

Article

Labour market flows: Feb 2017

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



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1 . 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 3 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.

2 . Method

There are 2 types of Labour Force Survey (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 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 2-quarter datasets have been used in order to gain some insight into the quarterly changes in the headline published aggregates.

3 . The charts provided

The charts in this article show the estimated gross flows, that is the total inflow or outflow for aged 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.

4 . Main points for Quarter 4 (Oct to Dec) 2016

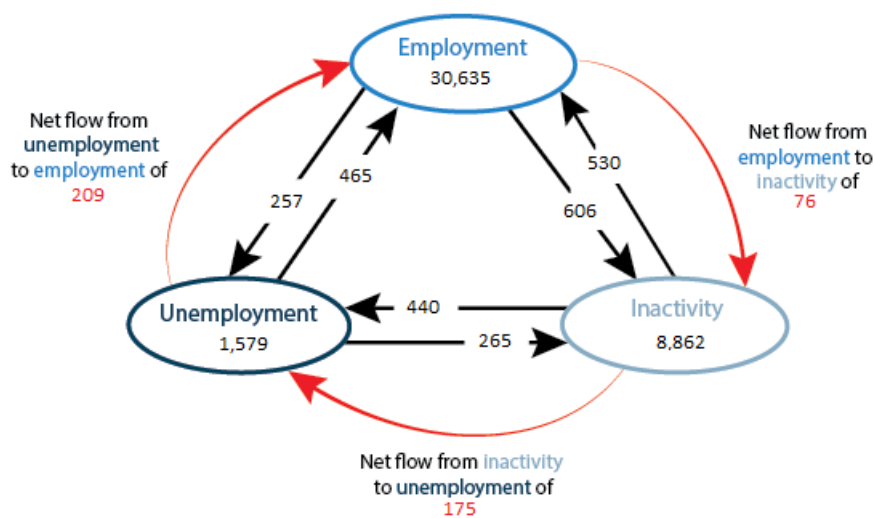
- the flow from employment into unemployment is at its lowest since records began at the end of 2001
- the flow from unemployment has been on a downward trend for 3 years
- the flow from employment to inactivity has increased to its highest level in 10 years

5 . Quarterly gross flows

The diagram shows the gross flow between each economic status between Quarter 3 (July to Sept) 2016 and Quarter 4 (Oct to Dec) 2016. The stocks for each status represent the latter period and are the seasonally adjusted aggregates for people aged 16 to 64.

Quarterly Population¹ Flows, Quarter 4 (Oct to Dec) 2016

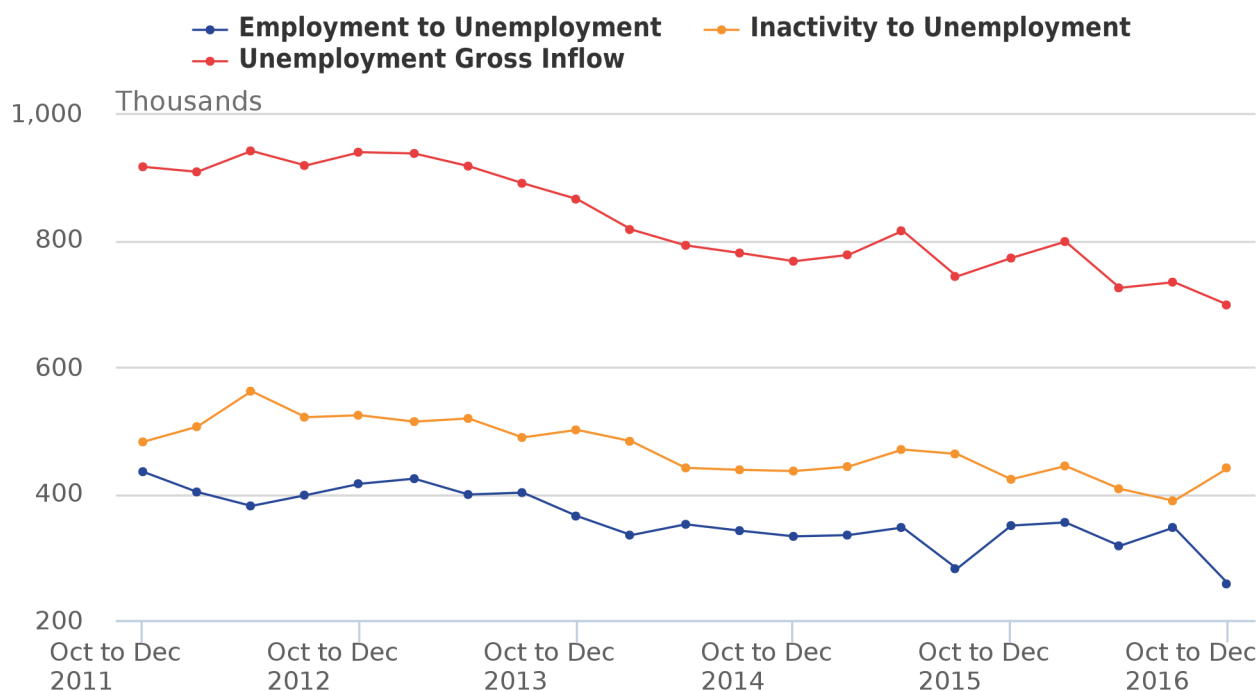
UK, seasonally adjusted (thousands)



6 . Unemployment

The flows from employment and inactivity into unemployment have diverged with the flow from employment at its lowest on record, driving the decrease in the gross flow to unemployment (Figure 1).

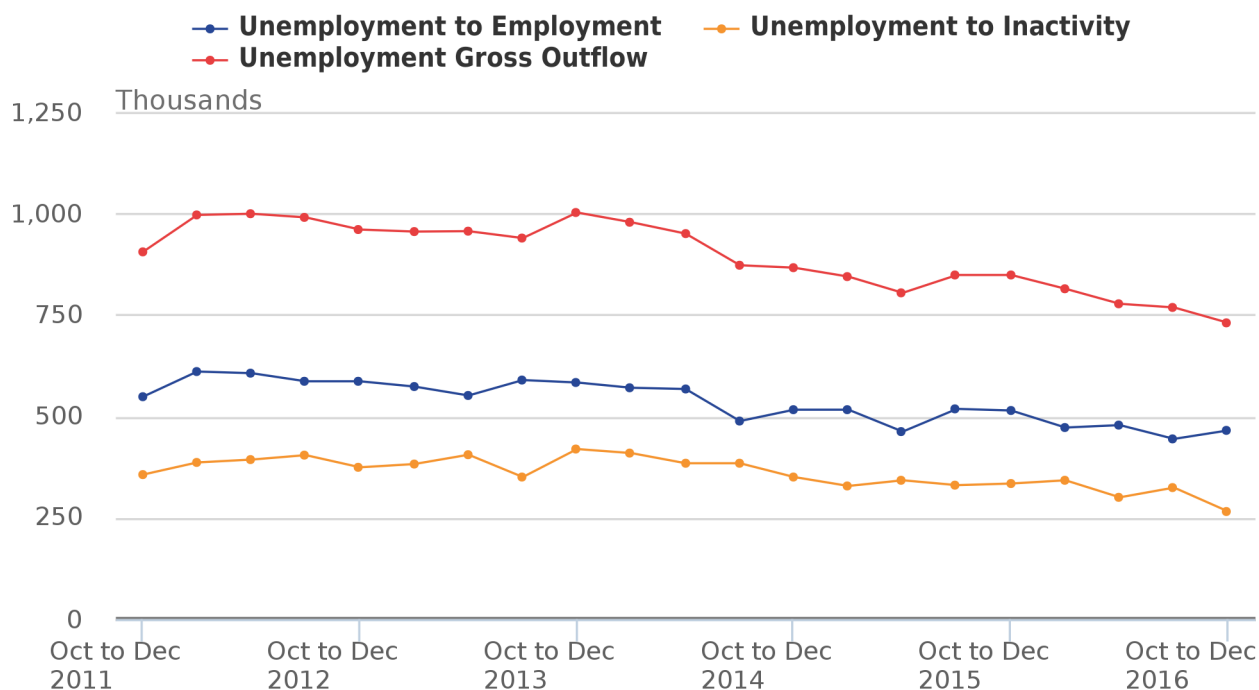
Figure 1: Inflow to Unemployment, seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 2 shows that the gross outflow from unemployment continued on a gradually decreasing trend, falling to its lowest since Quarter 2 (Apr to June) 2006. This is due to the flow to inactivity decreasing to the lowest level since 2005.

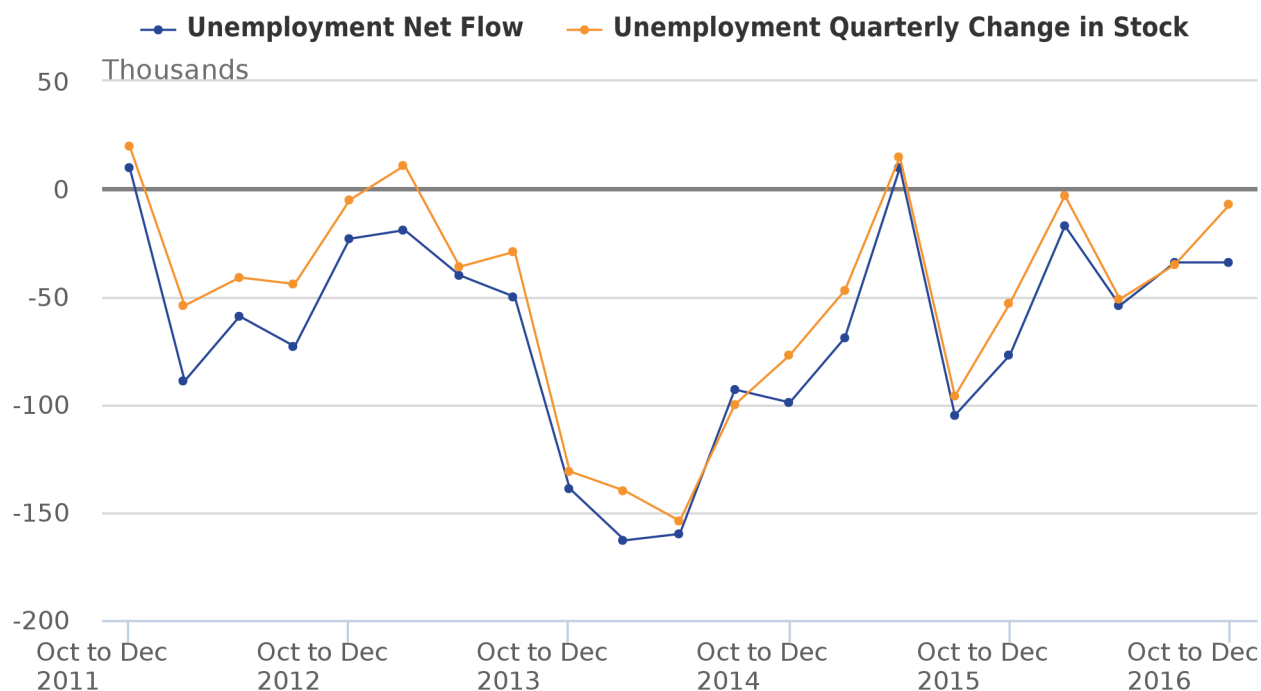
Figure 2: Outflow from Unemployment, seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 3 shows that the net quarterly flow has shown little change on the quarter. The change in stock has increased, although remains negative.

Figure 3: Unemployment: Net Flow vs Change in Stock, seasonally adjusted (16 to 64), UK

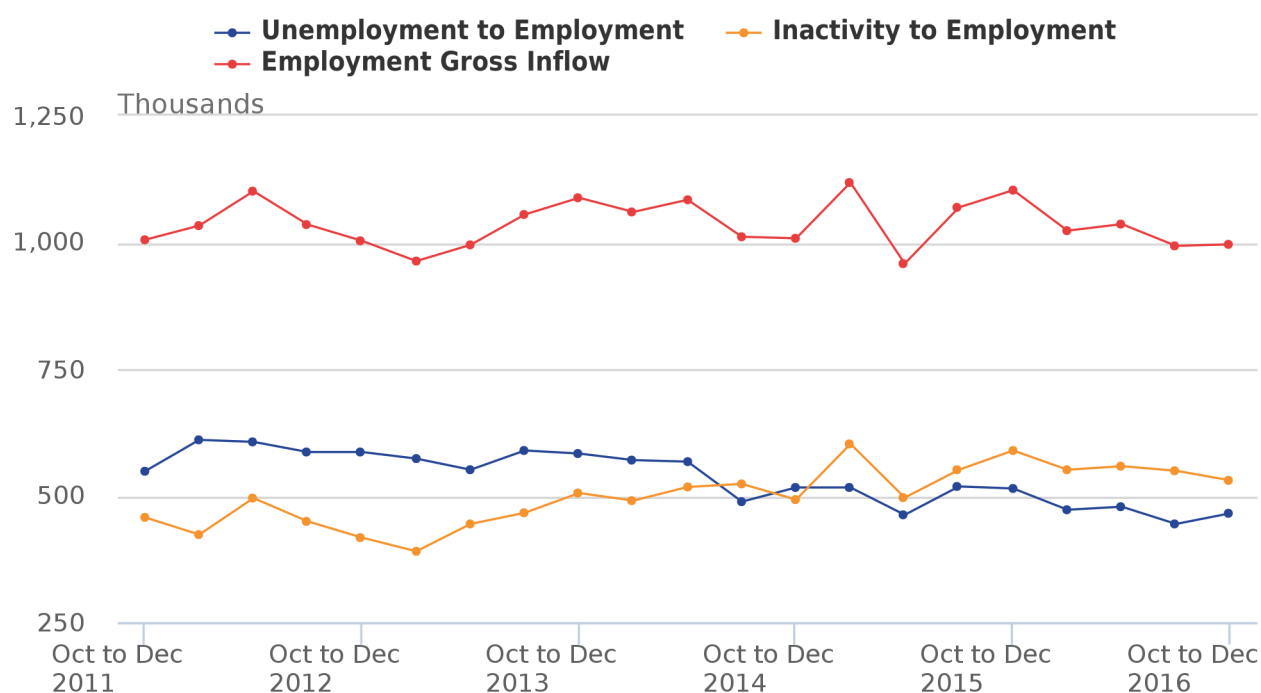


Source: Office for National Statistics

7. Employment

The gross inflow to employment (Figure 4) has shown little change on the quarter. An increase in the flow from unemployment was offset slightly by a small decrease in the flow from inactivity.

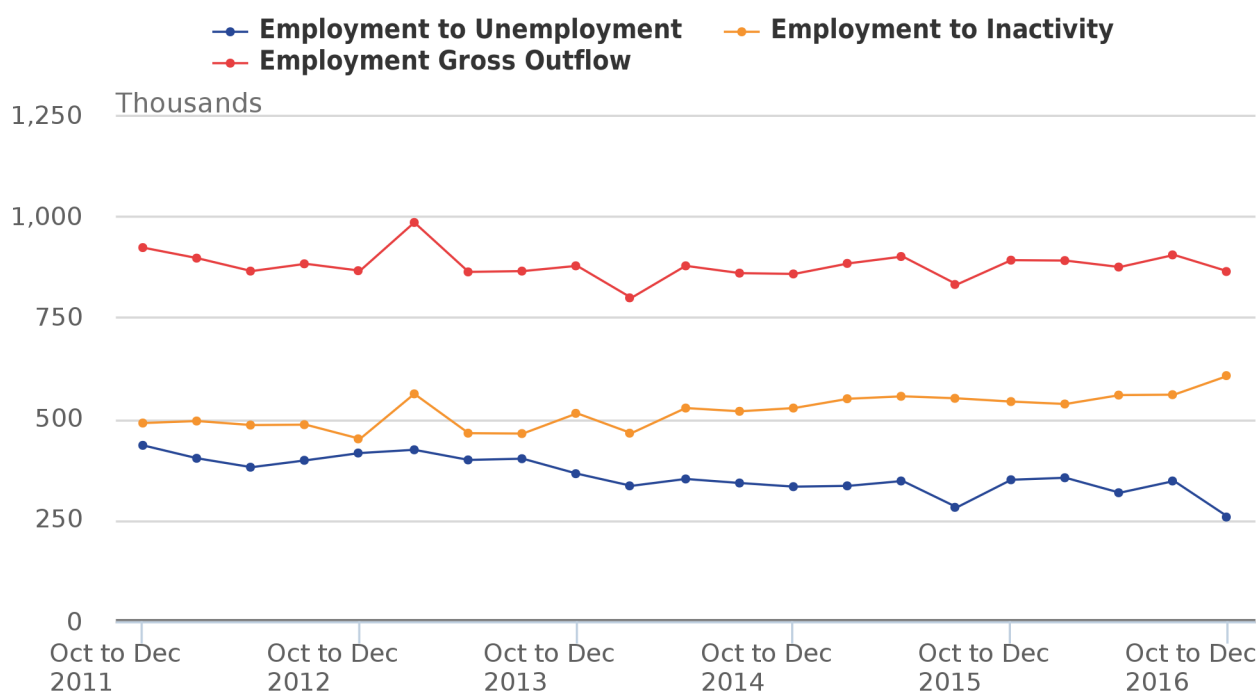
Figure 4: Inflow to Employment - seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 5 shows a small decrease in the gross outflow from employment. The flow to unemployment is at its lowest since 2001. The flow to inactivity is the highest since 2007.

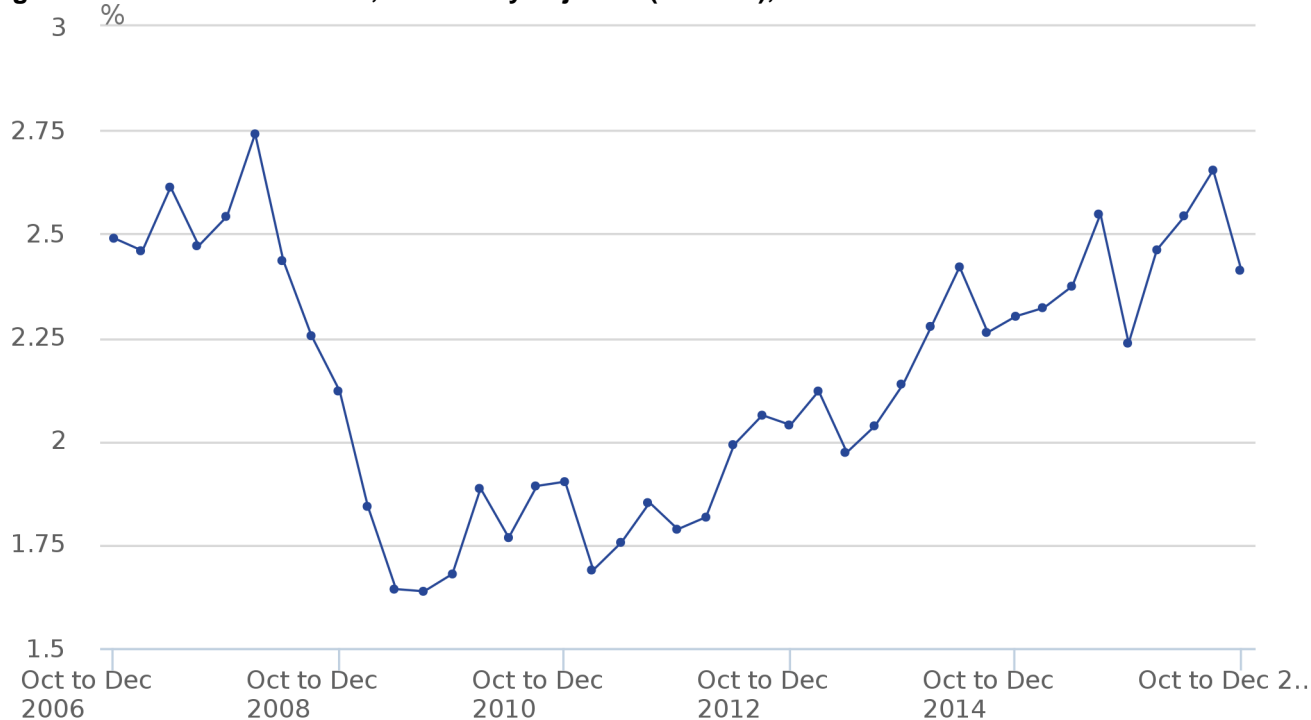
Figure 5: Outflow from Employment - seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 6 shows that the job-to-job flow has decreased this quarter after increasing for the previous 3 quarters.

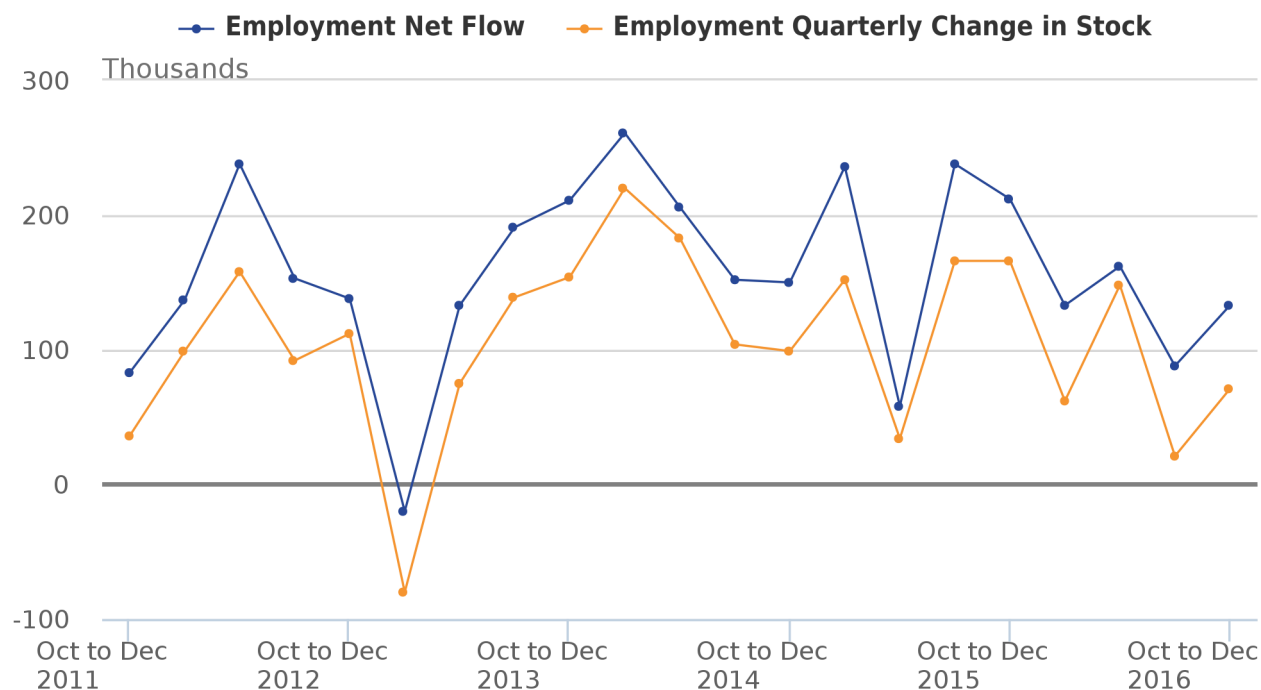
Figure 6: Job to Job Flow rate, seasonally adjusted (16 to 69), UK



Source: Office for National Statistics

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

Figure 7: Employment: Net Flows vs Change in Stock, seasonally adjusted (16 to 64), UK

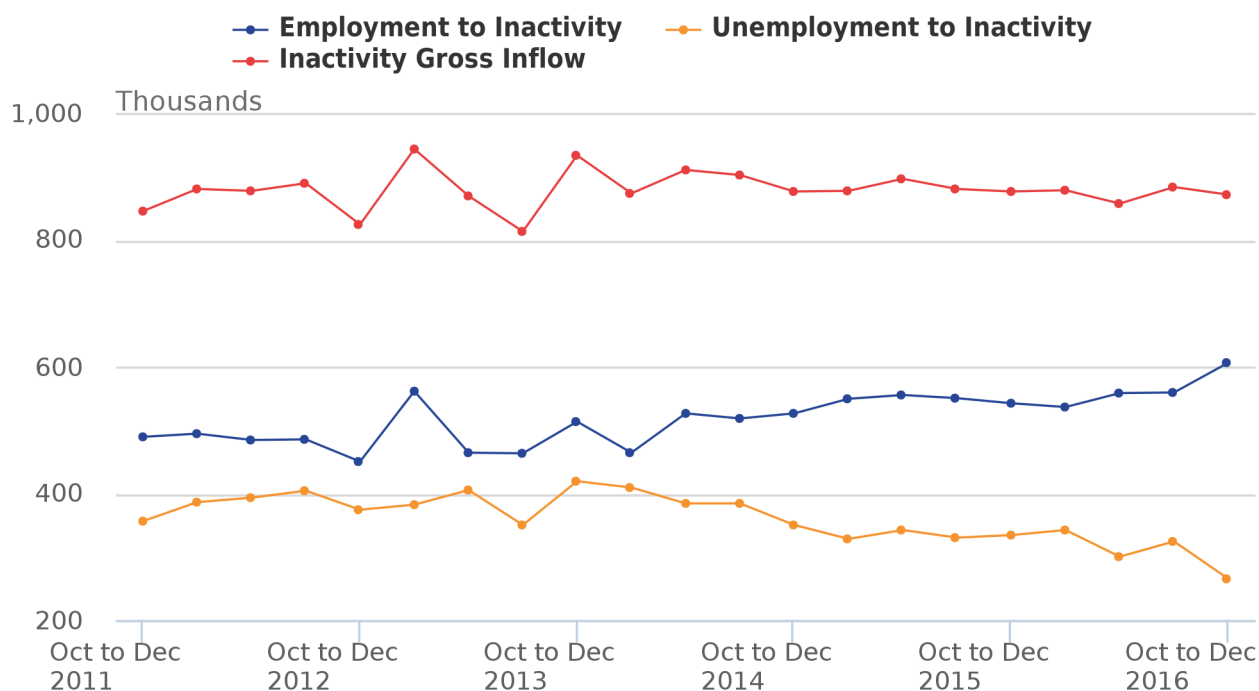


Source: Office for National Statistics

8 . Inactivity

The flows from employment and unemployment continue to diverge with the flow from unemployment decreasing to the level last seen in Quarter 2 (Apr to June) 2005 (Figure 8).

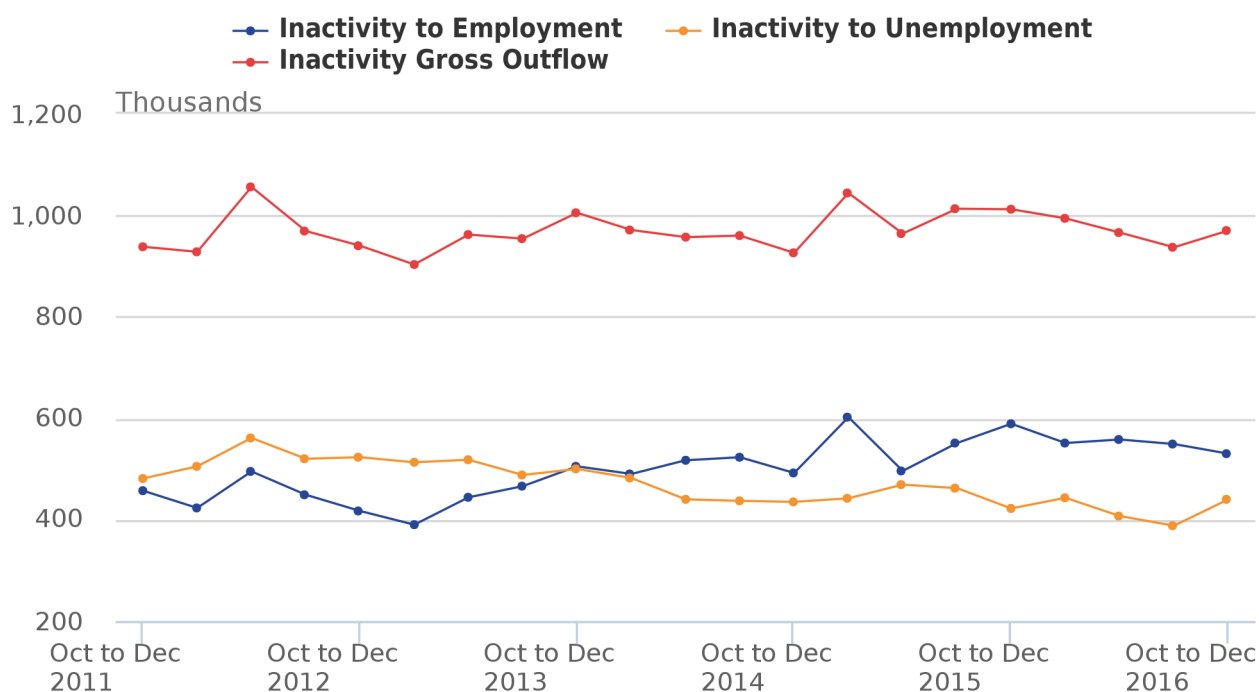
Figure 8: Inflow to Inactivity, seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 9 shows the gross flow from inactivity has increased this quarter, following 4 consecutive decreases. This is caused by an increase in the flow to unemployment.

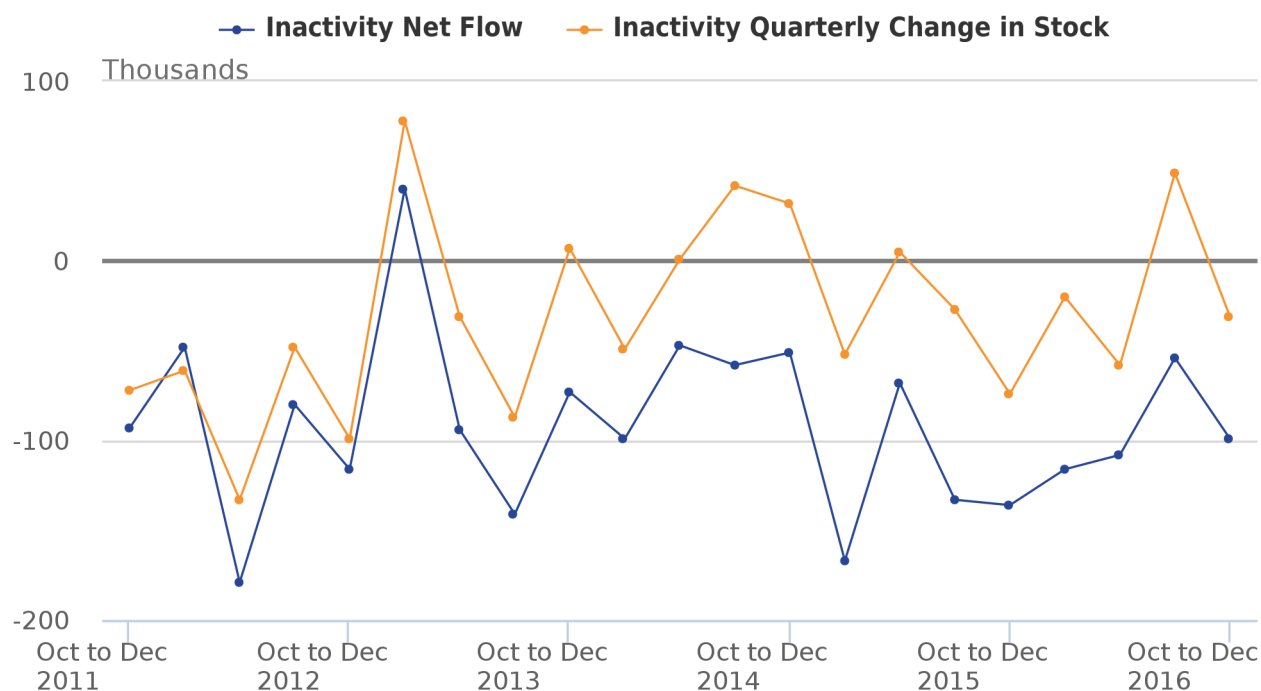
Figure 9: Outflow from Inactivity, seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

Figure 10 shows the quarterly change in stock and net flow have both decreased since last quarter, with the change in stock returning to below zero.

Figure 10: Inactivity: Net Flow vs Change in Stock, seasonally adjusted (16 to 64), UK



Source: Office for National Statistics

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:

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.

10. References

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