Article

Labour market flows: May 2016 (Experimental Statistics)

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

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1. Abstract

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. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The headline LFS estimates are published in the monthly Labour Market Statistical Bulletin.

2. Background

In the Labour Force Survey (LFS) respondents are interviewed for 5 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 2 or 5 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 3 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 2 types of LFS longitudinal datasets: 2-quarter and 5-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 11 categories, with all combinations of employment, unemployment and economic inactivity accounted for, plus 2 categories for those entering and leaving the 16-64 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 2-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 for 16 to 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.

5. Main points for quarter 1 (Jan to Mar) 2016

The inflow to unemployment has increased on the quarter driven by the flow from inactivity.

The total inflow to employment has decreased on the quarter with the flow from both unemployment and inactivity decreasing, although it remains above 1 million.
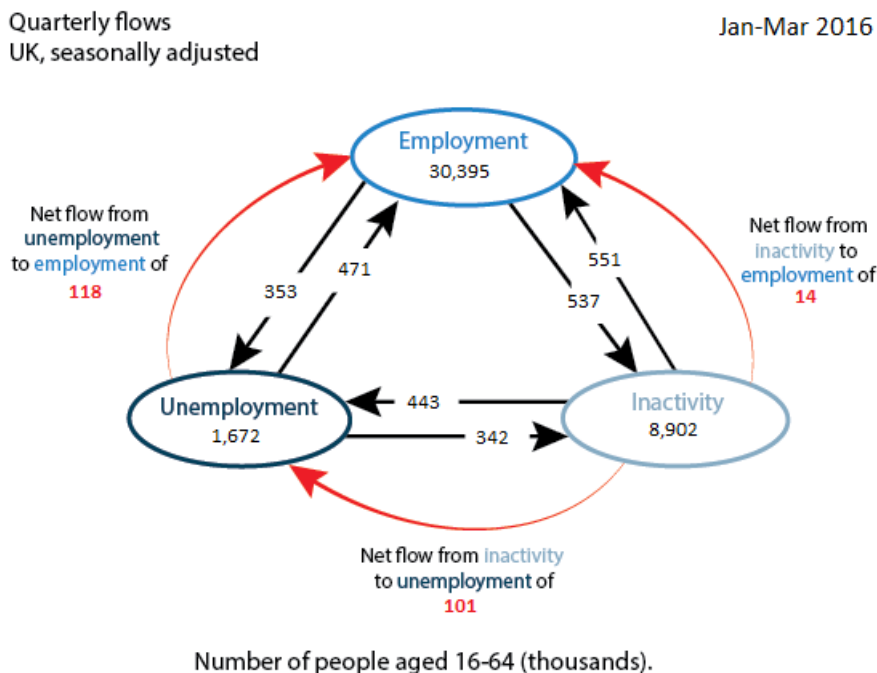
The gross inflows and outflows for inactivity have shown little change in recent quarters.

6. Quarterly gross flows

The diagram below shows the gross flow between each economic status between October to December 2015 and January to March 2016. The stocks for each status represent the latter period and are the seasonally adjusted aggregates for people aged 16 to 64.

Quarterly Population Flows - January to March 2016

UK, seasonally adjusted (thousands)

Quarterly flows
UK, seasonally adjusted

Jan-Mar 2016

Net flow from unemployment to employment of 118

Net flow from inactivity to employment of 14

Net flow from inactivity to unemployment of 101

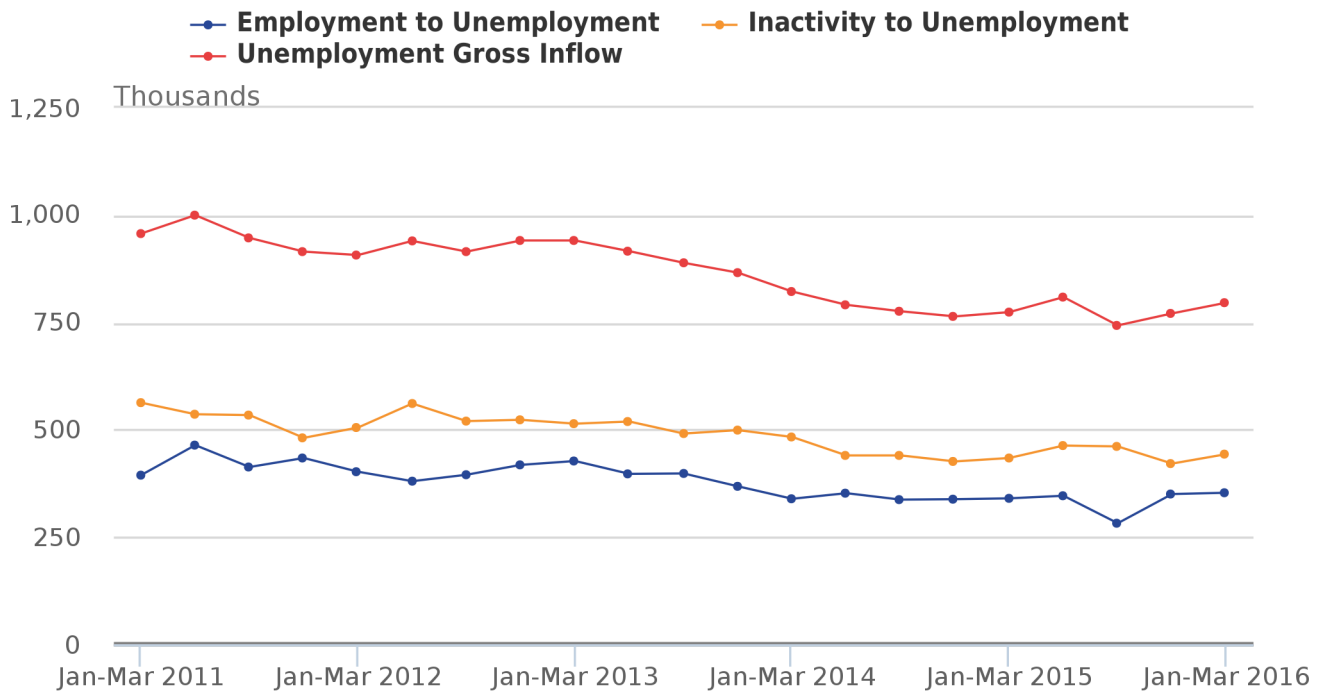Number of people aged 16-64 (thousands).

A spreadsheet containing the Labour Market Flows estimates are available on our website in the [Labour Force Survey Flows estimates: X02 dataset](#).

7. Unemployment

The inflow to unemployment (Figure 1) has increased on the quarter driven by the flow from inactivity.

Figure 1: Inflow to Unemployment, seasonally adjusted (16 to 64), UK

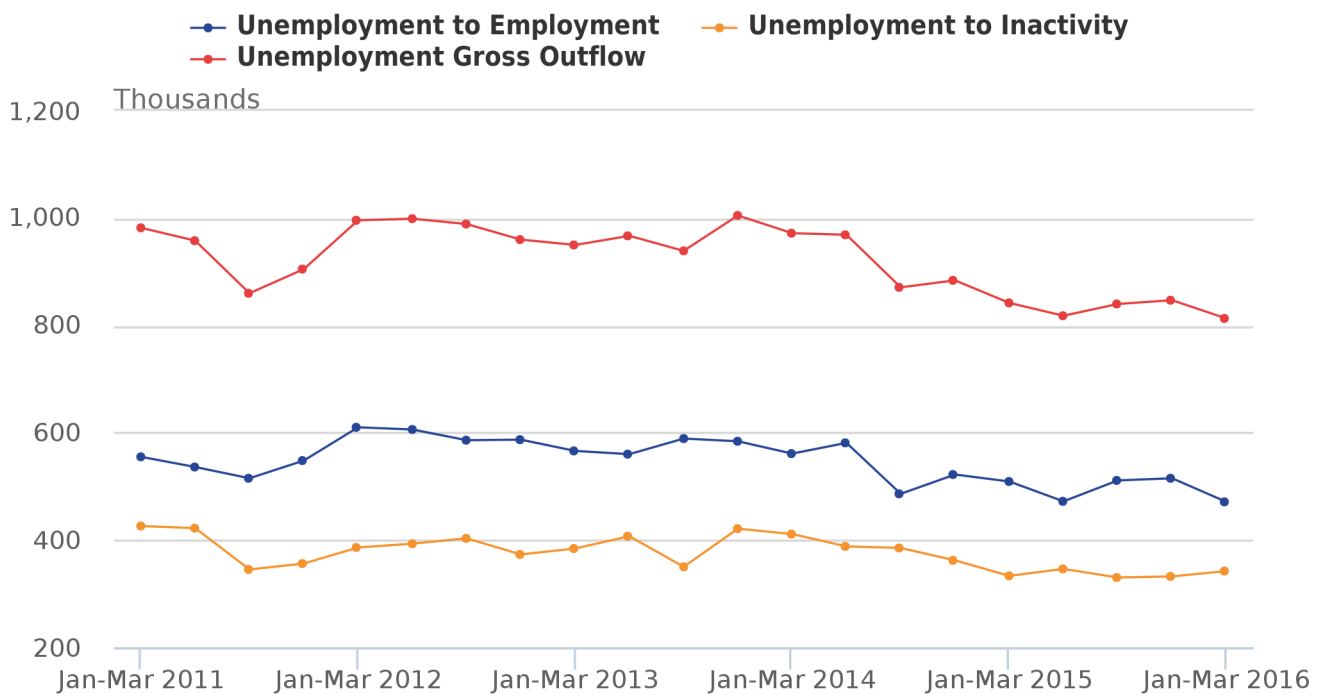**January to March 2011 and January to March 2016**

Source: Office for National Statistics

The gross flow out of unemployment (Figure 2) has decreased to its lowest point since quarter 3 of 2008.

Figure 2: Outflow from Unemployment, seasonally adjusted (16 to 64), UK
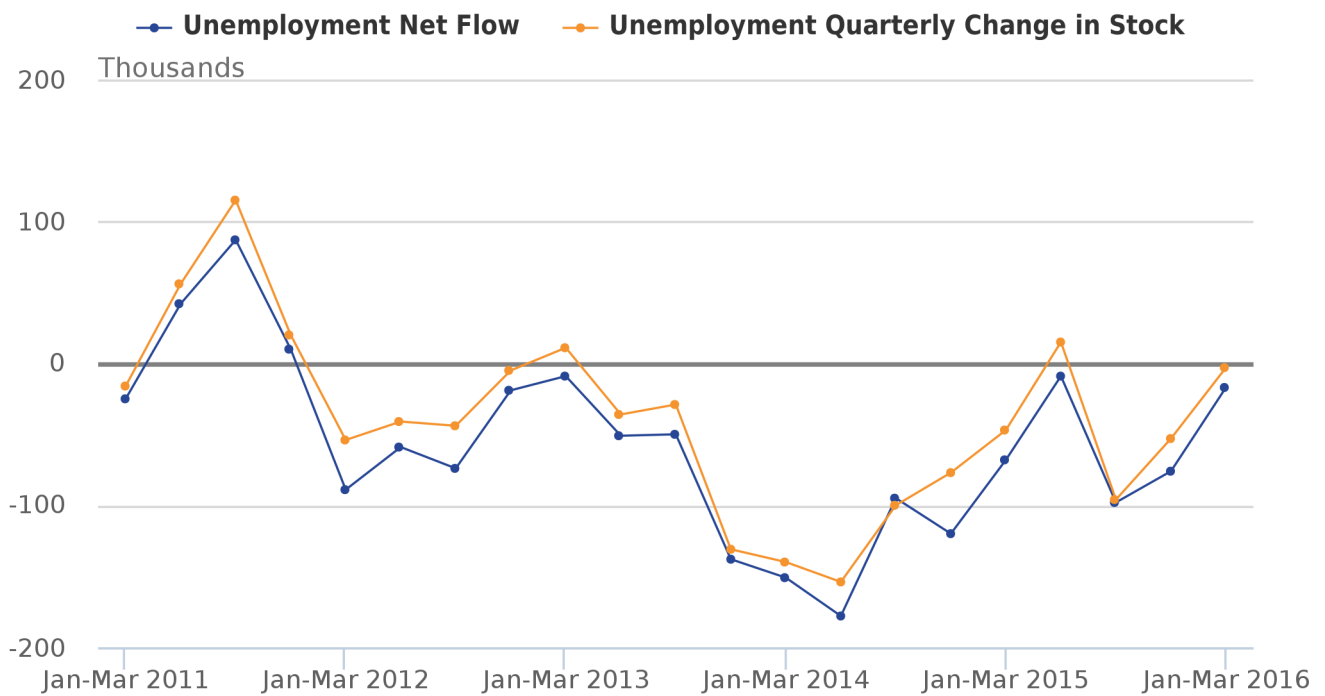
January to March 2011 and January to March 2016

Source: Office for National Statistics

Figure 3 shows that the net quarterly flow increased and is consistent with the quarterly change in stock.

Figure 3: Unemployment: net flow versus change in stock, seasonally adjusted (16 to 64), UK
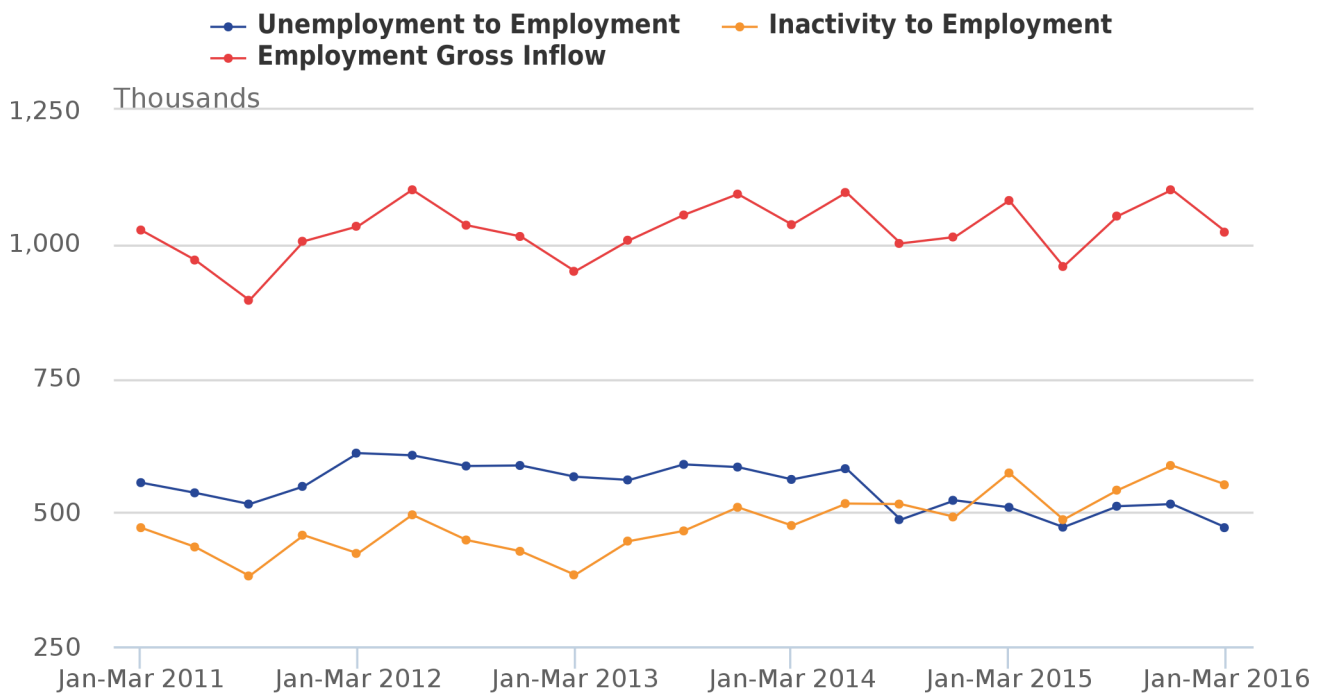
January to March 2011 and January to March 2016

Source: Office for National Statistics

8. Employment

The total inflow to employment (Figure 4) has decreased on the quarter with the flow from both unemployment and inactivity decreasing, although it remains above 1 million.

Figure 4: Inflow to Employment - seasonally adjusted (16 to 64), UK
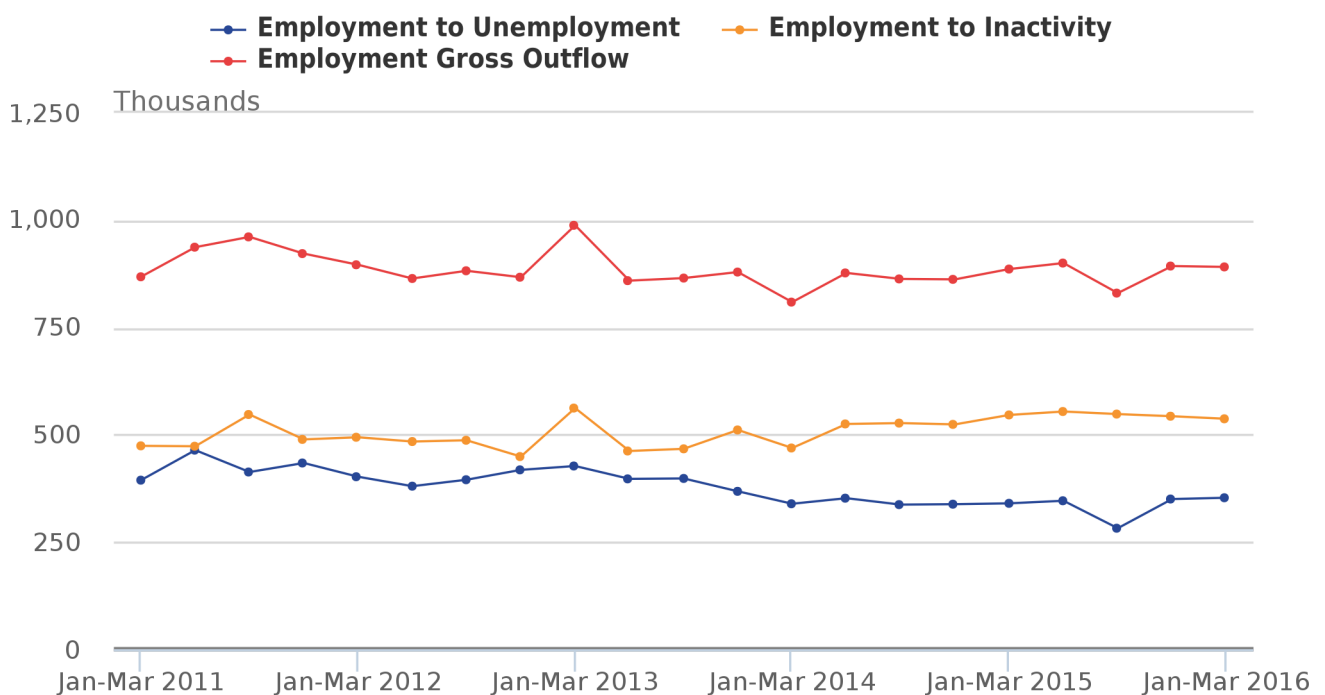
January to March 2011 and January to March 2016

Source: Office for National Statistics

The gross outflow is unchanged on the quarter, with the flow to employment and inactivity remaining flat (Figure 5).

Figure 5: Outflow from Employment - seasonally adjusted (16 to 64), UK

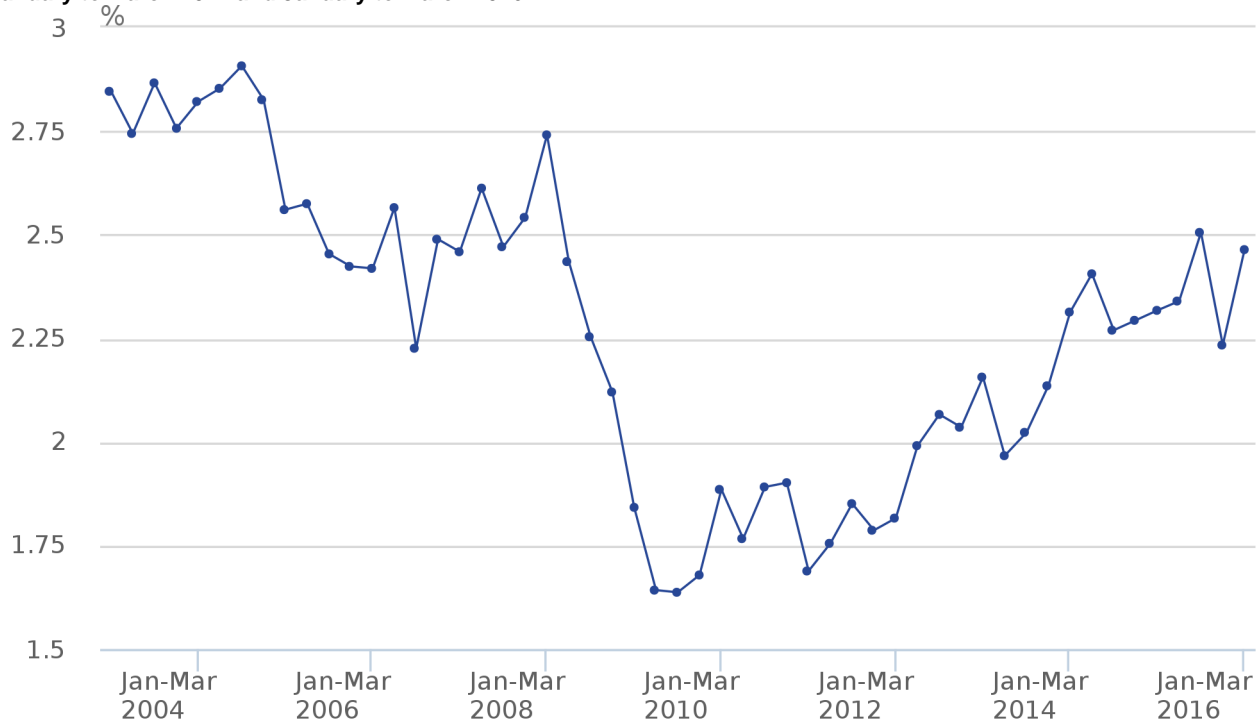January to March 2011 and January to March 2016

Source: Office for National Statistics

Figure 6 shows that the job to job flow has increased on the quarter after a fall last quarter.

Figure 6: job to job flow rate, seasonally adjusted (16 to 69), UK

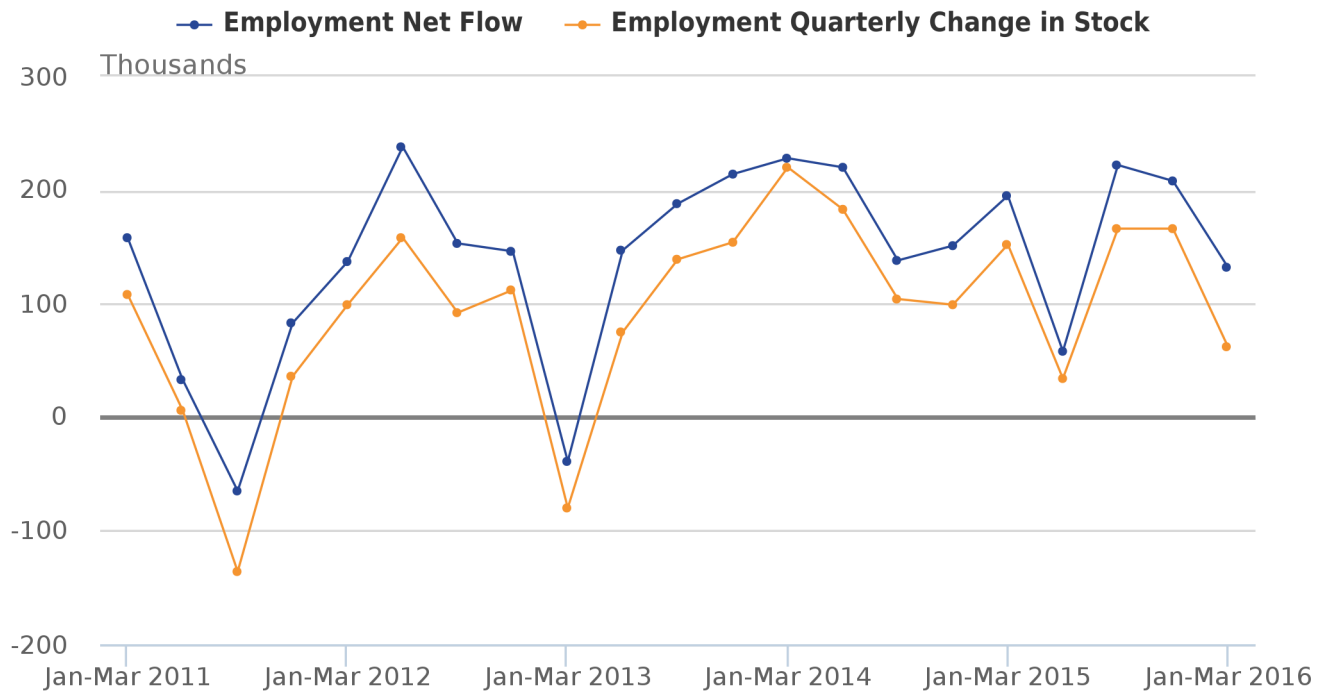**January to March 2011 and January to March 2016**

Source: Office for National Statistics

Figure 7 shows decreases for both the net flow of employment and the change in stock.

Figure 7: Employment: net flows versus change in stock, seasonally adjusted (16 to 64), UK

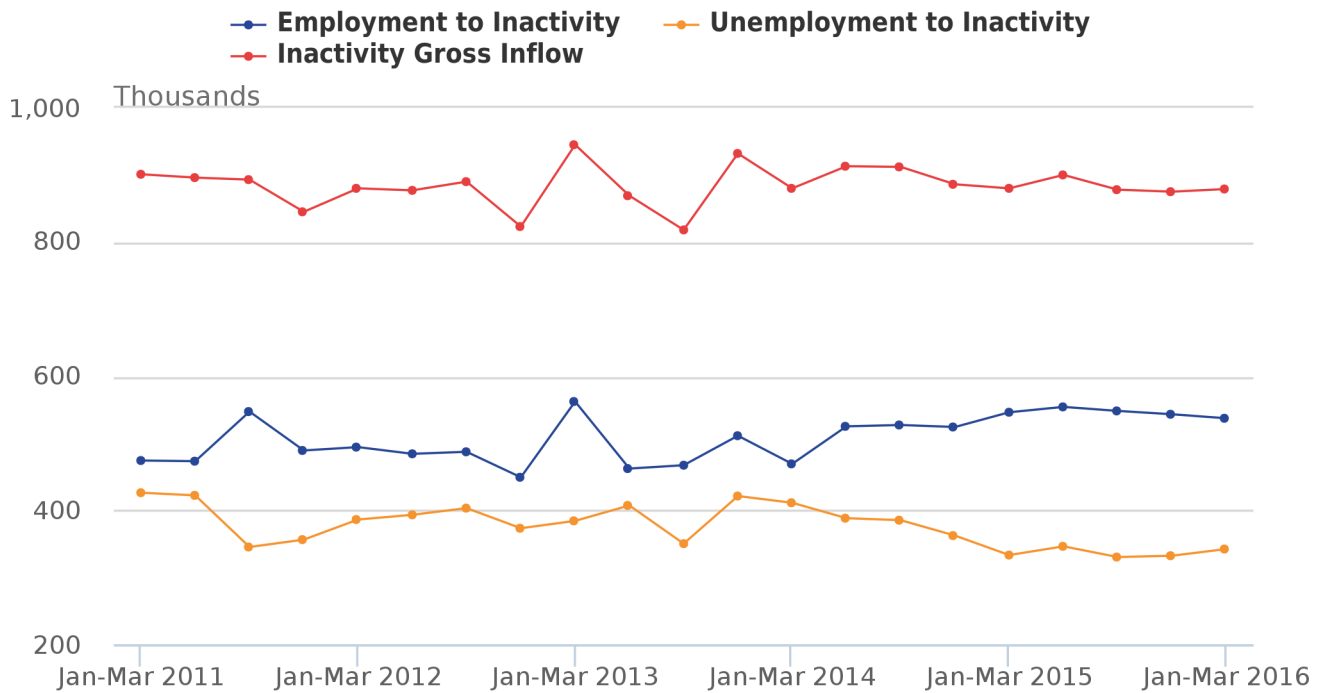**January to March 2011 and January to March 2016**

Source: Office for National Statistics

9. Inactivity

The gross inflow to inactivity (Figure 8) remains flat.

Figure 8: Inflow to Inactivity, seasonally adjusted (16 to 64), UK

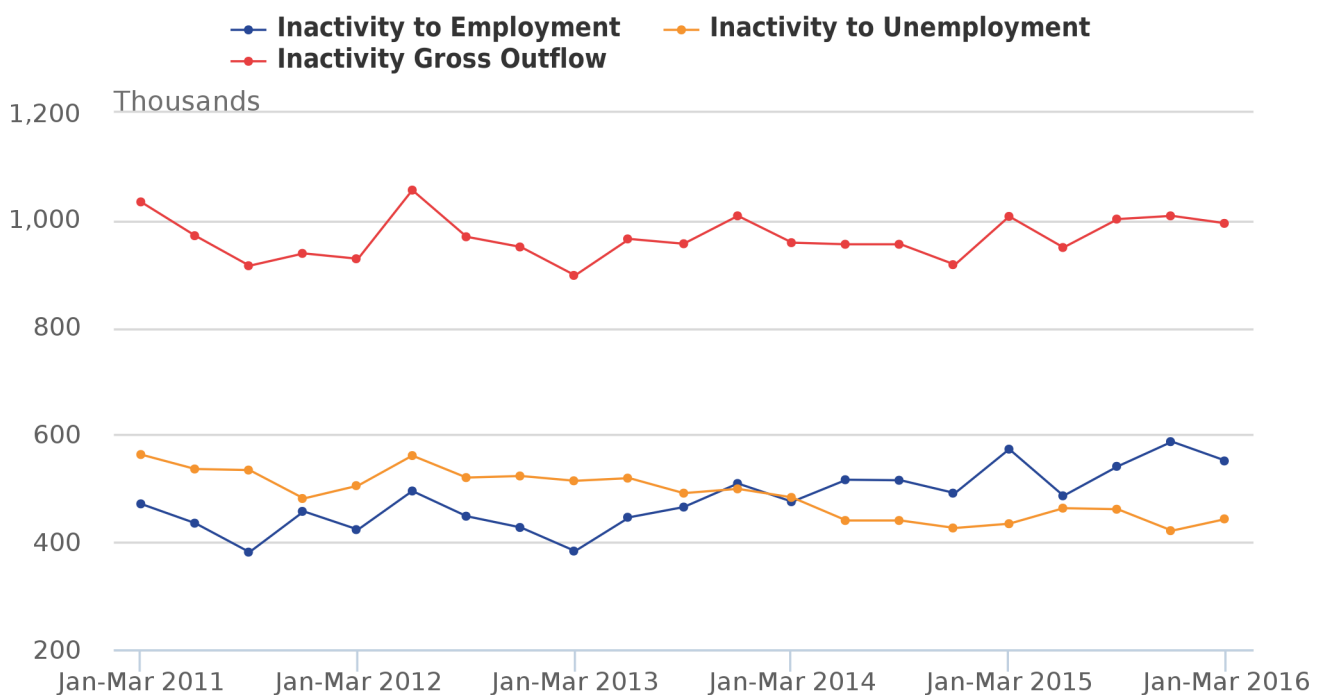**January to March 2011 and January to March 2016**

Figure 9 shows the gross flow from inactivity remains broadly flat, with the increase in the flow to unemployment offsetting the decrease in the flow to employment.

Figure 9: Outflow from Inactivity, seasonally adjusted (16 to 64), UK
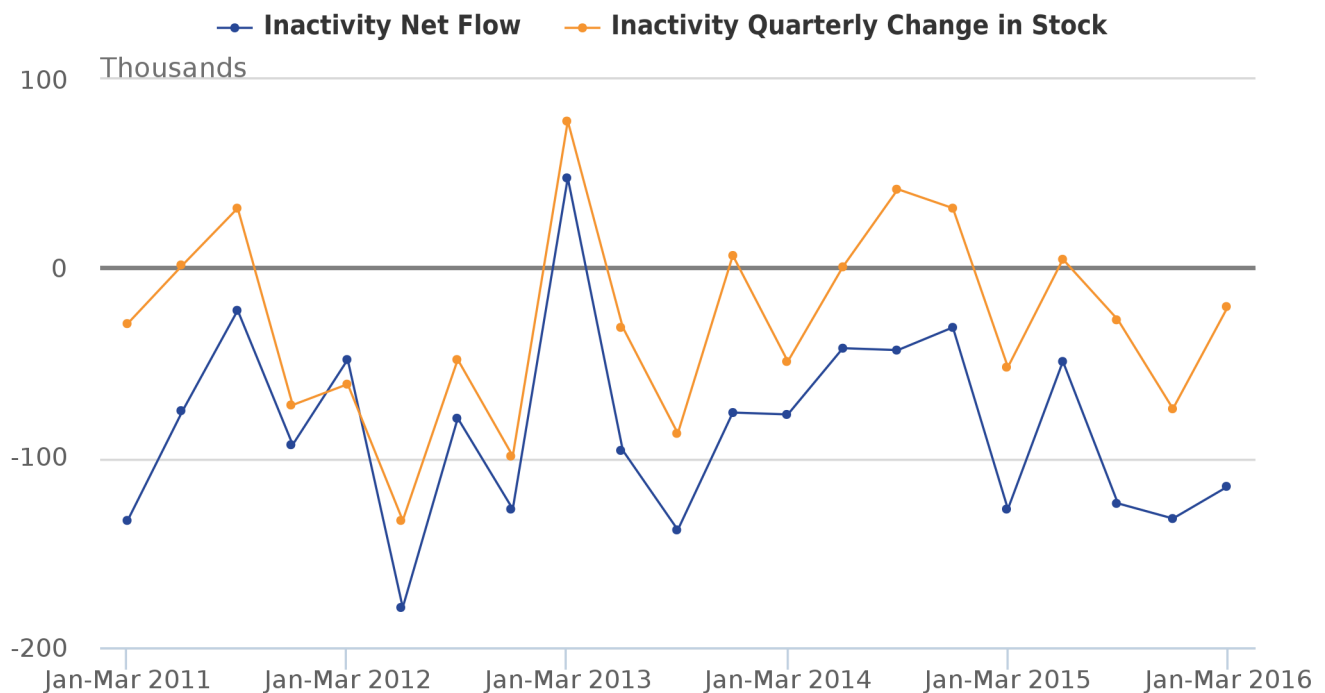
January to March 2011 and January to March 2016

Figure 10 shows the net flow and change in stock for inactivity.

Figure 10: Inactivity: net flow versus change in stock, seasonally adjusted (16 to 64), UK

January to March 2011 and January to March 2016

Source: Office for National Statistics

10. 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 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 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 to 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.

11. References

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

12. Background notes