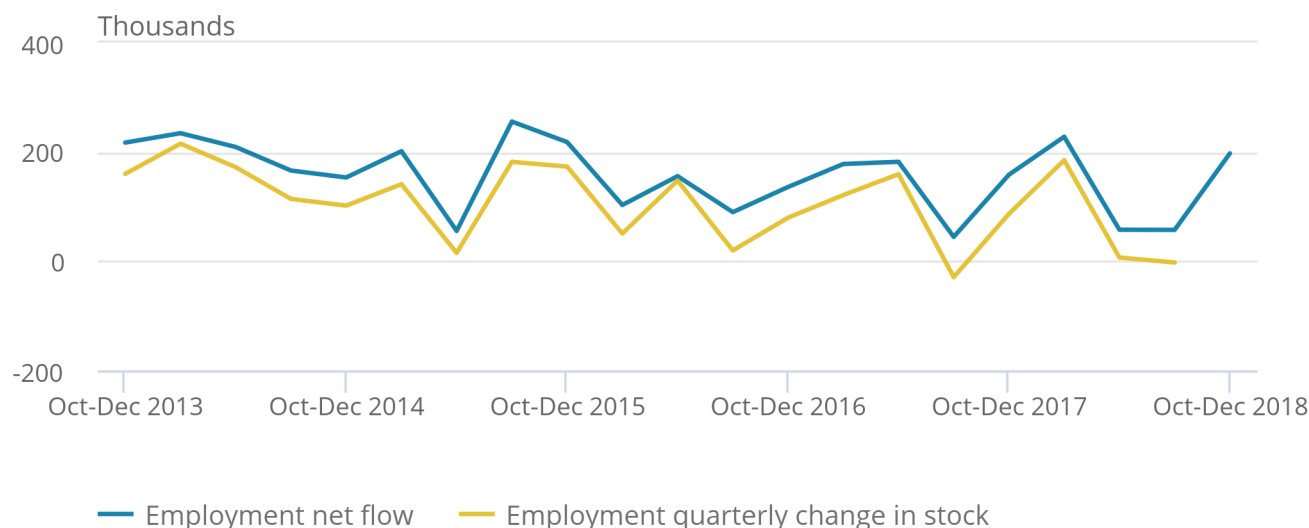**Source: Office for National Statistics**

Figure 7 shows that the net flow has increased sharply on the quarter; the largest quarterly increase since July to September 2015. The quarterly change in stock estimate for October to December 2018 is not available.

Employment: net flows vs change in stock, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Source: Office for National Statistics

Notes:

1. Stock estimates for October to December 2018 are not available on a consistent basis with the flow estimates (see note at top of article).
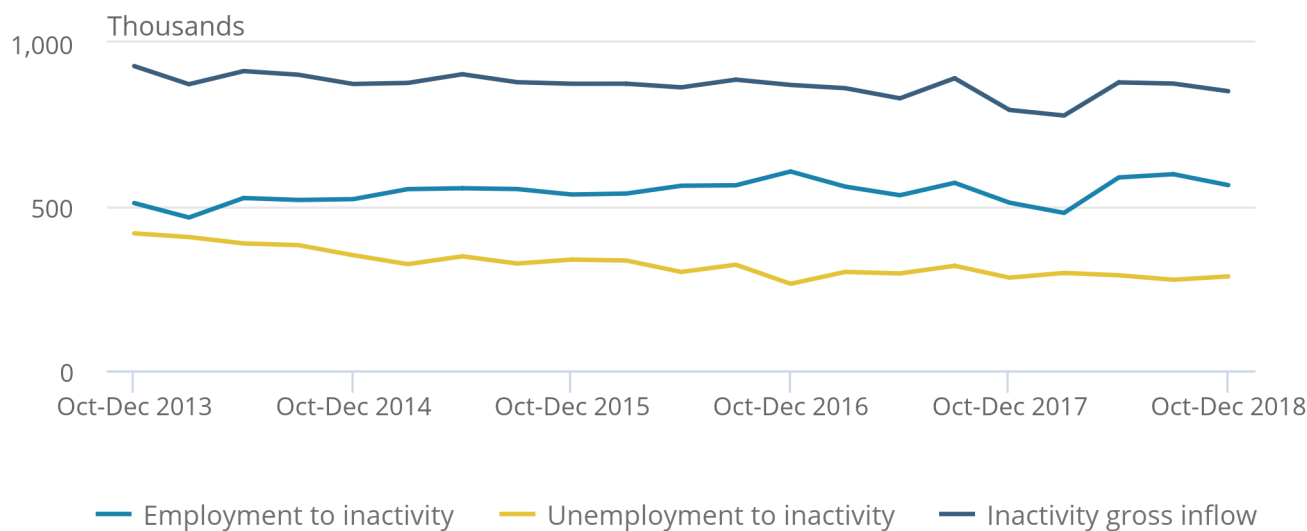
8 . Inactivity

Figure 8 shows that the flow from unemployment to inactivity has increased on the quarter whereas the flow from employment has decreased by a greater magnitude, resulting in a decrease in the gross flow to inactivity.

Figure 8: The gross flow to inactivity is down on the quarter

Inflow to inactivity, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 8: The gross flow to inactivity is down on the quarter

Inflow to inactivity, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018
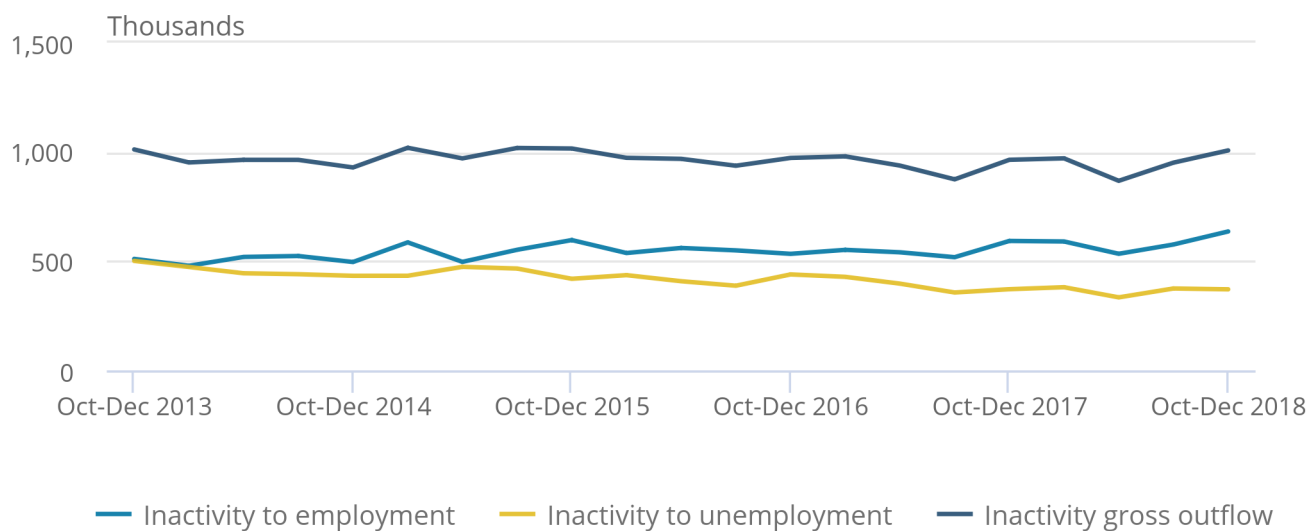

Source: Office for National Statistics

The gross flow from inactivity has increased for the second consecutive quarter, driven by an increase in the flow from inactivity to employment (Figure 9).

Figure 9: The gross flow from inactivity is up on the quarter

Outflow from inactivity, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Figure 9: The gross flow from inactivity is up on the quarter

Outflow from inactivity, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Thousands

- Inactivity to employment
- Inactivity to unemployment
- Inactivity gross outflow
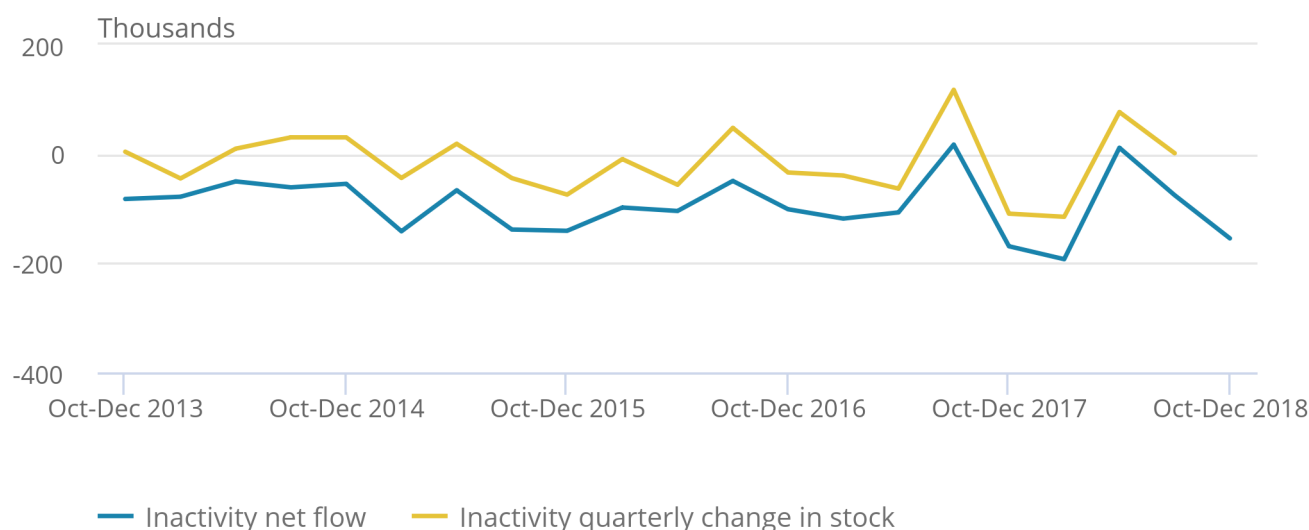
Source: Office for National Statistics

The inactivity net flow has decreased for the second consecutive quarter, remaining negative (Figure 10). The quarterly change in stock estimate for October to December 2018 is not available.

Figure 10: The inactivity net flow is down on the quarter

Inactivity: net flow vs change in stock, seasonally adjusted (aged 16 to 64 years), UK, October to December 2013 to October to December 2018

Source: Office for National Statistics

Notes:

1. Stock estimates for October to December 2018 are not available on a consistent basis with the flow estimates (see note at top of article).

9 . Technical note

There are differences between the data used for the published Labour Force Survey (LFS) aggregate estimates and the longitudinal data used to estimate the gross flows.

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.

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.

The differences in the net flows for inactivity shown in Figure 10 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-years-old is greater than those leaving inactivity due to becoming 65-years-old.

The stocks derived from the longitudinal datasets differ from those obtained from the quarterly LFS datasets due to being based on a subset of the main LFS sample. The restriction to measuring only those who are commonly aged 16 to 64 years across successive quarters discounts those entering or leaving the population and also those over 64 years. 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 (PDF, 145KB) Economic and Labour Market Review, February 2010.