Why do LFS employment trends disagree with administrative data?

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Labour Force and Annual Population Surveys User Conference 2025

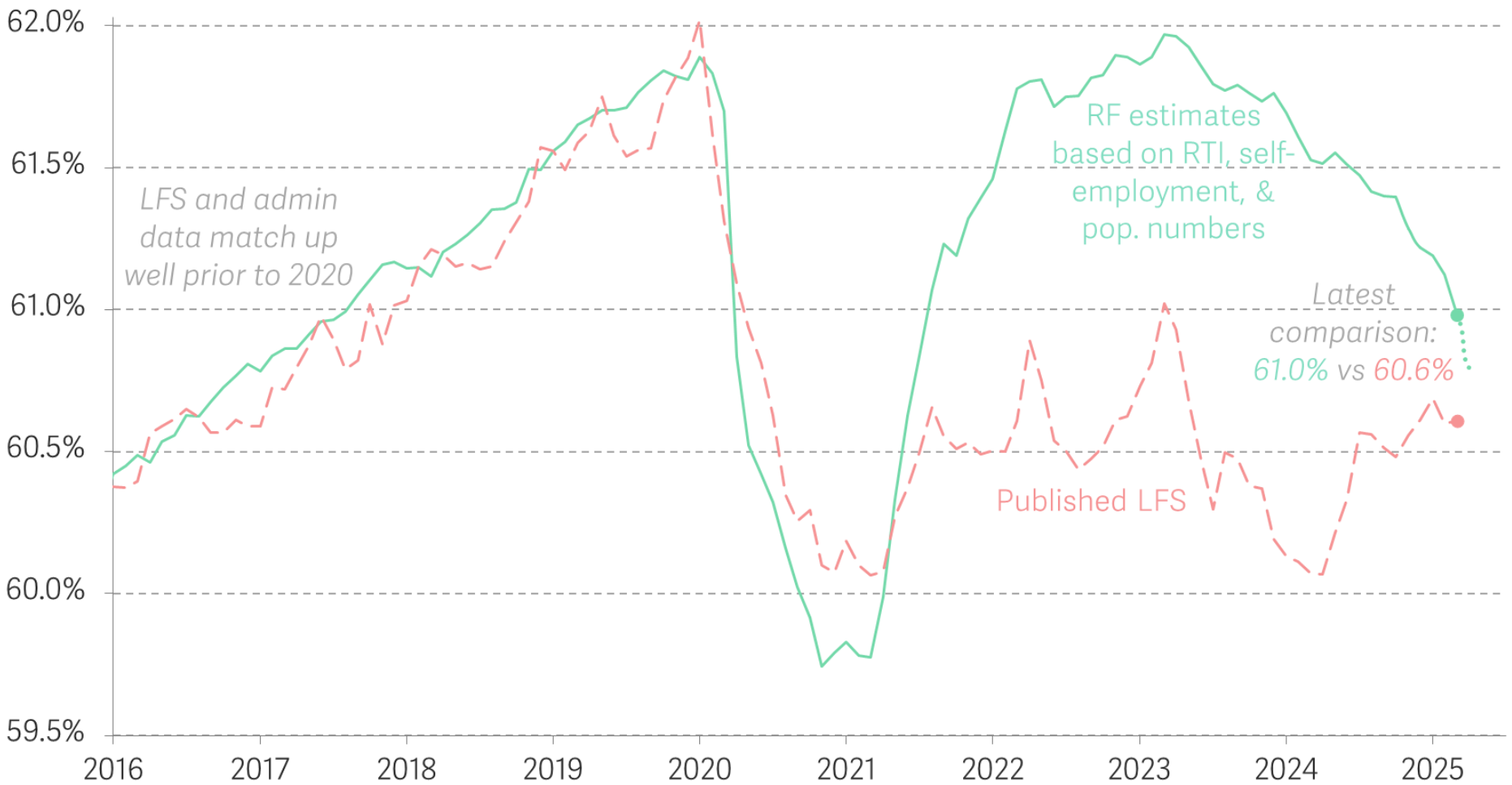
This presentation argues for two conclusions

Bad stats news – LFS results over 2021-2024 are not just uncertain but specifically **underestimate employment rates** (and overestimate inactivity)

Good stats news – Alternative estimates of labour market rates using administrative data can be useful

Sneak preview – an alternative series gives a higher employment rate than the LFS for 2021-2024

16+ employment rate: UK



Notes: Latest LFS data point is Feb to Apr 2025. Latest admin-based data point is April 2025. For recent population growth we use the ONS' 'migration category variant' population projection.
Source: ONS, Summary of labour market statistics, May 2025; RF analysis based on ONS Earnings and employment from Pay As You Earn Real Time Information, HMRC Income of individuals with self-employment sources, ONS National population projections: 2022-based.

We'll come back to this

The case against LFS estimates over 2021-2024: 5 initial pieces of evidence

1) Well-known prima facie reasons to worry about the LFS

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- Pandemic
- Response rates ↓ from 40% in 2019Q1 to 13% in 2023Q3 (now 21%)
- Temporary suspension of face-to-face interviews
- No longer accredited official statistics

- Big, observable changes in response bias (see next slide)
  - ↑ outright homeowners & older adults
  - ↓ renters & under 55s

Figure 6: The Labour Force Survey responding sample includes more people who own their home outright and fewer renters, compared with pre-pandemic levels

Labour Force Survey (LFS) respondent breakdown by tenure type, all waves, UK, Quarter 1 (Jan to Mar) 2019 to Quarter 1 2025

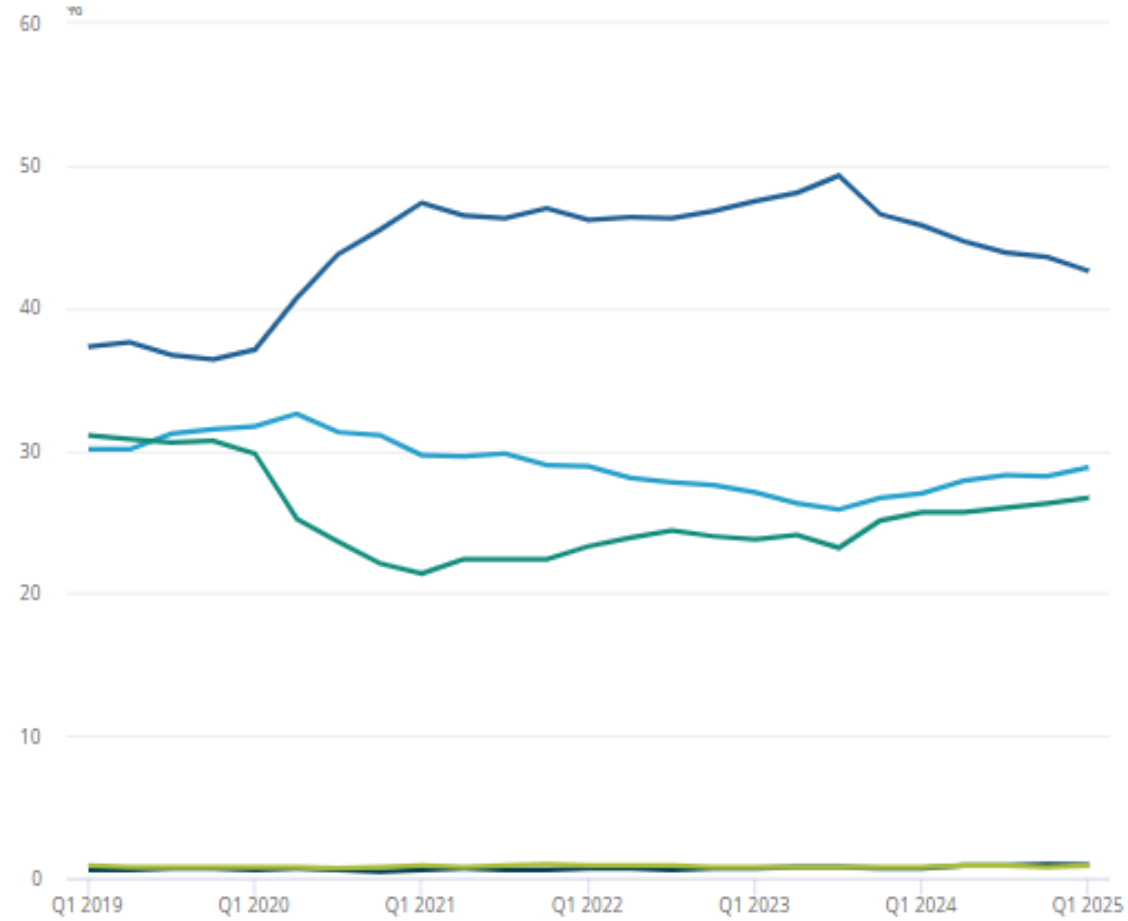
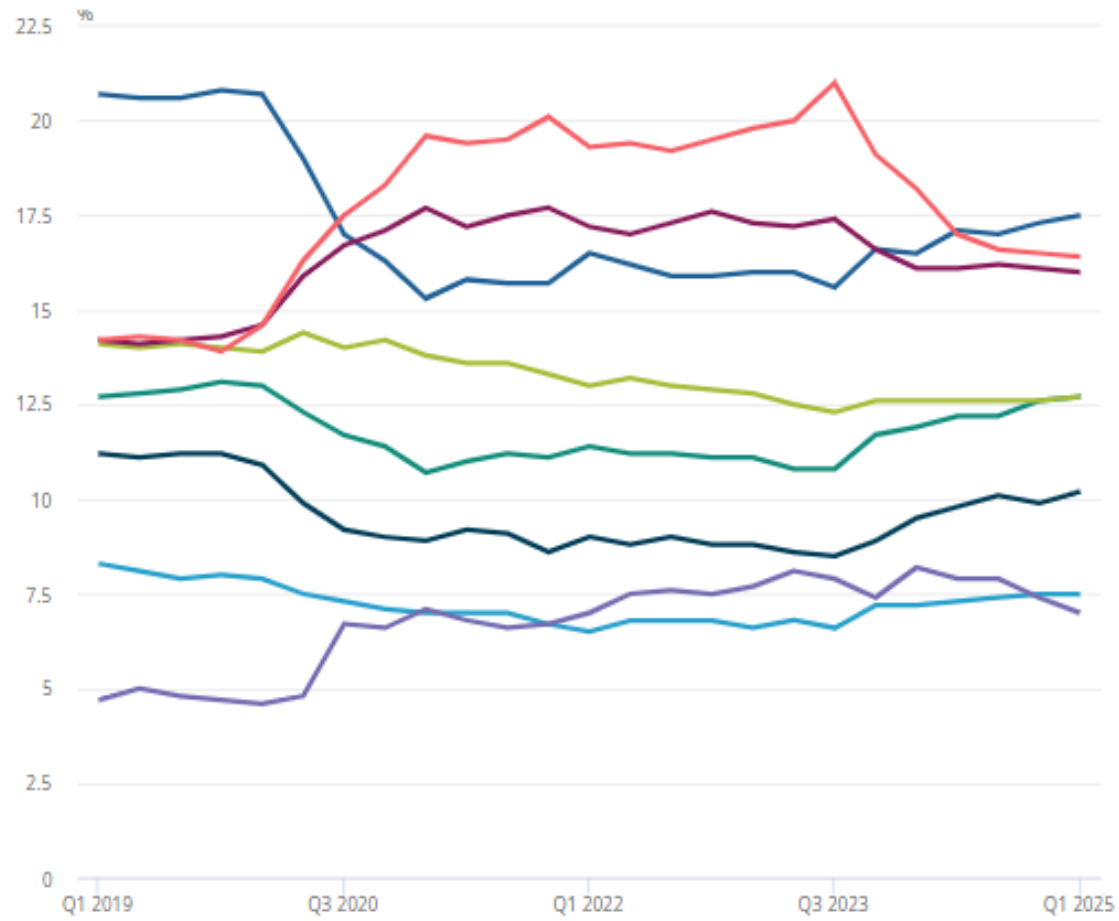


Figure 5: The Labour Force Survey responding sample includes more people aged over 55 years and fewer people aged under 24 years, compared with pre-pandemic levels

Labour Force Survey (LFS) respondent breakdown by age band, all waves, UK, Quarter 1 2019 to Quarter 1 2025



2) Groups that previously had higher employment rates have seen bigger response drops (controlling for tenure)

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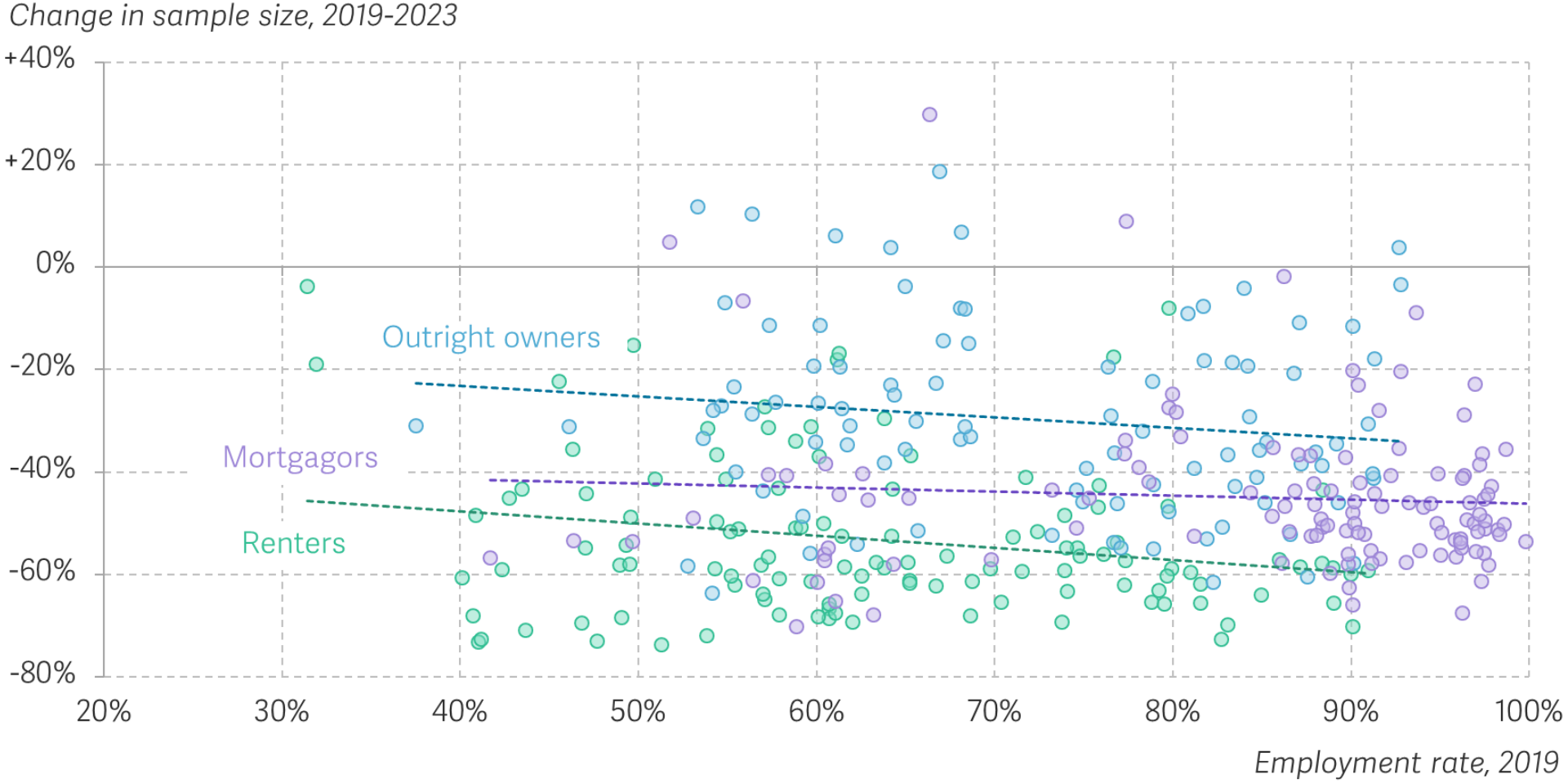
Employment rate in 2019 (horizontal axis) and the change in the LFS sample size between 2019 and 2023 (vertical axis) among 16-64-year-olds, by selected characteristics: UK



Age, gender, region or tenure biases can be corrected through weighting. But *between-group* trend suggests there will also be uncorrected *within-group* bias against workers

Notes: Each data point represents a combination of housing tenure, ten-year age band, sex and region/nation. The change in the proportion of the sample is calculated on unweighted data, and the employment rate is calculated on weighted data.
Source: RF analysis of ONS, Labour Force Survey.

3) LFS results were international outliers

- LFS employment rate fall, Q4 2019 to Q2 2024, is the worst performance in Europe
- UK the only G7 country to show a sustained rise in inactivity rate and fall in employment rate

- The ideal labour market story would also explain this

4) Disability benefit receipt rose faster in the LFS than reality (↑38% LFS vs ↑22% admin, 2019 to 2022, IFS)

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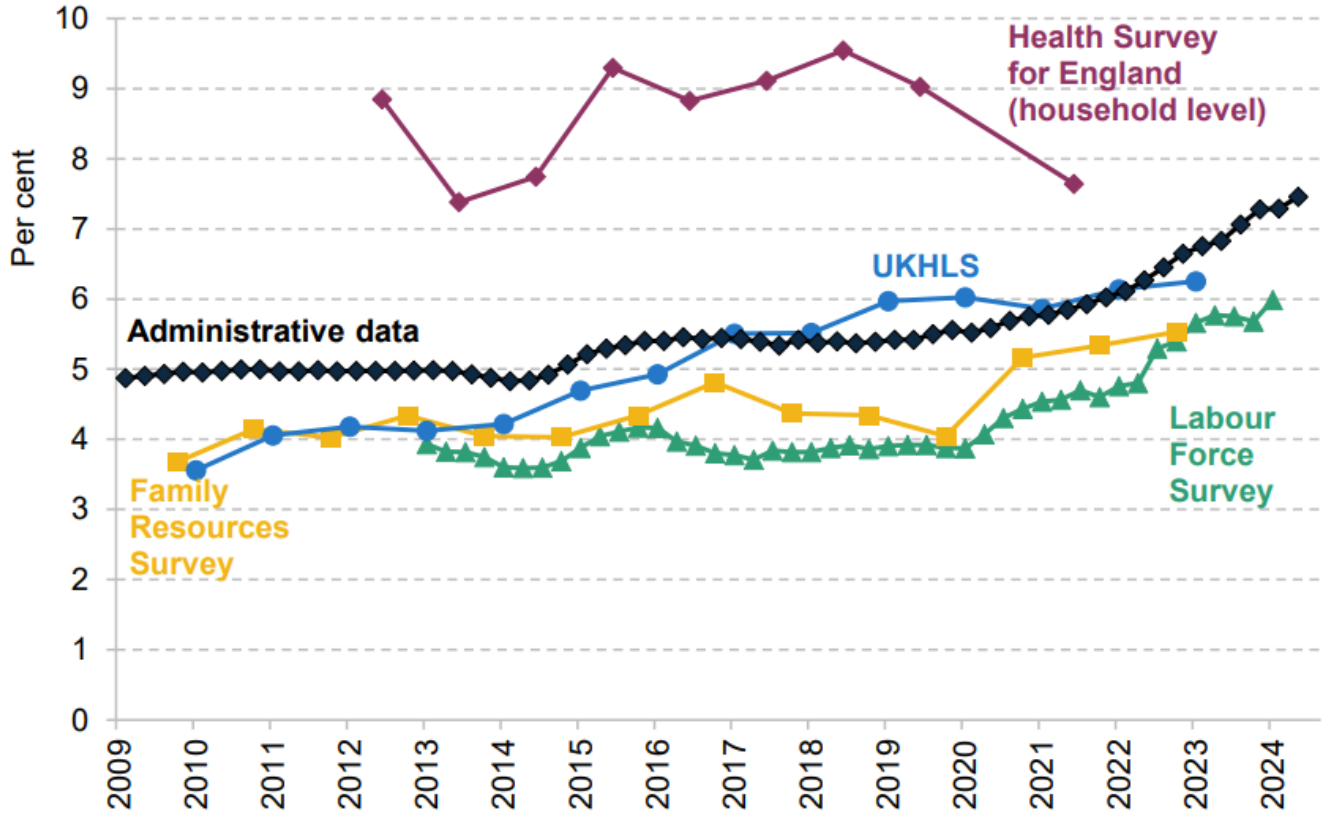
Percentage of 16 to 64 year olds claiming disability benefits in different sources: England and Wales



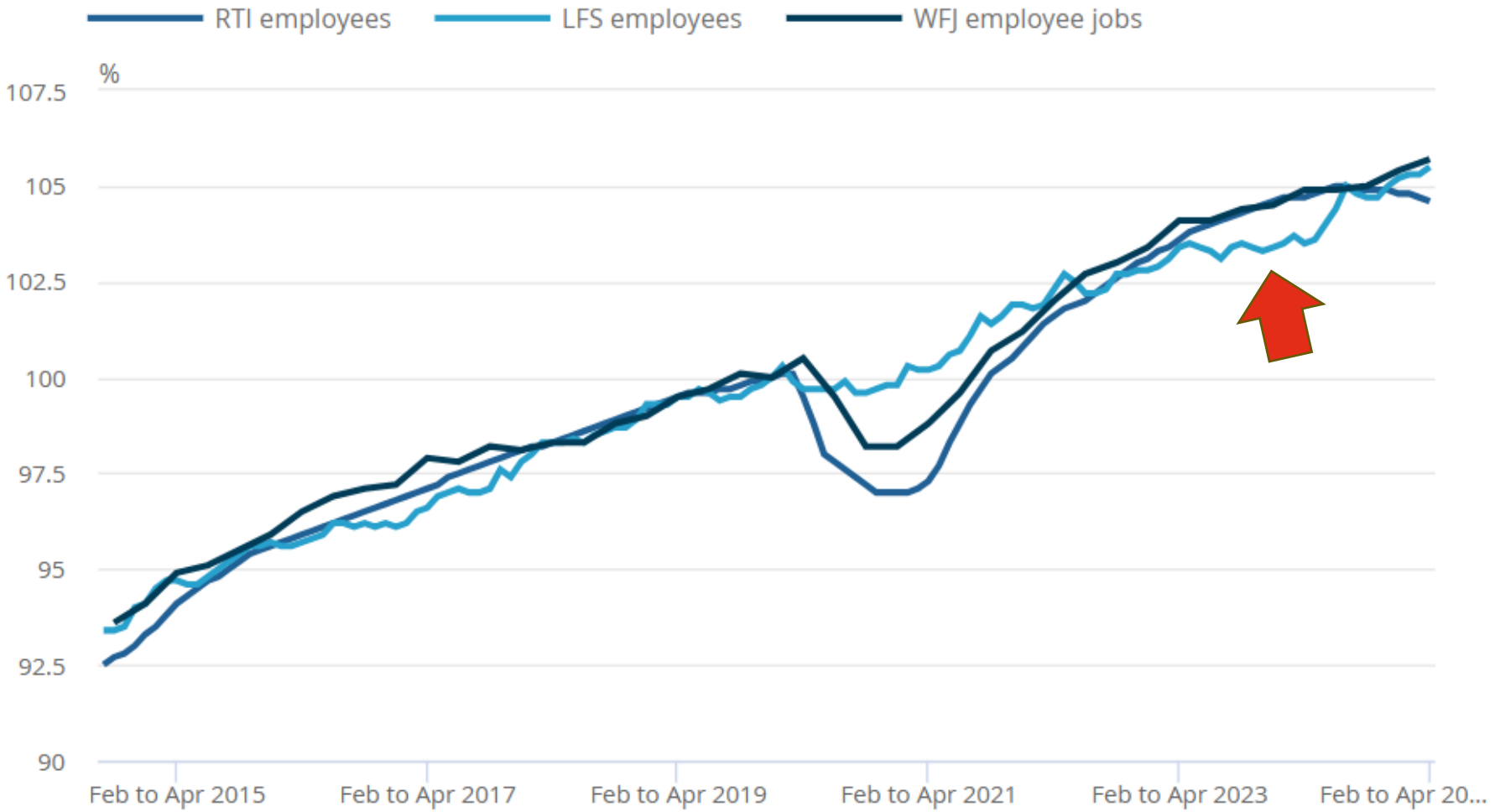
Growth difference equivalent to over 250,000 extra claimants

Note: Data cover England and Wales for all sources other than the Health Survey for England, which only covers England. Health Survey for England data include anyone in a household with someone claiming disability benefits, whereas other sources are just for individuals who claim disability benefits themselves.

Source: Authors' calculations using DWP Stat-Xplore, Health Survey for England, UK Household Longitudinal Study (UKHLS), Family Resources Survey and Labour Force Survey.

5a) LFS employee numbers diverged from HMRC RTI (PAYE) data and Workforce Jobs

Indices (November 2019 to January 2020 = 100), employment indicators, seasonally adjusted, UK, July to September 2014, to February to April 2025



But we also need to look at self-employment...

Source: Chart from ONS, Labour market overview, UK: June 2025. Labour Force Survey (LFS) and Workforce Jobs (WFJ) from the Office for National Statistics, and Pay As You Earn Real Time Information (RTI) from HM Revenue and Customs (HMRC).

5b) Non-EU worker numbers increased rapidly over this period. Household surveys may struggle to fully reflect that.

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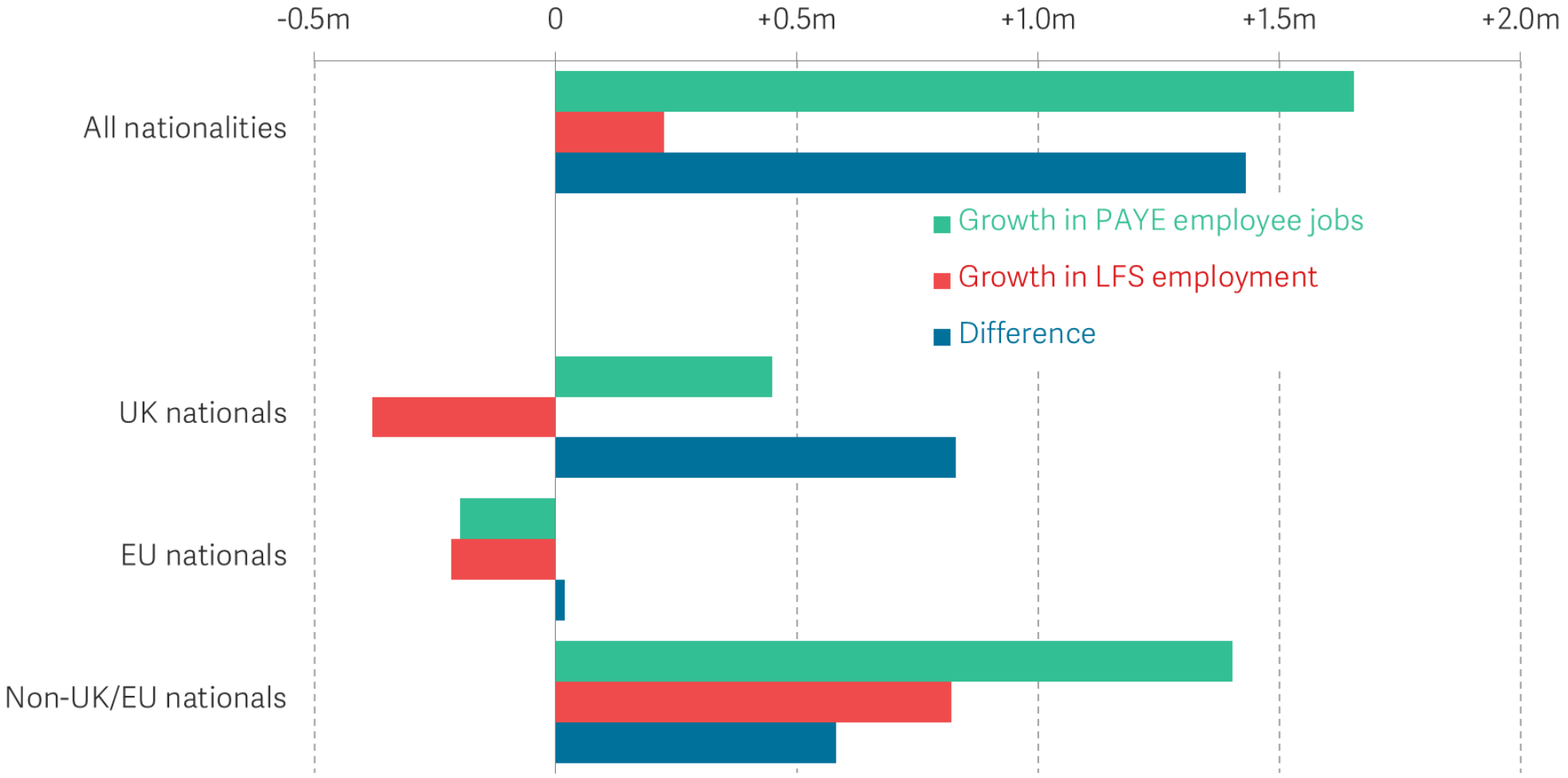
Q1 2020 to Q4 2023 growth in LFS employment and PAYE employee jobs, by nationality: UK



Surveys may struggle generally with recent migrants

Suspension of face-to-face surveys worsened this: "implausible movements in [LFS] country of birth and nationality statistics"

Notes: PAYE data here refers to jobs rather than individuals and excludes the self-employed. The LFS total includes those who do not state their nationality, and the PAYE UK figure includes some people with unknown nationality. LFS data includes a small discontinuity in 2022.
Source: RF analysis of ONS, Employment levels by nationality; HMRC, Payrolled employments in the UK by nationality, industry, age and sex.

5c) Admin data contradicts the LFS's self-employment decline

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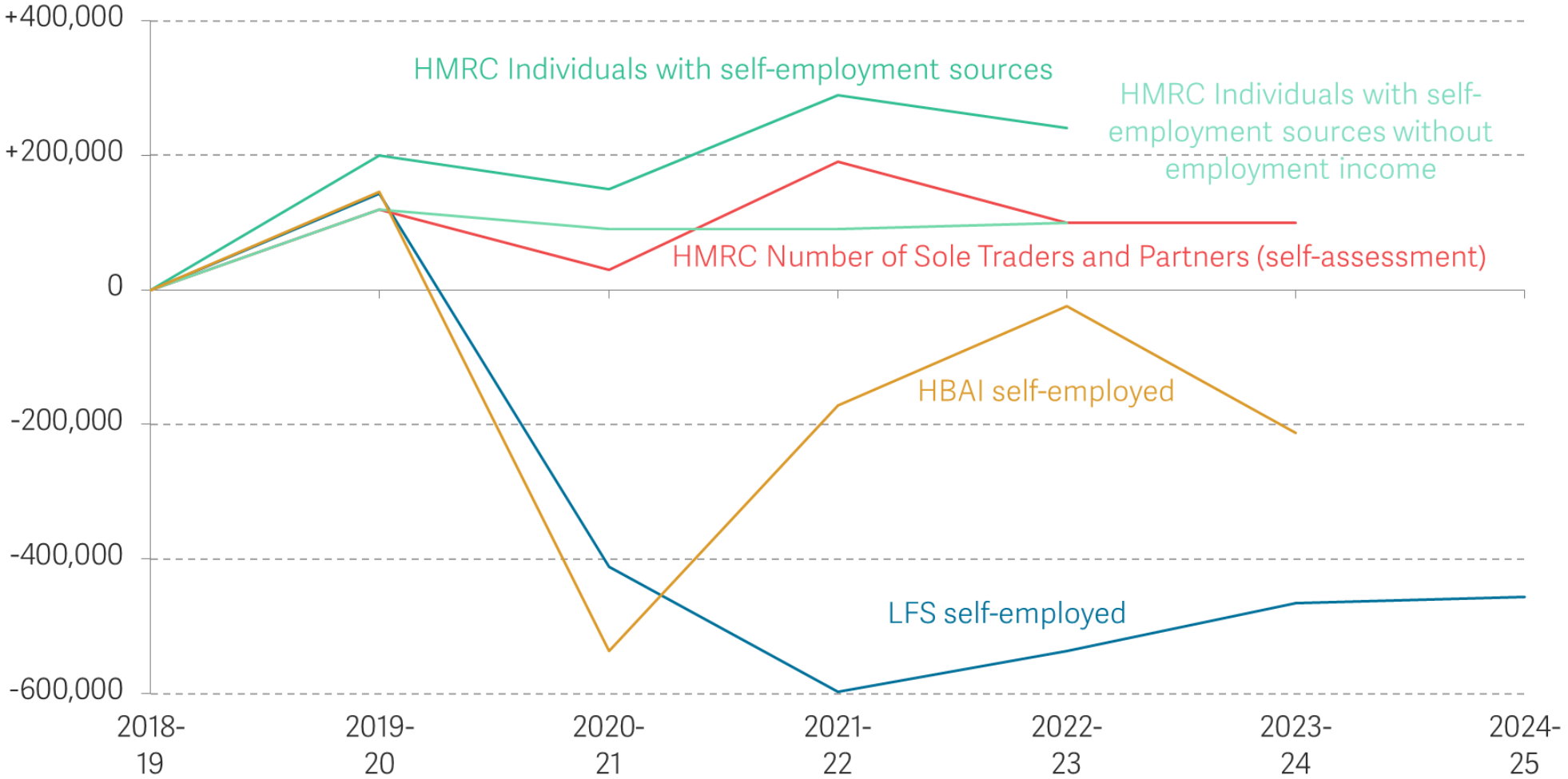
Cumulative change in self-employed numbers since 2018-19: UK



LFS status affected by Covid-19 schemes and possibly contractor tax changes

In any case, need to focus on total LFS employment

Source: RF analysis of ONS, Labour market statistics; DWP, HBAI; HMRC.

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Constructing an alternative series, which happens to agree with the LFS pre-2020, and in 2025, but not in-between

Constructing an alternative estimate of the employment rate

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Employment rate =

HMRC PAYE employees + HMRC self-employed (- overlap)

+ LFS unpaid family workers + LFS government trainees (- overlap with PAYE)
+ Estimate of 'ghosts' unknown to HMRC but known to LFS
- temporary foreign workers - workers in communal residences

Private household adult population
(ONS-based)

For more detail see https://www.resolutionfoundation.org/our-work/estimates-of-uk-employment/

Reassuringly, LFS and alternative employment trends match well pre-2021, and again in 2025 (post LFS improvements)

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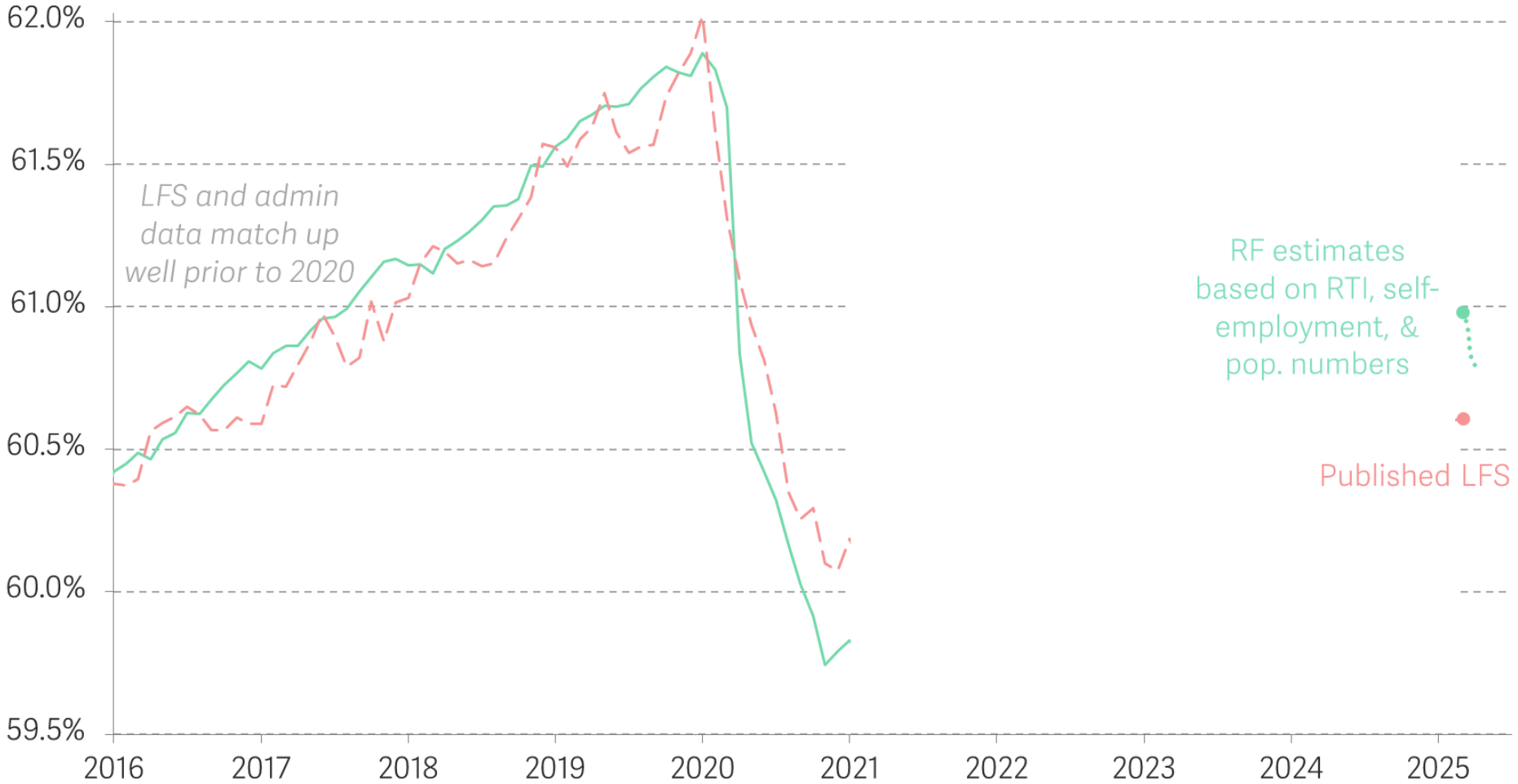
16+ employment rate: UK



(One invented number is used to ensure that pre-pandemic *levels* are similar, but trends match naturally)

Notes: Latest LFS data point is Feb to Apr 2025. Latest admin-based data point is April 2025. For recent population growth we use the ONS' 'migration category variant' population projection.
Source: ONS, Summary of labour market statistics, May 2025; RF analysis based on ONS Earnings and employment from Pay As You Earn Real Time Information, HMRC Income of individuals with self-employment sources, ONS National population projections: 2022-based.

But the two series give quite different stories over 2021-2024

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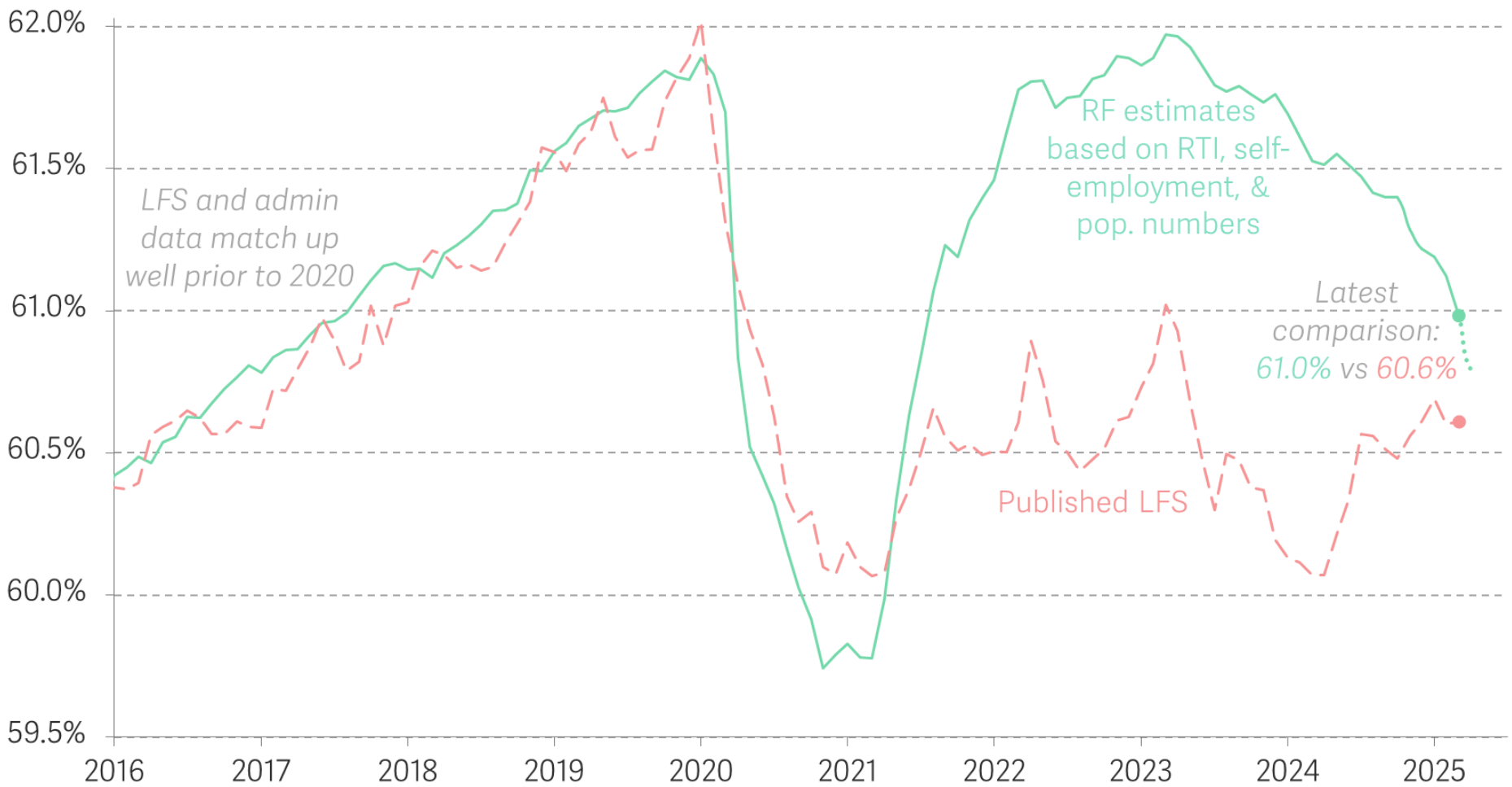
16+ employment rate: UK



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(The same is seen for the 16-64 employment rate)

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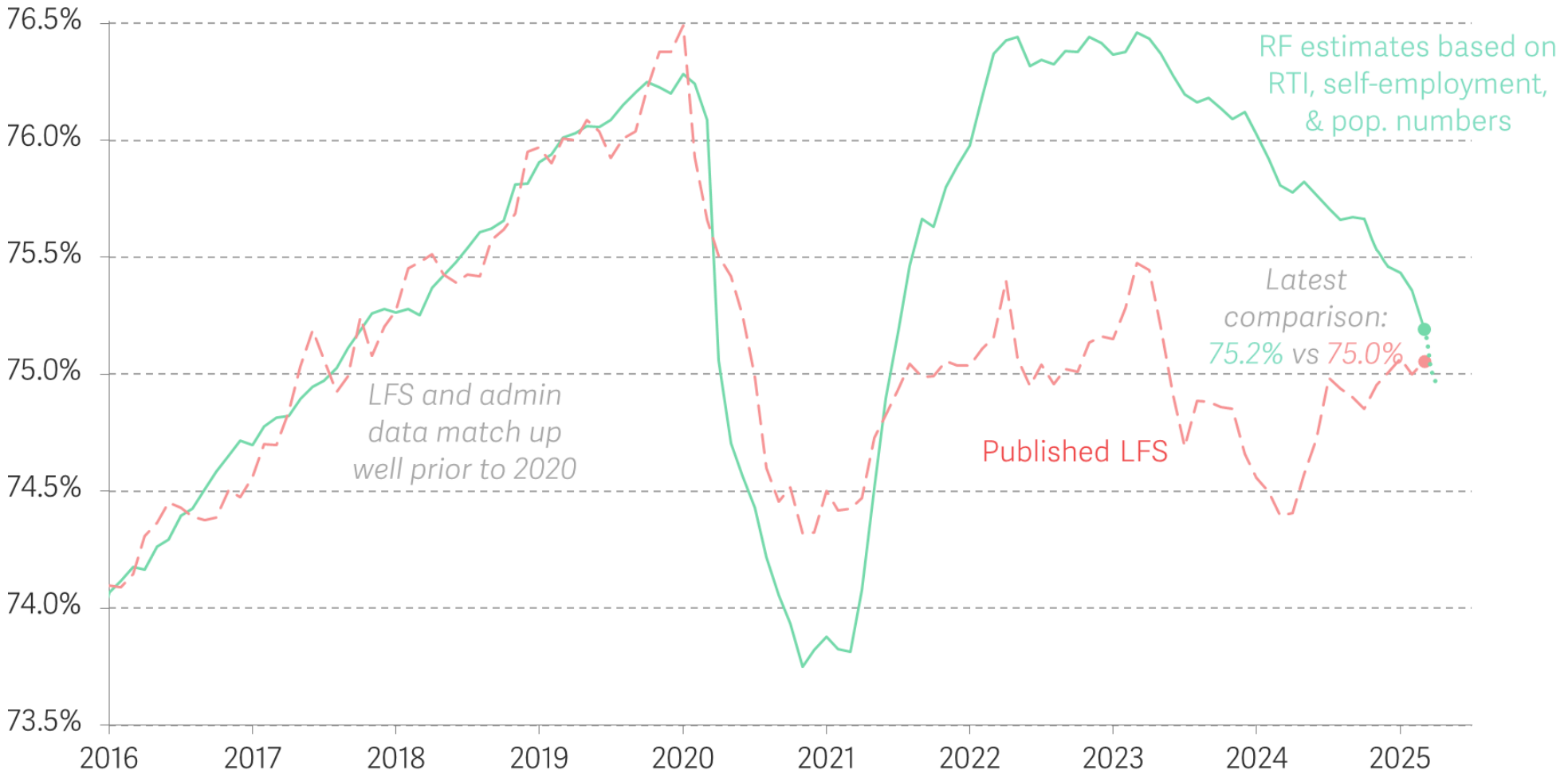
16-64 employment rate: UK



A few extra steps are needed to e.g. estimate 16-64 self-employment

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Could any new data change this finding?

- Scheduled LFS demographic reweighting
- Population revisions will affect admin-based calculation
- Self-employment data has a long lag: final numbers for 2023-24 and 2024-25 TBC
- Could eventually firm up numbers on 'ghosts' and temporary foreign workers
- But…
  - We've had multiple iterations and the LFS-admin gap has remained
  - Big revisions to 2022 data now unlikely?
  - Changes would need to be large…

Adding or deducting up to 200,000 workers in our estimates would not resolve the disagreement over 2021-2024

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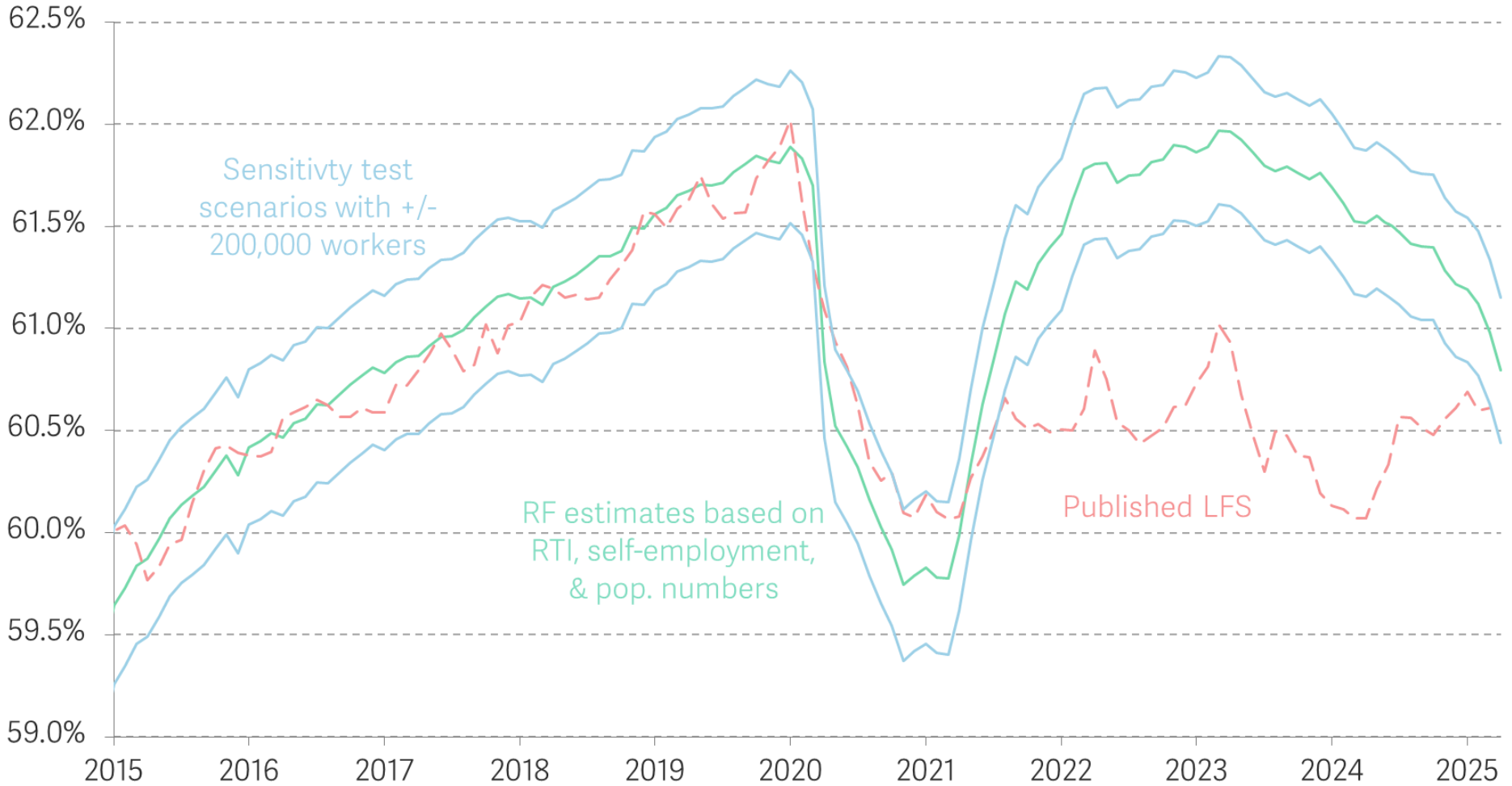
16+ employment rate: UK



The LFS employment rate is too low over 2021-2024

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Implications for inactivity and unemployment statistics

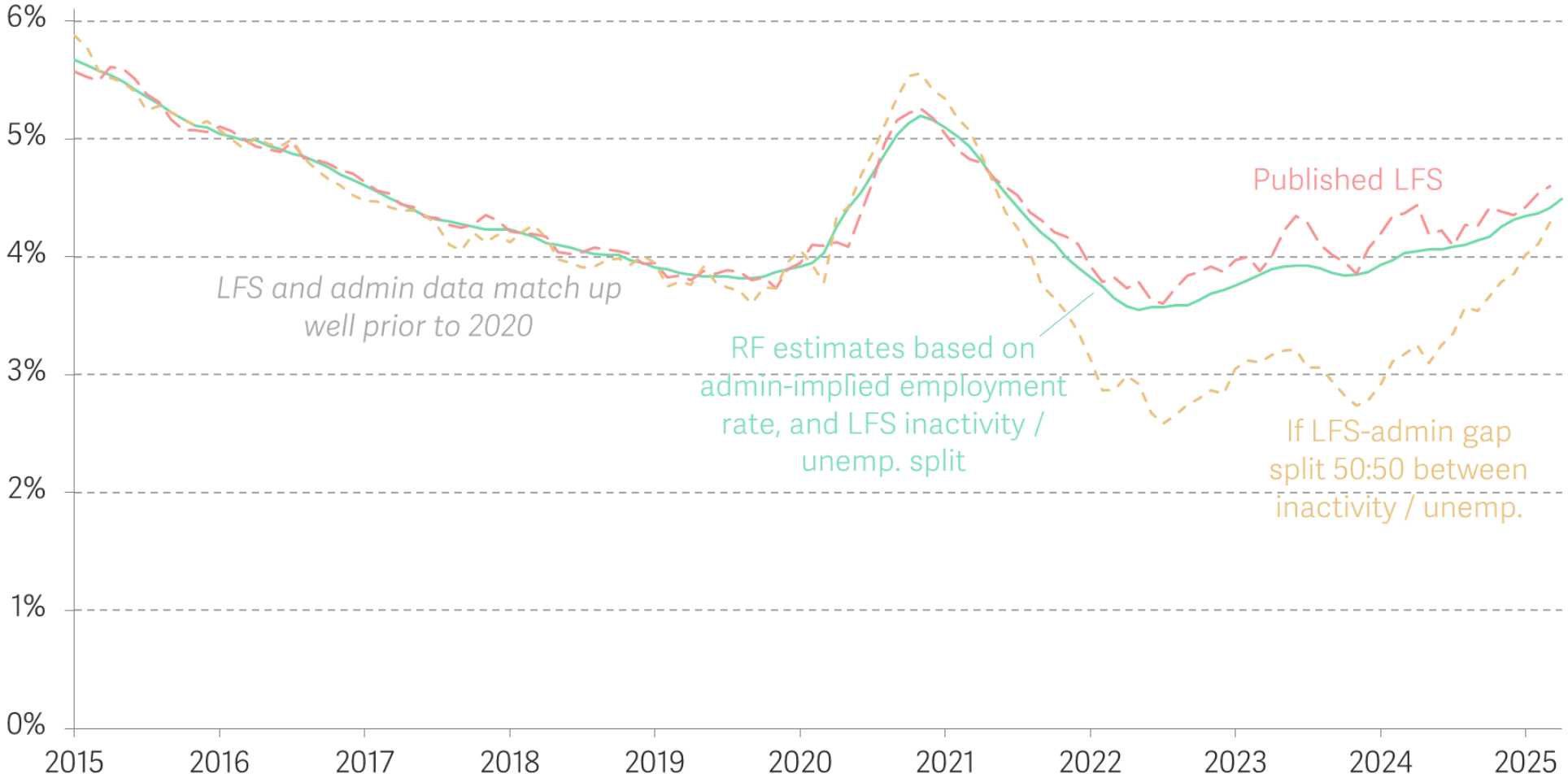
We cannot separate unemployment and inactivity with confidence

- Higher employment rate must mean lower unemployment and/or inactivity, in some combination

- Admin data can say whether people have earnings (that the Government has sight of)
- But can't so easily break down *why* people are not working
- Surveys are still valuable!

We can explore the implications of illustrative unemployment/inactivity divisions – and be informed by expert opinion on how low unemployment could plausibly have gone

16+ unemployment rate: UK



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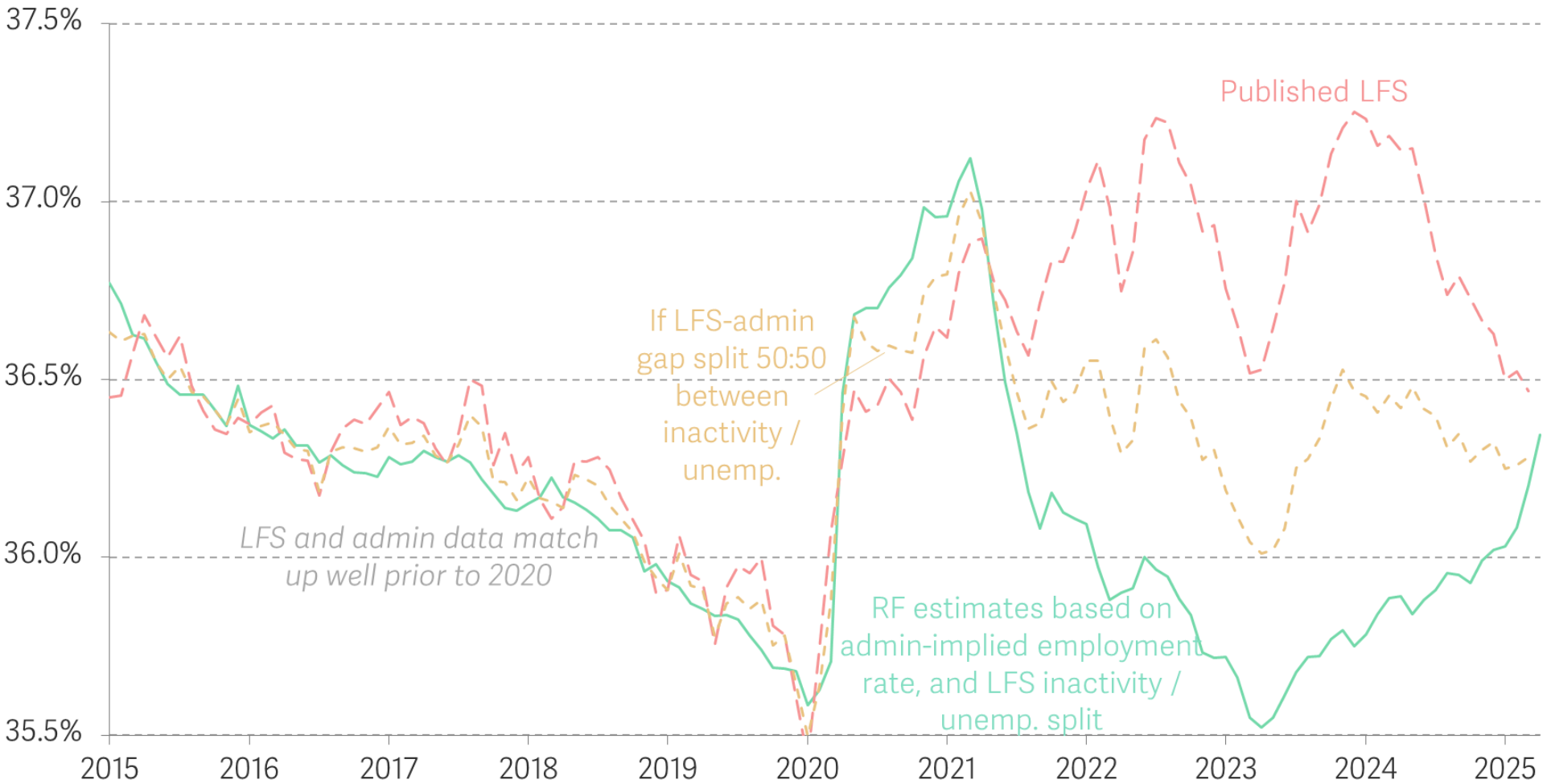
The post-Covid inactivity rate has likely been significantly over-estimated

16+ inactivity rate: UK



In the LFS, two thirds of the rise in working-age inactivity since 2019 has now been reversed. A great policy success story, or just bad data over 2021-2024?

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Inactivity revisions can still be consistent with health-related benefit trends

- Personal Independence Payment and UC-health caseloads have risen, but this doesn't tell us about labour market trends
- Big shift in the *make-up* of inactivity more important than overall rate change:
  - ↓ 'looking after family/home' & under 65 retirees,
  - ↑ 'long-term sick'

Conclusions and reflections

Bad news: LFS-based stats over 2021-2024 should not be trusted

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- The employment rate was under-estimated over 2021-2024
- Inactivity was over-estimated, and probably unemployment
- But now the *trend* is likely much worse than the LFS suggests

- Makes productivity trends extra uncertain
- Other affected stats include NEETs and business populations

Good news: hopefully, admin-based employment rate is useful

- Good to have multiple sources
- Can help assess LFS/TLFS quality and look through noise
- More timely: latest = May 2025, versus Feb-Apr average in LFS
- Could be replicated for smaller groups:
  gender; age; nations; regions…
- Cheap! 1 Excel file and (now) 5 minutes per month

Getting the job stats done (speculative)

- *Hopefully* LFS or TLFS can be trusted going forward
- But can also do better than having untrusted 2021-2024 data forever. Need a clear story.
  Consider new weighting changes for this period?
  e.g. using HMRC data / benefit receipt / nationality.
- Linking the LFS/TLFS to admin data important for testing
- RTI data is great and could be enhanced (gender; quicker job entry and exit reporting) & more done on self-employment numbers

- Optimistic we can have better labour market stats in 2029 than 2019

Data is available on our website with monthly updates

https://www.resolutionfoundation.org/our-work/estimates-of-uk-employment/

- Employment levels and rates
- Unemployment and inactivity available on request, but uncertain!

	Age 16+						Age 16 to 64					
	Alternative estimates			ONS LFS figures			Alternative estimates			ONS LFS figures		
Month / Middle of LFS 3 months	Household population	Employment	Employment rate	Household population	Employment	Employment rate	Household population	Employment	Employment rate	Household population	Employment	Employment rate
Aug 2014	51,806,962	30,687,672	59.2%	51,806,962	30,899,231	59.6%	40,791,924	29,536,396	72.4%	40,791,924	29,790,458	73.0%
Sep 2014	51,839,059	30,737,172	59.3%	51,839,059	30,913,562	59.6%	40,808,821	29,581,664	72.5%	40,808,821	29,787,862	73.0%
Oct 2014	51,871,157	30,729,786	59.2%	51,871,157	30,914,802	59.6%	40,825,718	29,572,683	72.4%	40,825,718	29,793,869	73.0%
Nov 2014	51,903,254	30,826,380	59.4%	51,903,254	31,007,551	59.7%	40,842,615	29,665,896	72.6%	40,842,615	29,891,506	73.2%
Dec 2014	51,935,351	30,833,227	59.4%	51,935,351	31,066,668	59.8%	40,859,512	29,670,332	72.6%	40,859,512	29,942,032	73.3%
Jan 2015	51,967,448	30,995,363	59.6%	51,967,448	31,184,889	60.0%	40,876,409	29,826,889	73.0%	40,876,409	30,009,089	73.4%
Feb 2015	51,999,545	31,058,566	59.7%	51,999,545	31,217,642	60.0%	40,893,306	29,886,324	73.1%	40,893,306	30,022,599	73.4%
Mar 2015	52,031,642	31,135,267	59.8%	52,031,642	31,190,009	59.9%	40,910,203	29,957,803	73.2%	40,910,203	30,033,421	73.4%
Apr 2015	52,063,740	31,172,517	59.9%	52,063,740	31,117,953	59.8%	40,927,100	29,992,100	73.3%	40,927,100	29,994,164	73.3%
May 2015	52,095,837	31,241,904	60.0%	52,095,837	31,170,407	59.8%	40,943,997	30,055,325	73.4%	40,943,997	30,036,378	73.4%
Jun 2015	52,127,934	31,313,838	60.1%	52,127,934	31,247,166	59.9%	40,960,895	30,128,872	73.6%	40,960,895	30,088,421	73.5%
Jul 2015	52,162,125	31,368,714	60.1%	52,162,125	31,279,914	60.0%	40,980,109	30,183,545	73.7%	40,980,109	30,133,128	73.5%