UK Labour Market Flows

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UK Labour Market Flows

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- Brief overview of how flows are calculated in UK (attrition adjustment)
- How flows relate to headline labour market cross-sectional data

2. What flows can tell us about recent changes in the UK labour market:

- Changes since the downturn
- Increasing number of moves from inactivity to unemployment
- Changes in job-to-job flows over time
- Migrant worker flows

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Datasets:

- 45,000 households each quarter …

   = around 100,000 individuals in a cross sectional dataset

- A two-quarter longitudinal dataset is constructed by matching cases of working age (16-64) in both quarters from the cross-sectional datasets

- Design weights are calculated and scaled to replicate the distribution of housing tenure observed in the first quarter cross-sectional dataset

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Weighting:

- The scaled weights are calibrated to known marginal totals of a set of control variables:

  - Age-sex (mid-year population estimates derived from the Census)

  - Region (mid-year estimates derived from the Census)

  - Economic activity in the previous quarter (estimated from the first quarter cross-sectional dataset)

  - Economic activity in the current quarter (estimated from the second quarter cross-sectional dataset)

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Attrition and bias:

- As noted previously, a number of cases are lost on the longitudinal datasets because of attrition.

- This problem is mainly mitigated by including housing tenure in the weighting controls. The design weights are scaled prior to calibration using a tenure variable to allow for weights to reproduce the distribution of the first quarter cross-sectional sample according to the tenure categories: owned, rented, partly rented.

- Whilst there is an attempt to control for non-response bias and produce more consistent estimates, the weighting strategy does not account for biases in response errors

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Examples of recent analysis:

- Changes in labour market since last recession; increasing number of moves from inactivity to unemployment

- Changes in job-to-job flows over time

- Estimating migrant worker flows in and out of the labour market – very complex!
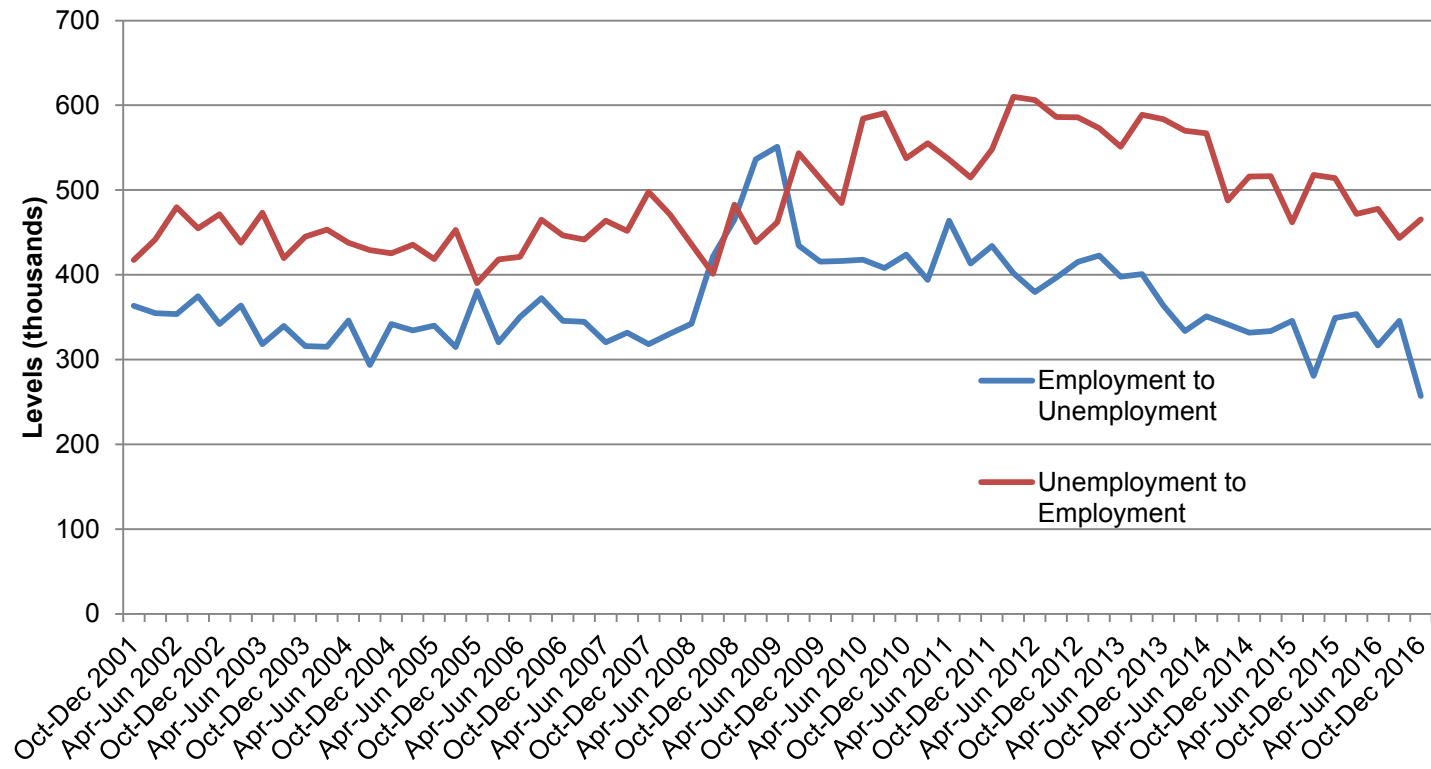
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Employment in- and out-flows :

- Unemployment to employment flows were not as largely affected by the recession for as long as policy makers expected.

- There are a number of policy reasons for this, some of the key ones include:

    - Gradual increase in State Pension Age for women.
    - Lone Parents Conditionality introduction
    - Policy changes on Incapacity Benefit

- This drive to get more women into the labour market ('economically active') was a major reason why unemployment inflows increased and then flows to employment from unemployment (see chart) grew.

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Employment in- and out-flows 2001 to 2016
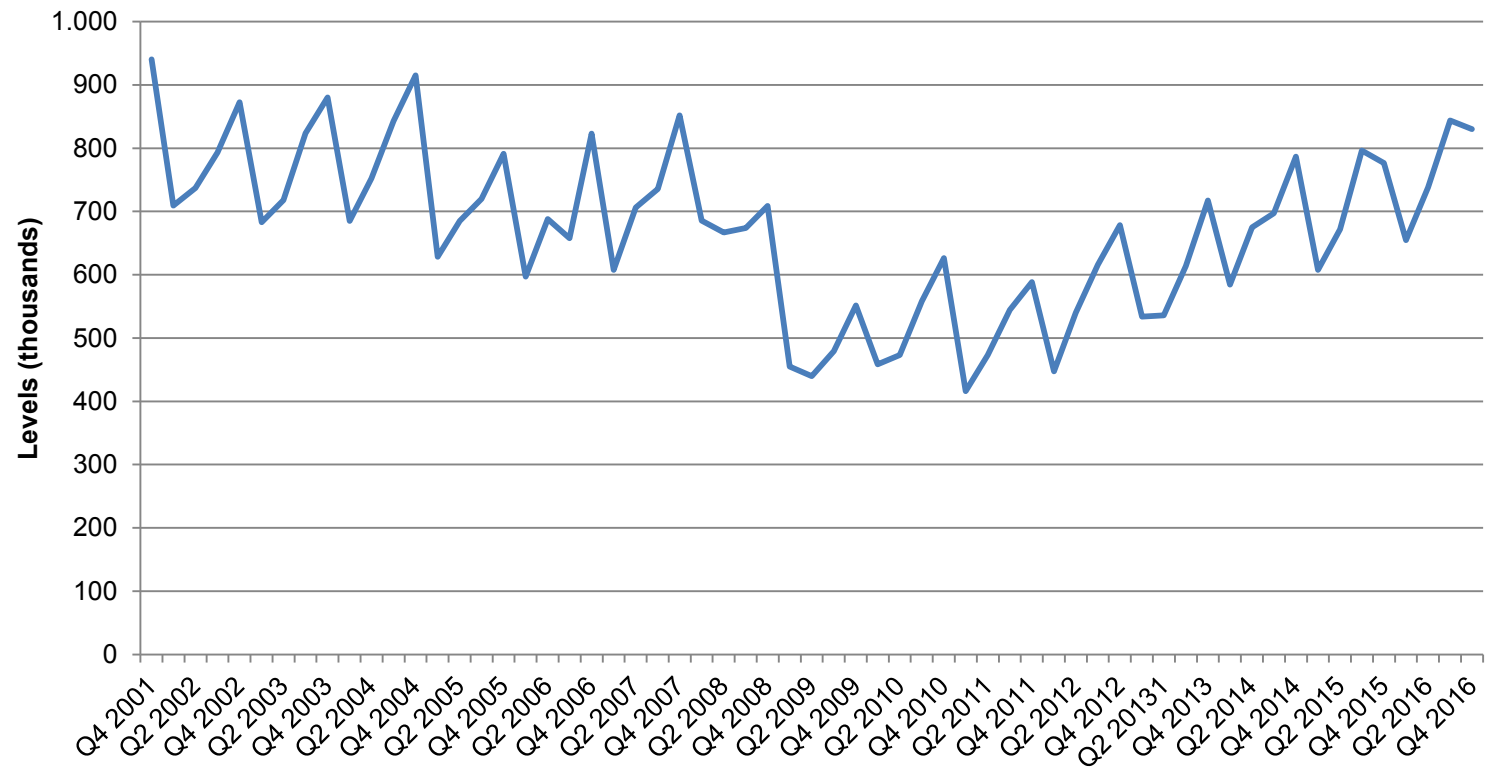
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Job to Job moves in the UK:

- If many people are changing jobs it indicates an increase in employment churn and confidence in the labour market.

- While the number employed in the labour market is back on trend and at record numbers, labour market churn has yet to reach the pre-recession level.

- Looking at those who resigned at their previous job in order to move to a new job, the levels have yet to fully recover post-recession. Indicating a lack of confidence in the labour market.

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Job to Job moves in the UK, not seasonally adjusted

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Estimating migrant worker flows:

- The cross-sectionals stocks showed a record high year on year increase in the employment levels of non-UK born people in the immediate quarter post- EU referendum.

- This has led to misreporting in the UK press over a greater proportion of the 'share of new jobs' going to non-UK born.

- Flows analysis has helped to explain these as a measure of net changes of employment levels and not the number of new jobs in the UK economy.

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Estimating migrant worker flows (continued):

- Difficult to draw firm conclusions because of a low sample size at this level of breakdown

- Some reconciliation issues are also apparent between low level analyses of flows on comparison with the stocks from the cross-sectional data

- The UK is scheduled to leave the EU in 2019 and migration remains one of, if not the, most important concerns to the UK labour market. We expect to see a huge demand for analysis in this area.

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Summary

1. Attrition adjustment made to datasets in UK

2. Policy changes impacting inflows into labour market can be measured more easily from flows

3. Despite record levels of UK employment, signs that labour market churn and confidence still not returned to pre-recession levels.

4. Measurement of migrant workers flows in the UK labour market *very* important but *very* complex. Work to be done!