

Article

Labour market flows: August 2018

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

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Release date:
14 August 2018

Next release:
13 November 2018

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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 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.

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 years 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 2 (Apr to Jun) 2018

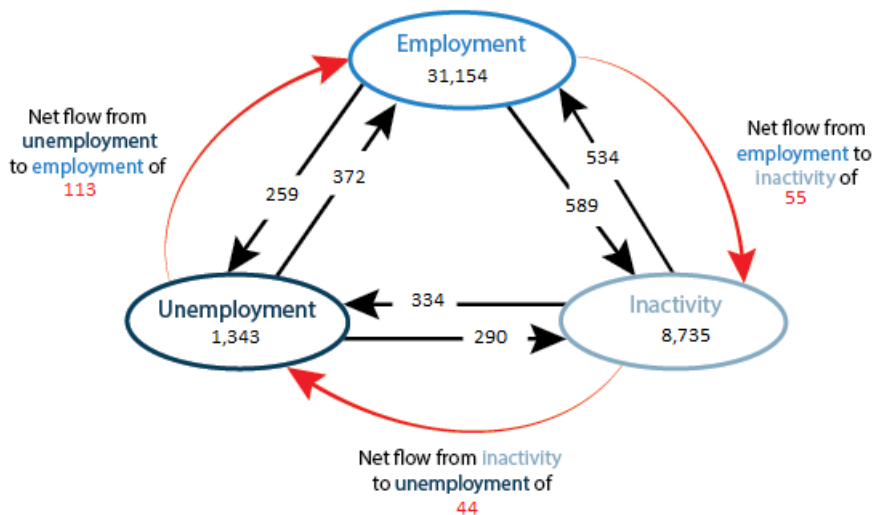
- The gross flow to unemployment has decreased to its lowest since October to December 2001.
- The gross flow to employment has decreased to its lowest since July to September 2011.
- The gross flow from inactivity has decreased to its lowest since April to June 2009.

5 . Quarterly gross flows

The diagram shows the gross flow between each economic status between Quarter 1 (Jan to Mar) 2018 and Quarter 2 (Apr to June) 2018. The stocks for each status represent the latter period and are the seasonally adjusted aggregates for people aged 16 to 64 years.

Figure 1: Quarterly flows, UK, seasonally adjusted

January to March 2018 to April to June 2018



Number of people aged 16-64 (thousands).

Source: Office for National Statistics

6 . Unemployment

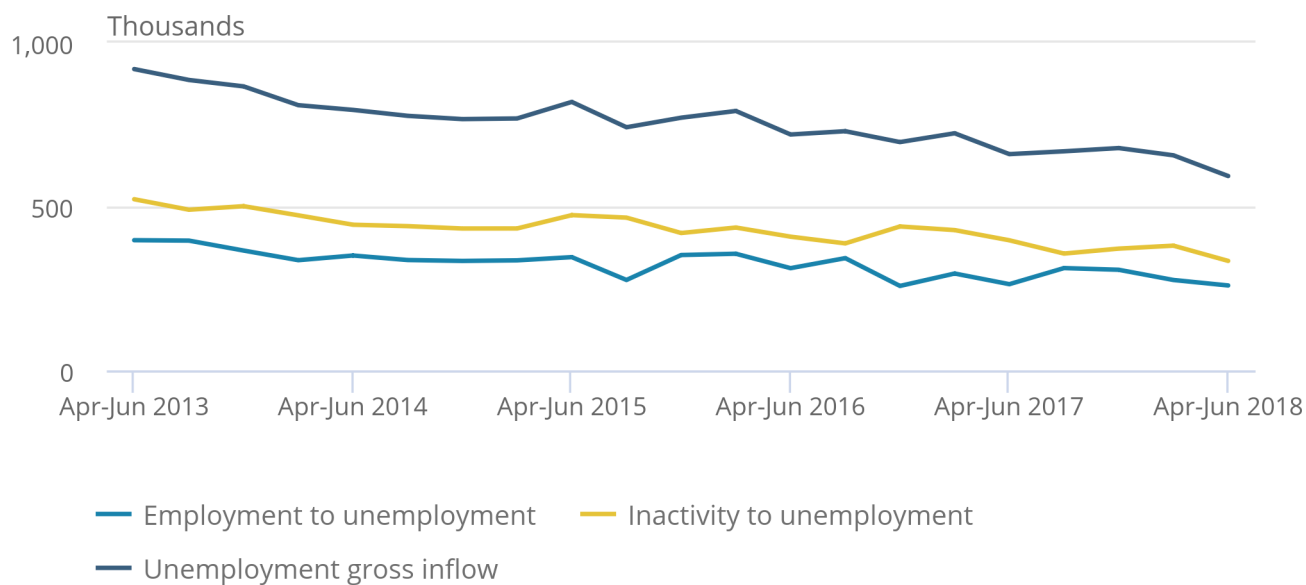
Figure 2 shows both the flows from employment and inactivity to unemployment have decreased. This has caused the gross flow to unemployment to decrease to its lowest since October to December 2001.

Figure 2: Inflow to unemployment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 2: Inflow to unemployment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

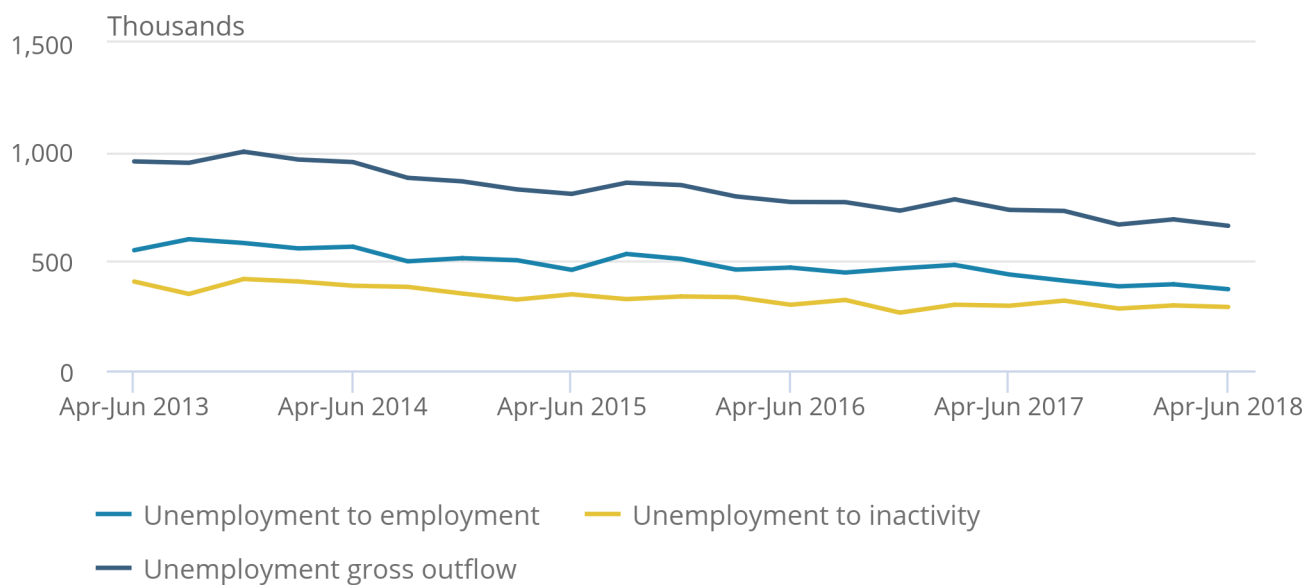
The gross flow from unemployment decreased on the quarter, driven mainly by a decrease in the flow from unemployment to employment (Figure 3).

Figure 3: Outflow from unemployment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 3: Outflow from unemployment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

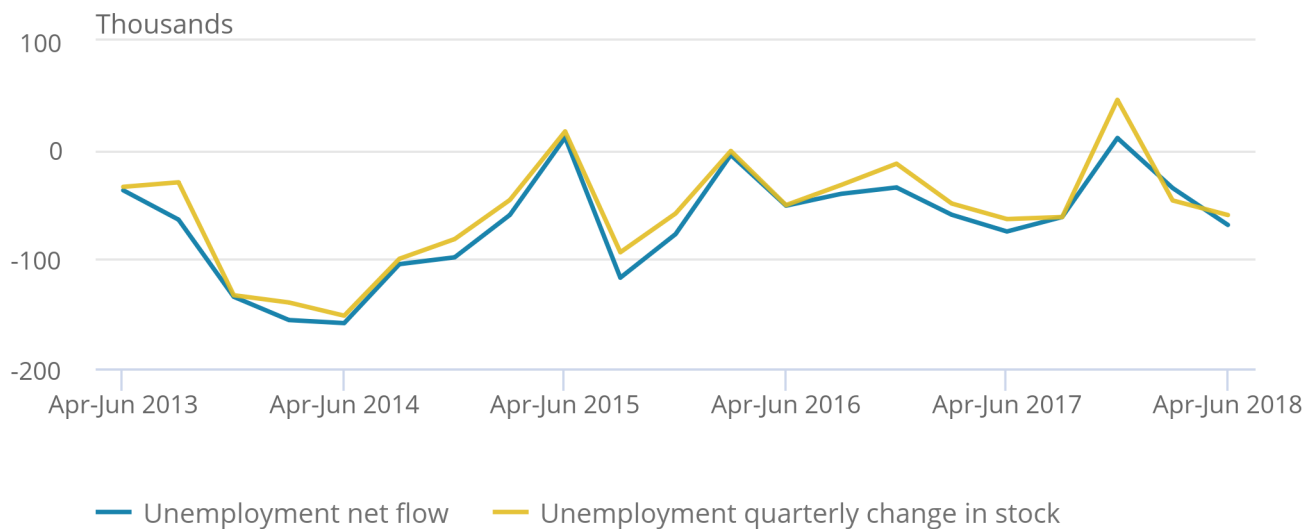
Figure 4 shows the net flow for unemployment and change in stock both decreased for the second consecutive quarter.

Figure 4: Unemployment: net flow vs change in stock, seasonally adjusted (aged 16 to 64), UK

April to June 2013 to April to June 2018

Figure 4: Unemployment: net flow vs change in stock, seasonally adjusted (aged 16 to 64), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

7 . Employment

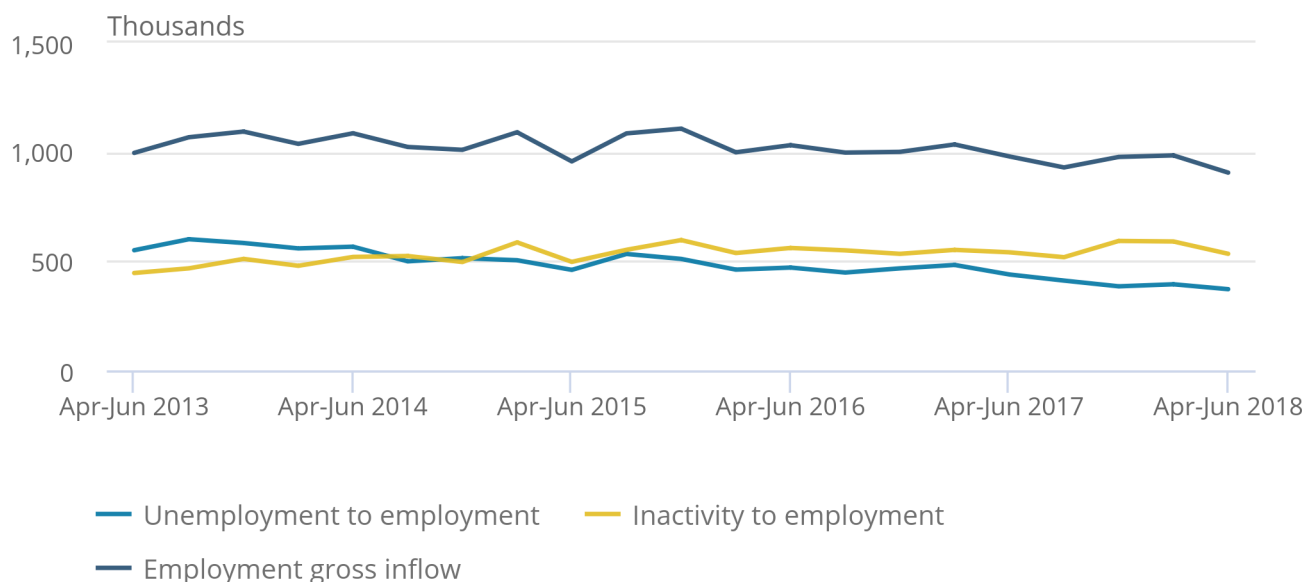
The gross flow to employment has decreased to its lowest since July to September 2011. This is due to decreases in both flows from unemployment and inactivity.

Figure 5: Inflow to employment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 5: Inflow to employment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

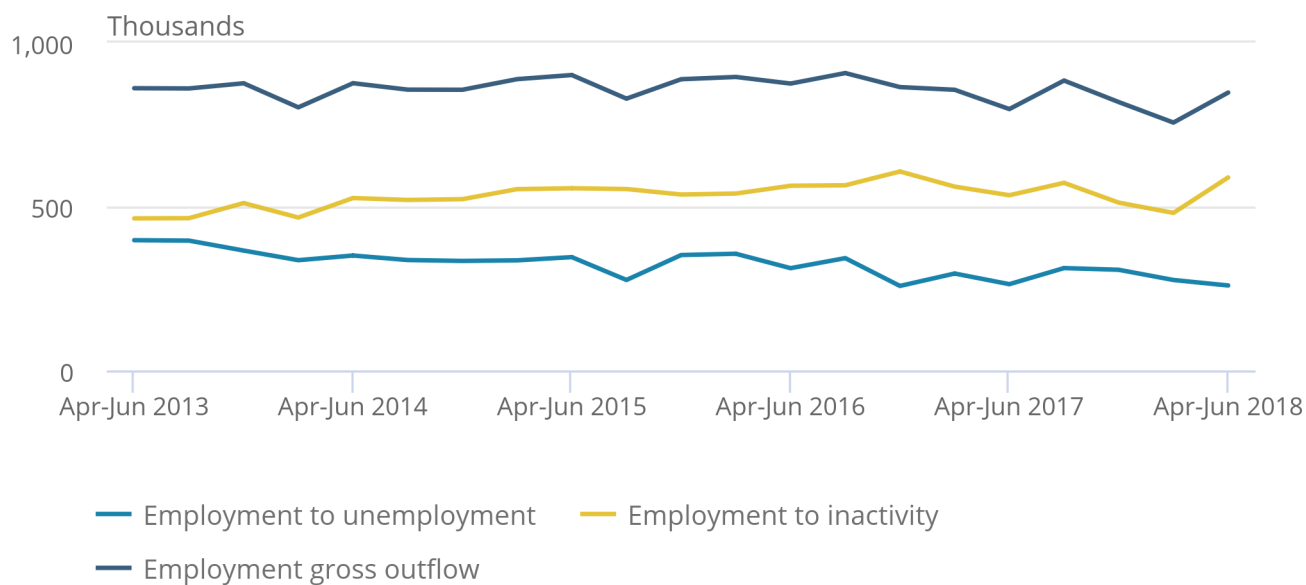
Gross flow from employment has increased on the quarter, after two consecutive quarterly decreases. This is caused by a large increase in the flow from employment to inactivity (Figure 6).

Figure 6: Outflow from employment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 6: Outflow from employment, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

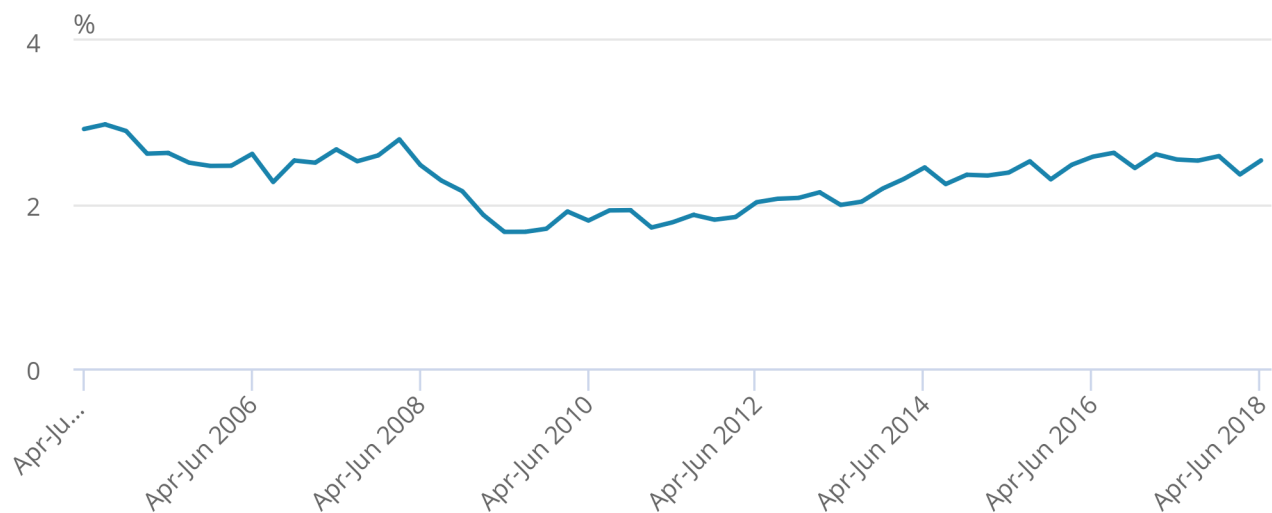
Figure 7 shows that the job-to-job flow rate has increased on the quarter.

Figure 7: Job-to-job flow rate, seasonally adjusted (aged 16 to 69 years), UK

April to June 2004 to April to June 2018

Figure 7: Job-to-job flow rate, seasonally adjusted (aged 16 to 69 years), UK

April to June 2004 to April to June 2018



Source: Office for National Statistics

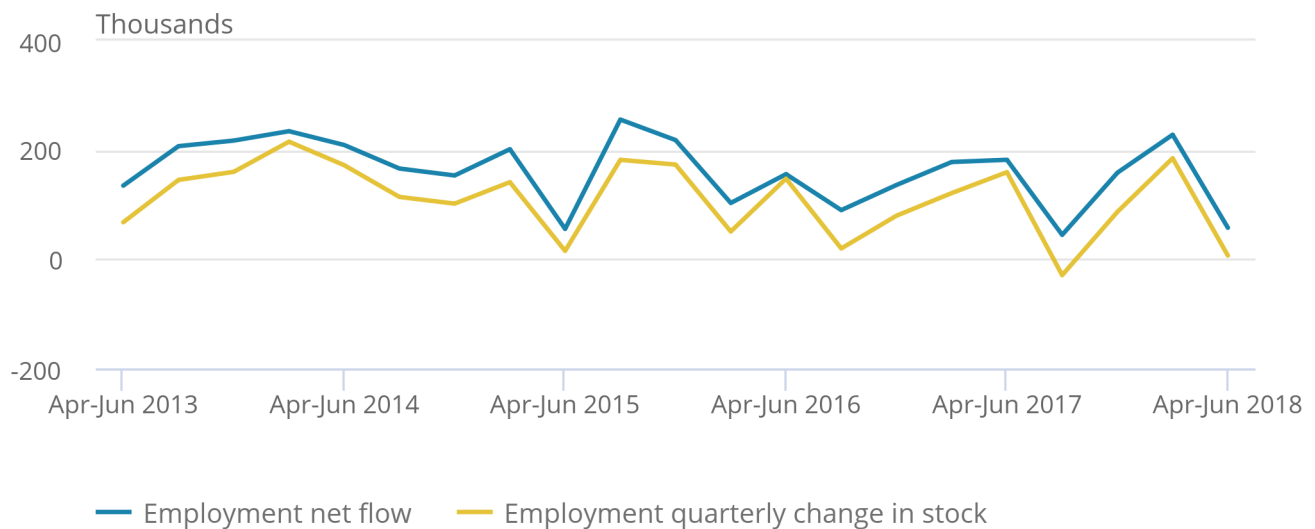
Figure 8 shows that both the employment net flow and the quarterly change in stock decreased on the quarter.

Figure 8: Employment: net flows vs change in stock, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 8: Employment: net flows vs change in stock, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

8 . Inactivity

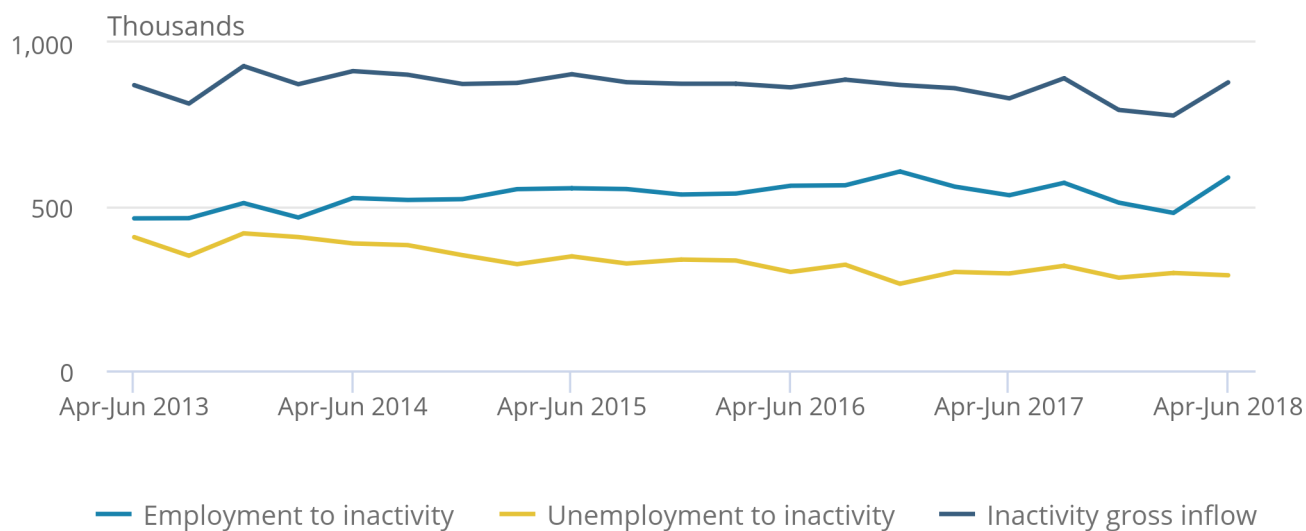
Figure 9 shows that the gross flow to inactivity has increased on the quarter, following two consecutive quarterly decreases. This is due to the increase in flow from employment to inactivity.

Figure 9: Inflow to inactivity, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 9: Inflow to inactivity, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

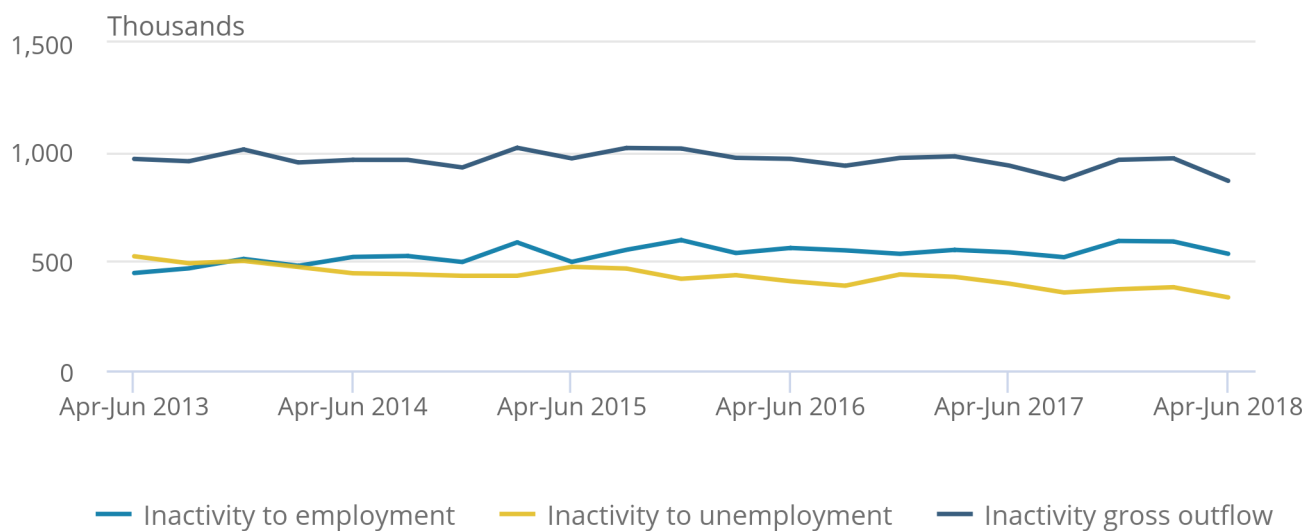
The gross flow from inactivity has decreased to its lowest since April to June 2009. This is due to decreases in both the flow from inactivity to unemployment and to employment.

Figure 10: Outflow from inactivity, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 10: Outflow from inactivity, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



Source: Office for National Statistics

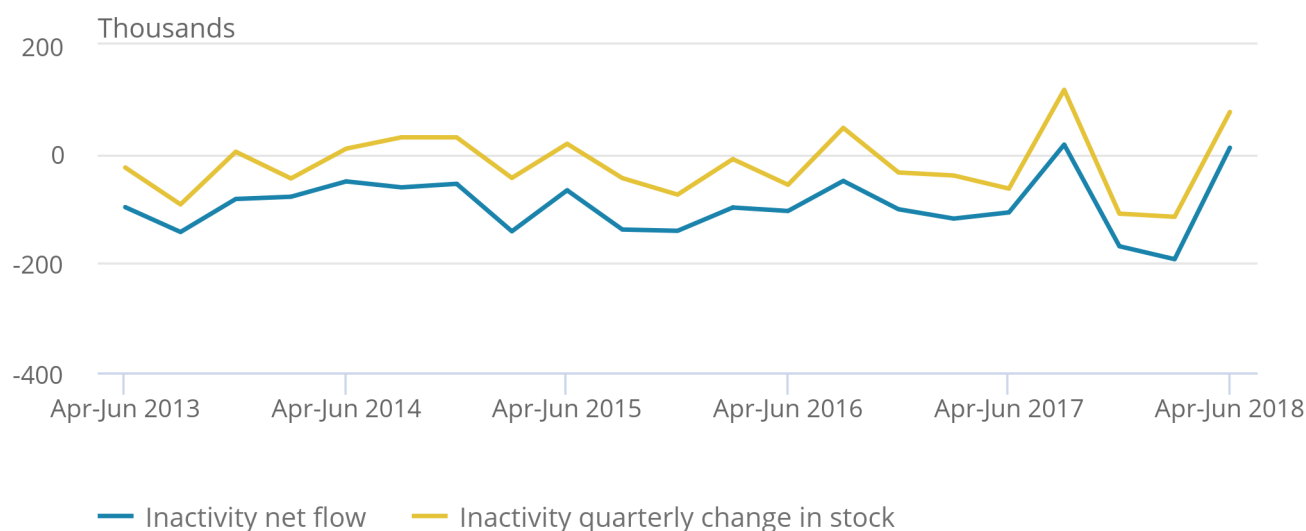
The inactivity net flow and quarterly change in stock have both increased on the quarter and are now positive (Figure 11).

Figure 11: Inactivity: net flow vs change in stock, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018

Figure 11: Inactivity: net flow vs change in stock, seasonally adjusted (aged 16 to 64 years), UK

April to June 2013 to April to June 2018



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.

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 11 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.

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](#) Economic and Labour Market Review, February 2010.