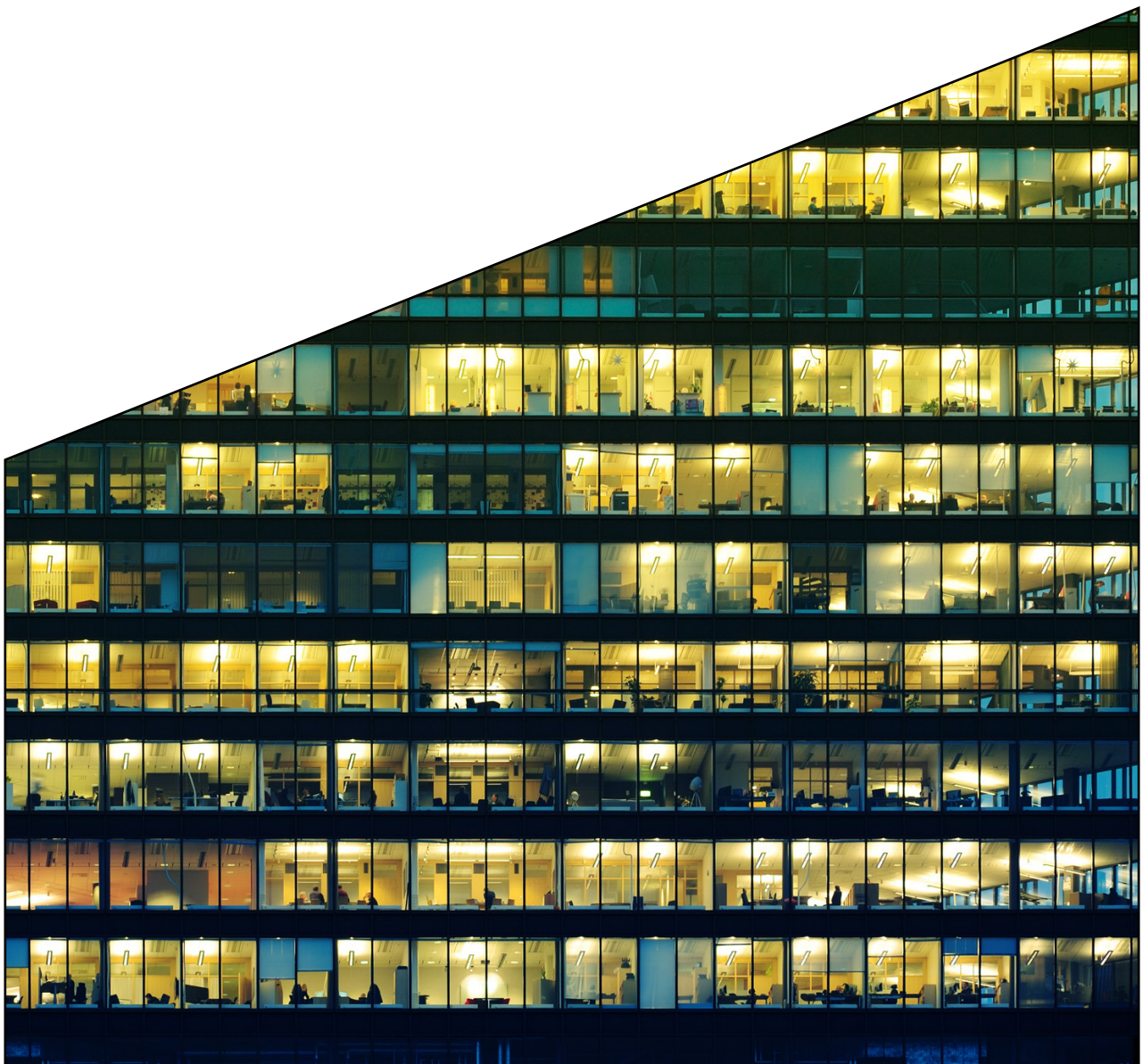# Get Britain's Stats Working

Exploring alternatives to Labour Force Survey estimates

Adam Corlett
November 2024

Acknowledgements

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Summary

The Government is soon to release its 'Get Britain Working' White Paper. There will doubtless be new policy to help more people to get into – or to stay in – work, and it is expected to repeat the Government's ambition to reach an 80 per cent employment rate. But this goal only highlights the fact that we currently do not know what the UK's employment rate actually is, due to problems with the Labour Force Survey (LFS), and that this issue has been ongoing for some time. As the Governor of the Bank of England recently noted, "it is a substantial problem [...] when we don't know how many people are participating in the economy", with broad implications for UK economic policy making.[1]

Using other data sources, we present an alternative time series for the employment rate which suggests that the true rate is likely materially higher than that recorded in the current LFS data. A decline in LFS response rates may well have opened the door to uncorrected changes in non-response bias, with workers potentially less likely to respond relative to the rest of the population.

If the LFS is underestimating the employment rate, then it must be overestimating either or both of unemployment or inactivity. The true rate of unemployment may be lower than the LFS' latest estimate of 4.3 per cent, but it seems unlikely that it could be radically lower. A higher employment rate would therefore require that the true inactivity rate is now significantly lower than thought and – with much less certainty – it could potentially be no higher than in 2019, with a rise in inactivity due to long-term sickness offset, among other things, by fewer people out of work because they are looking after their children or home.

There are well-known problems with the Labour Force Survey as it stands

As set out in previous work this year and last, the Labour Force Survey (LFS) has shown a much smaller rise in the number of jobs since 2019 than other sources.[2] Compared to trends observed in HMRC's Real Time Information (RTI) payroll administrative data or the Office for National Statistics' (ONS') Workforce Jobs (WFJ) estimates (which is based on a survey of businesses, plus actual public sector job numbers), that previous work suggested that the LFS had underestimated growth in the number of workers by over 1 million between Q4 2019 and Q1 2024. The ONS itself says that "the longer-term broad coherence between RTI and WFJ, when looking at annual change, suggests that these sources are likely to be providing a more reliable estimate of employment [than the LFS]".[3]

1   A Bailey, Growth – speech by Andrew Bailey: Given at the Mansion House Financial and Professional Services Dinner, Bank of England, November 2024.
2   A Corlett & H Slaughter, Measuring up? Exploring data discrepancies in the Labour Force Survey, Resolution Foundation, August 2024; N Cominetti, Flying blind? The case of the missing employment data, Resolution Foundation, October 2023.
3   ONS, Labour market overview, UK, November 2024.

Perhaps suspiciously, the decline in the employment rate that the LFS shows between Q4 2019 and Q2 2024 would be the worst performance in Europe over this period, with Latvia being the only other country to show any decline.[4] Moreover, there are good basic reasons to be concerned about the LFS over this period. Between 2019 and 2023, the overall response rate collapsed from 39 per cent to just 13 per cent of invited households – including a low of 8 per cent completing the final wave of the five-quarter survey.[5] This is unhelpful for two reasons. First, a smaller survey size means more uncertainty and volatility in the published estimates – although any such inaccuracy should average out over time. More importantly, the declining response rate is likely to be accompanied by a change in the make-up of which people are (or are not) completing the survey, and this could be introducing new response biases that are difficult to correct for. For example, if people in work have become disproportionately less likely to respond to the survey (and this is not corrected for in the grossing factors), then the LFS will record fewer of them relative to other groups and thus underestimate the employment rate. It is not certain that this is what has happened, but we have previously set out some evidence of a disproportionate drop in LFS response rates among workers.[6]

As well as the possibility of a change in general response bias against workers, an additional possibility is that the LFS has struggled to adequately represent recent arrivals to the UK since 2020, a period when immigration from beyond the EU has been especially high.[7] Figure 1 shows a rough comparison of employment growth between the LFS and payroll data between 2020 and 2023, broken down by workers' nationalities.[8] This is an imprecise comparison – the LFS counts employed people including the self-employed, and the payroll figures (for this specific chart) count the number of employee jobs, not individuals – but it gives a sense of the problem.[9] It first replicates the finding that a 'growth gap' of over 1 million workers has opened up between Q1 2020 and Q4 2023. Then, focusing on nationalities, it shows that the majority of the growth gap can be ascribed to UK nationals, but 41 per cent comes from workers from outside the EU (or UK) – despite them only making up 7 per cent of payroll employments in 2020. This strongly suggests that LFS biases have played some role in the under-recording of recent jobs growth, and that recent arrivals to the UK are a part of this story, but not the whole story.

4   Eurostat, Employment and activity by sex and age - quarterly data, accessed November 2024. This comparison is based on the 15-64 employment rate in Eurostat data, and the 16-64 rate in the LFS.
5   ONS, Labour Force Survey performance and quality monitoring report: July to September 2024, November 2024. Back in 1998, the response rate was 74 per cent: ONS, Performance and quality report, July to September 2016.
6   A Corlett & H Slaughter, Measuring up? Exploring data discrepancies in the Labour Force Survey, Resolution Foundation, August 2024.
7   ONS, Long-term international migration, provisional: year ending December 2023, May 2024.
8   HMRC, UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2023, September 2024; ONS, EMP06: Employment by country of birth and nationality, November 2024.
9   Separate HMRC data suggests that the number of self-employed workers has been relatively stable since 2019 (albeit with a slight rise in the number who have both self-employment and employment income). Consistently including the self-employed would therefore be unlikely to significantly change the PAYE-based numbers and therefore the story told by Figure 1. Later figures are based on both employee and self-employed numbers.

FIGURE 1: **The employment growth gap between the LFS and administrative data comes disproportionately from non-EU/UK workers, suggesting the LFS has not reflected recent immigration**

Q1 2020 to Q4 2023 growth in LFS employment and PAYE employee jobs, by nationality: UK
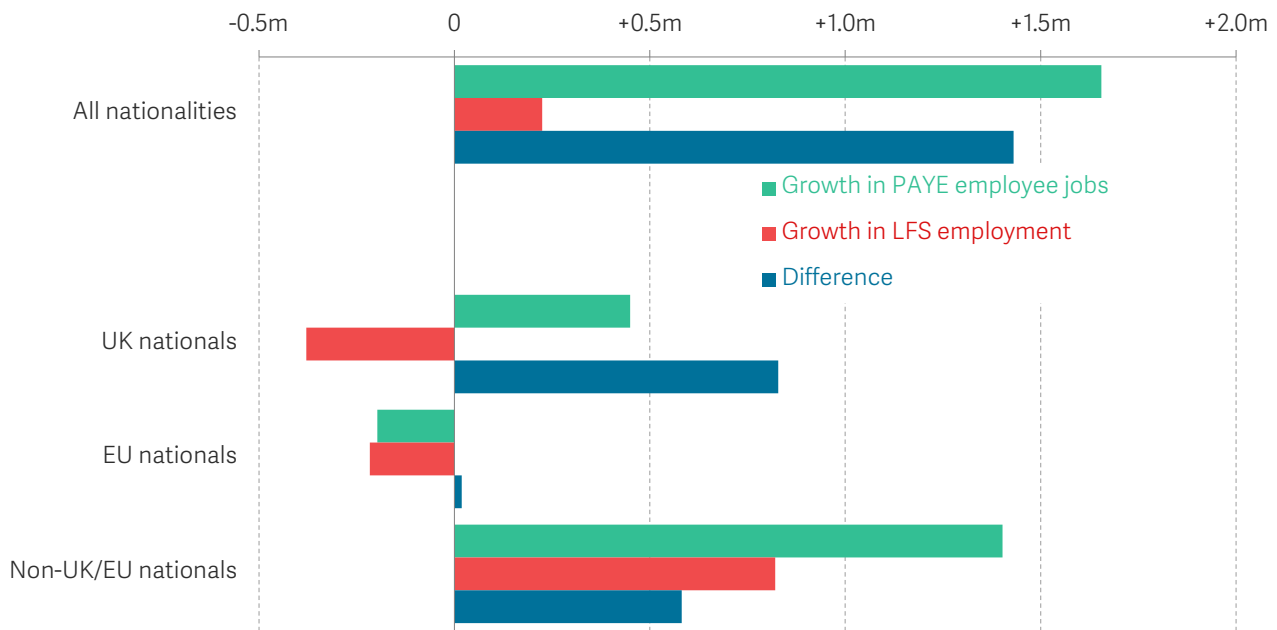
NOTES: PAYE data here refers to jobs rather than individuals and excludes the self-employed. The LFS total includes those who do not state their nationality, and the PAYE UK figure includes some people with unknown nationality. LFS data includes a small discontinuity in 2022.
SOURCE: RF analysis of ONS, Employment levels by nationality; HMRC, Payrolled employments in the UK by nationality, industry, age and sex.

New modelling suggests the employment rate is very likely to be higher than existing Labour Force Survey estimates

So, given the existing evidence that the LFS has been under-recording employment growth over recent years, and the fact that this is not expected to be comprehensively fixed any time soon, is it possible to come up with a better estimate of the employment rate? Below, we present an attempt that draws as far as possible on administrative sources, and so is largely independent of the LFS.

The employment rate is the share of the adult population who are working. This requires a number of elements (and we will come back to questions of the uncertainty around some of these). RTI data can tell us how many people receive wages in each month.[10] HMRC's data on self-employment is not as timely but can tell us how many people reported self-employment income and – importantly – tells us how many of those also reported wages, to avoid double counting.[11] We make a small (but somewhat arbitrary) adjustment for the net result of jobs that might legitimately be excluded from the LFS (foreign residents, temporary residents,

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10 ONS & HMRC, Earnings and emloyment from Pay As You Earn Real Time Information, UK, November 2024.
11 HMRC, Income of individuals with self-employment sources, February 2024.

those living in communal locations such as armed forces bases) and unreported jobs that might be in the LFS but not HMRC's data. After a further minor adjustment to account for some trainees and unpaid family workers, we therefore have a (mostly) HMRC 'admin-based' estimate of the number of people in work. This can then be divided by the best available estimates of the adult (16+), private household population, which we simply copy from the LFS up to 2021 but supplement with more recent ONS figures beyond that, in anticipation of planned LFS reweighting that should revise up its recent population numbers.[12]

The results of these calculations are shown in Figure 2. The first thing to note is that this admin-based employment rate estimate matches up remarkably well with the LFS results from 2015 up to early 2020. This should give us some confidence in our approach. However, over the period in which LFS response rates collapsed, the two lines diverge significantly. The existing LFS says that the employment rate has declined by 1.2 percentage points since Q4 2019, but the admin-based approach would suggest essentially no change (it shows a very small fall of 0.1 percentage points). In absolute numbers, this equates to a gap in growth between Q4 2019 and Q3 2024 of 930,000 workers relative to the published LFS figures (down from 1.2 million in Q1 2024), or 640,000 if we also apply our upwards population adjustment to the LFS.

FIGURE 2: **Calculating the employment rate based on HMRC jobs data and the estimated population matches the LFS prior to Covid-19 but not since**
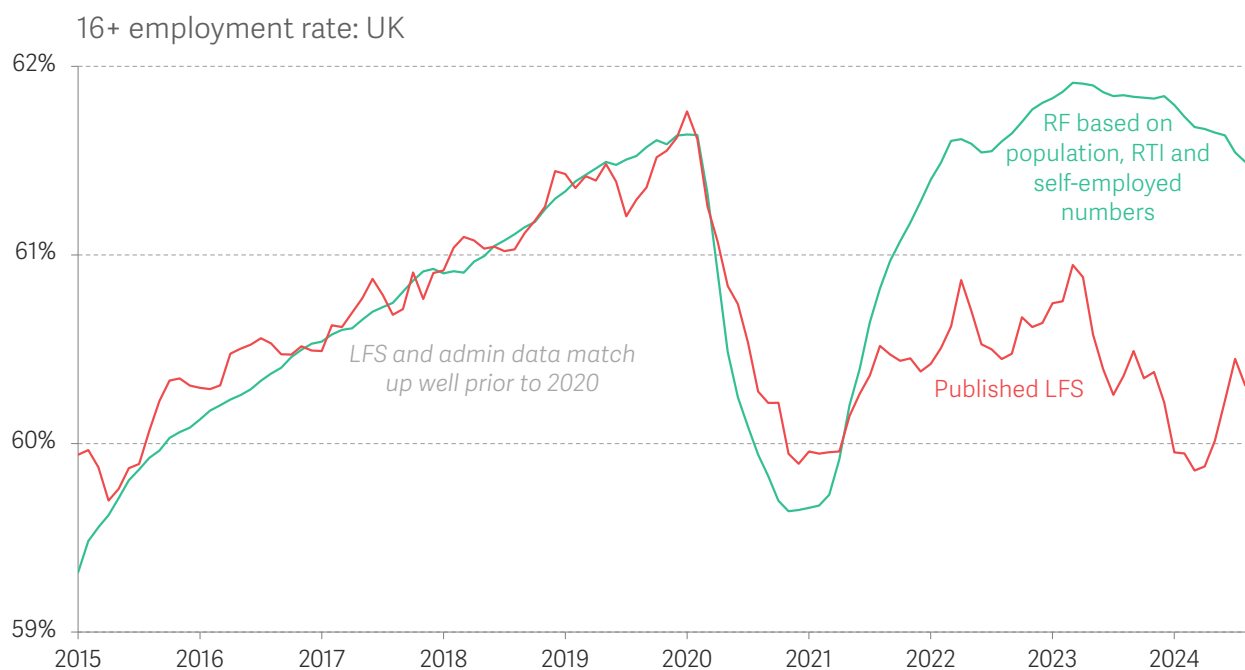
16+ employment rate: UK

NOTES: Latest data point is July-September 2024.
SOURCE: ONS, Summary of labour market statistics, November 2024; RF analysis based on ONS PAYE RTI, HMRC Income of individuals with self-employment sources, ONS Population estimates for the UK: mid-2023, ONS National population projections: 2021-based interim.

12 ONS, Population estimates for the UK, England, Wales, Scotland and Northern Ireland: mid-2023, October 2024; ONS, National population projections: 2021-based interim, January 2024.

As well as disagreeing about the big picture since 2019, the two lines also present different stories about what has happened so far in 2024: recent admin-based estimates imply that the employment rate has been falling, while the LFS shows an increase. The recent admin-based estimates will be more prone to revision than those for earlier years, given the lag in obtaining accurate self-employment and population data, but the RTI data suggests it is unlikely that the number of workers has been growing faster than the population and that this LFS trend in 2024 is therefore not meaningful. Indeed, alongside the fact that the series is inherently noisy, the ONS has noted that "some of the recent movements in LFS estimates are being affected by the increased sample size and change in data collection methods introduced over the last year".[13] This suggests that the recent employment rise shown in the LFS might reflect that it is becoming more accurate, and converging with the 'true' value (if so, then it would mean that the LFS is misleading about earlier trends).

There is plenty of uncertainty in our estimates, but worker and population numbers would need to be very significantly revised to do away with the data divergence

It is worth pausing to ask whether there are any ways in which the LFS and implied admin-based employment rates could be reconciled, beyond the estimates from the LFS simply being wrong. The short answer is that the admin-implied rates could certainly be materially lower if some particular assumptions were changed, but that quite extreme changes would need to be made to our new estimates of the number of people in employment or the total population to remove all of the difference.

If the 16+ population is bigger than the number we have used, this would lower the employment rate and narrow the gap between administrative employment numbers and the LFS employment rate. (Our population numbers are based on the ONS' latest mid-2023 estimates and projected growth thereafter, and are higher than the LFS assumes, as of November 2024.) But to close the entire rate gap would require the latest ONS figures to have under-estimated growth in the 16+ population between 2019 and 2024 by over 1 million people, which would be an enormous error – particularly given that we have recently had a census, that 'natural' population changes before accounting for migration are relatively predictable on this timescale, and that the figures already include very high net migration.

As well as the possibility of error in the population denominator, there are also numerous ways in which our estimate of the number of workers may be off. We are not aware of any good reasons to greatly doubt the RTI data itself as a source of trends in employee numbers (beyond very short-term revisions). But there is uncertainty about the number of self-employed people (we do not yet have any hard data on self-employment beyond

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2022-23 and our main estimate assumes no change, compared to a tiny rise in the LFS), and about how many workers are 'ghosts' from HMRC's perspective, with no declared work. There are also complicated questions about how many workers should be excluded from our comparisons on the basis that they would legitimately not be counted within the LFS' scope. These fall into two main groups: those not living in private households (for example, many of those in the armed forces), and those who are not long-term residents. However, it is only the change since 2019 that really matters here. It is possible that there could be relevant recent trends in temporary foreign workers, but previous ONS work on reconciling labour market statistics suggested no change between 2019 and 2022 and gave a total level (of 140,000 temporary foreign workers) that would need to have since ballooned to make a dent in the gap between the two estimates of the employment rate.[14]

To give a sense of the scale of revisions that would be required to our inputs to make a big difference, Figure 3 adds an arbitrary sensitivity check – in blue – in which the 16+ private household population in mid-2023 is revised up by an additional 100,000, and the number of workers is now 200,000 lower than in our main estimate, for example due to changes in self-employment estimates or some of the complex questions of LFS scope discussed above. These are large but not implausible changes – they are not unheard of in past migration revisions, for example, which would feed through to population figures – and if such revisions happened they would lower our admin-based estimate of the employment rate from 61.5 per cent to 61.0 per cent in this scenario.[15] But even this would close less than half of the latest gap between our estimates and the LFS, and – other than the LFS giving different numbers – there is not yet any separate reason to think that these errors are present. Indeed, it is also possible that any data revisions could go in the other direction and increase our admin-based estimate of the employment rate.

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14 ONS, Reconciliation of estimates of jobs, UK, October 2022.
15 Migration Observatory, ONS revises last year's net migration figure up to 745,000 but estimates that it fell to just over 670,000 in most recent figures, November 2023.

FIGURE 3: **An illustrative combination of upwards population and downwards employment revisions could plausibly help narrow the gap between data sources, but there is not yet any evidence for that**
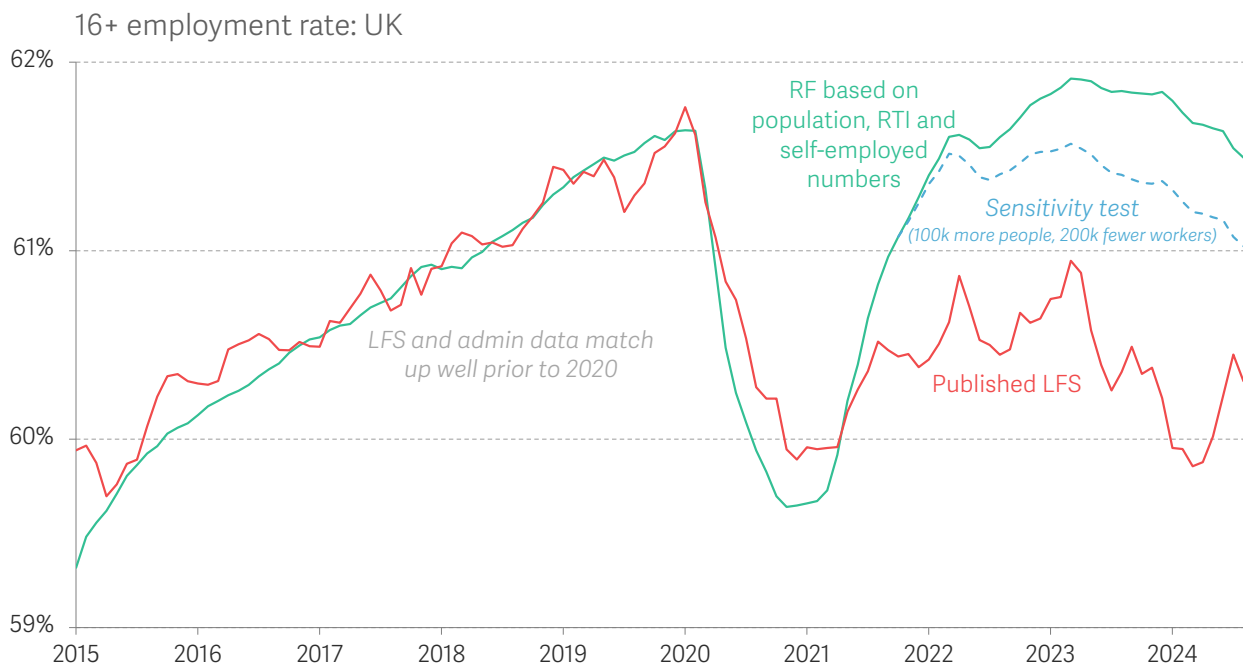
16+ employment rate: UK

NOTES: Latest data point is July-September 2024. Sensitivity test increases total 16+ population growth by 100,000 and reduces employment growth by 200,000 between 2021 and 2024. These are arbitrary numbers for illustration only.
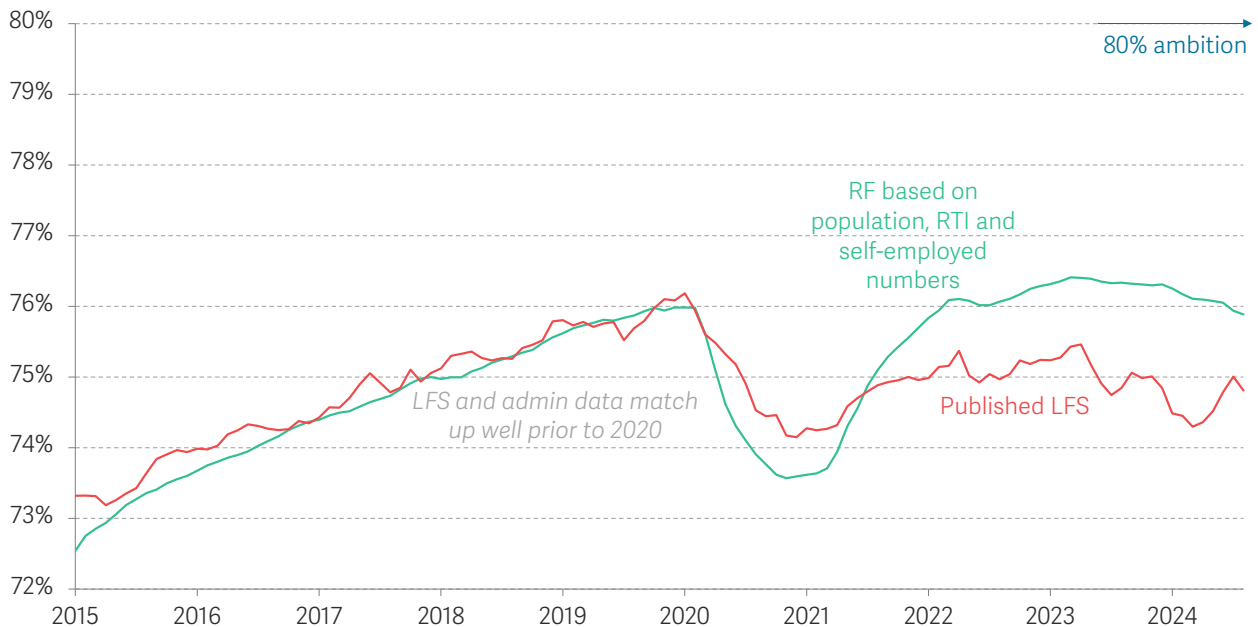SOURCE: ONS, Summary of labour market statistics, November 2024; RF analysis based on ONS PAYE RTI, HMRC Income of individuals with self-employment sources, ONS Population estimates for the UK: mid-2023, ONS National population projections: 2021-based interim.

Estimates for the 16-64-year-old population give the same conclusions, with implications for the Government's 80 per cent employment rate target

The figures above refer to the 16+ employment rate, but labour market statistics often also focus on the 16-64 age range. Importantly, the upcoming 'Get Britain Working' White Paper is expected to repeat an aspiration of reaching an 80 per cent employment rate – which will certainly not refer to the 16+ population and may instead be on a 16-64 basis. Figure 4 therefore gives our admin-based estimate of this rate, as well as the latest LFS statistics. This exercise requires more assumptions (in particular, we assume the LFS correctly estimates what share of self-employed workers are age 16-64). But the comparison tells the same broad story as above. Instead of a 16-64 employment rate of around 75 per cent, as the LFS says, our admin data-based estimates suggest that the rate could now be around 76 per cent – again, similar to the rate in late 2019. If that is the case then the progress needed to hit the 80 per cent goal would be reduced by over a fifth, although even then the target would remain ambitious.

FIGURE 4: **Our conclusions are similar for the 16-64 employment rate, potentially making the 80 per cent target more achievable, although still very stretching**

16-64 employment rate: UK

NOTES: Latest data point is July-September 2024. The Government has not yet confirmed the details of its 80 per cent goal.
SOURCE: ONS, Summary of labour market statistics, November 2024; RF analysis based on ONS PAYE RTI, HMRC Income of individuals with self-employment sources, ONS Population estimates for the UK: mid-2023, ONS National population projections: 2021-based interim.

The Labour Force Survey is very likely overestimating the rate of inactivity and, to a lesser extent, unemployment

In the world of labour market statistics, adults must be either in employment, unemployed or economically inactive. If the LFS is under-estimating the employment rate, then it must be over-estimating either or both of the unemployment rate or inactivity rate.

The sources of admin data that we use to estimate employment do not help us estimate the numbers in unemployment and inactivity separately (we discuss below what we can learn from administrative data on social security benefits). So to estimate these rates, we must make assumptions about how the non-working population is split between unemployment and inactivity. Our starting assumption is that the LFS is right about this split, as we have no strong basis for deviating from this (but we do smooth the precise split to reduce noise). Figure 5 shows the unemployment rate (in green) that follows from using this assumption plus our main employment rate estimate. Because there are far more (16+) inactive people than unemployed people – by a ratio of around 14 to 1 – adjusting for missing workers on this basis implies an unemployment rate that is only

a bit lower in absolute terms than the published one (in contrast to more significant implications for the inactivity rate, as we explore below). In this main scenario, the most recent (Q3 2024) unemployment rate is 3.9 per cent rather than the 4.3 per cent rate in the LFS, but the two series have the same low point for unemployment, at 3.6 per cent in 2022.

FIGURE 5: **The unemployment rate is likely to be overestimated, but perhaps not dramatically – if the LFS is right about the split between unemployment and inactivity**

16+ unemployment rate: UK
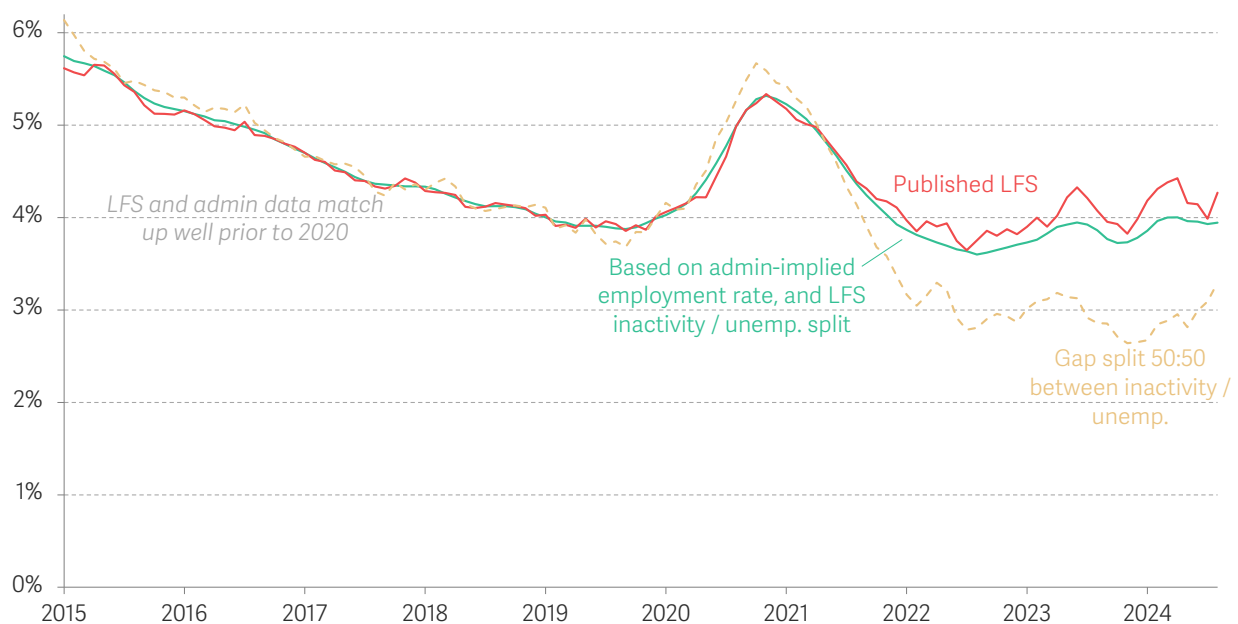
NOTES: Latest data point is July-September 2024.
SOURCE: ONS, Summary of labour market statistics, November 2024; RF analysis based on ONS PAYE RTI, HMRC Income of individuals with self-employment sources, ONS Population estimates for the UK: mid-2023, ONS National population projections: 2021-based interim.

As the split between unemployment and inactivity is an important assumption about which we have limited independent evidence, Figure 5 additionally shows (in yellow) an extreme scenario in which unemployment revisions do fully half of the work in making possible a higher employment rate. In this scenario, the unemployment rate would have gone as low as 2.6 per cent, and would now sit at 3.3 per cent. Such rates are not totally impossible: for example, in Northern Ireland the headline unemployment rate is now only 2 per cent,[16] and Malta's is down to 3 per cent, where both were relatively recently in line with the UK's rate.[17] But the UK unemployment rate has never been below 3.4 per cent in data going back to 1971, and, although the labour market has been tight recently, a

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16   Northern Ireland Statistics and Research Agency, Northern Ireland Labour Market Report, November 2024.
17   Eurostat, Unemployment by sex and age – monthly data, accessed November 2024.

rate of 3 per cent or lower might seem unlikely.[18] Yet these different scenarios help to demonstrate the trade-offs involved: if the admin-implied employment rate is broadly correct, and if unemployment has not fallen to its lowest point on record (for example), then it is unavoidable that the inactivity rate in the LFS is too high by a significant margin.

The green line in Figure 6 gives the 16+ inactivity rate that is consistent with the admin-based estimate of 16+ employment rate set out earlier, if we again assume that the LFS is right about the ratio of inactive to unemployed people. This implies that the true rate of inactivity is considerably lower than in current estimates. In particular, the LFS currently says that the 16+ inactivity rate has risen by 1 percentage point from Q4 2019 to Q3 2024, but the green line shows zero change (a 0.1 percentage point rise, and no change compared to Q3 2019) – despite a large temporary rise during Covid-19. And, although not shown, modelling of the 16-64 inactivity rate comes to a very similar conclusion of no rise since 2019.

FIGURE 6: **The LFS has likely over-estimated the net rise in inactivity since 2019**

16+ inactivity rate: UK
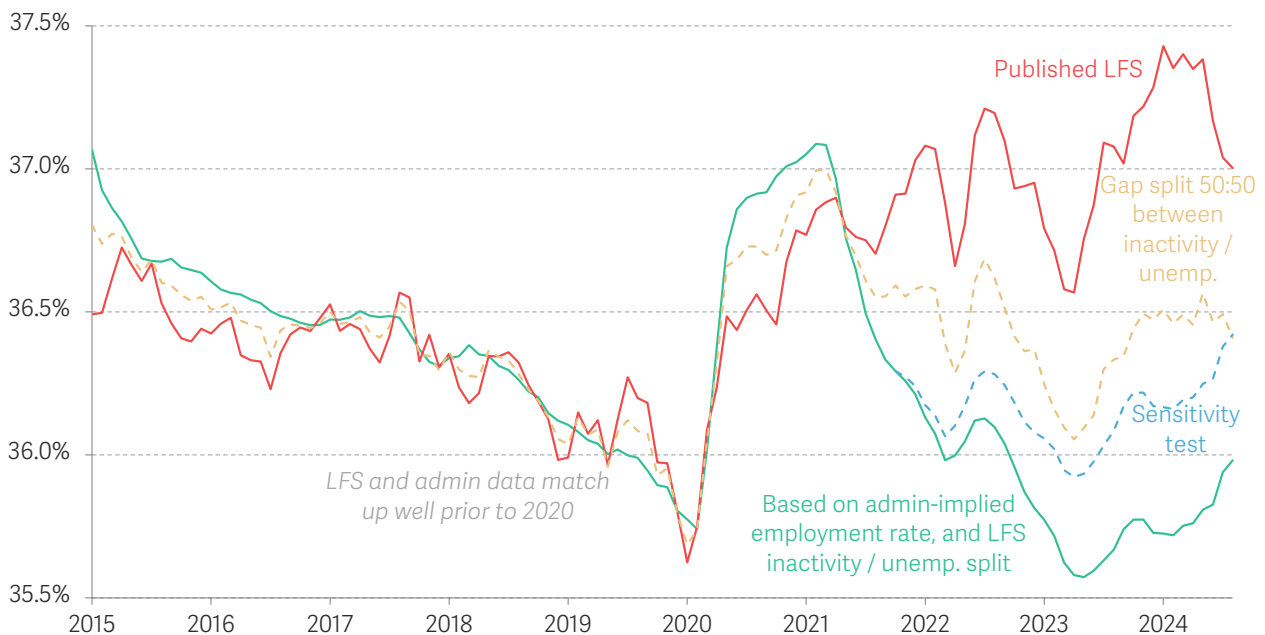
NOTES: Latest data point is July-September 2024. Sensitivity test increases total 16+ population growth by 100,000 and reduces employment growth by 200,000 between 2021 and 2024. These are arbitrary numbers for illustration only.
SOURCE: ONS, Summary of labour market statistics, November 2024; RF analysis based on ONS PAYE RTI, HMRC Income of individuals with self-employment sources, ONS Population estimates for the UK: mid-2023, ONS National population projections: 2021-based interim.

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18 Ideally, administrative data might be able to tell us about trends in the number of jobseekers. Unfortunately, the roll-out of UC, coupled with the way its figures are calculated, appears to make this impossible. The 'Claimant Count' was below the unemployment rate from 1971 until 2019 – given that not all those looking for work will claim the relevant benefits – but since 2020 it has been higher: likely reflecting the fact that the count now includes more people who are in work but with low earnings, and expected to look for higher-paid work. In Northern Ireland, for example, while 2 per cent of the workforce are unemployed, 4.3 per cent are included in the unemployment Claimant Count.

Although our main scenario suggests that the inactivity rate may be little changed from pre-pandemic, this specific point is sensitive to our assumptions. The dashed yellow line in Figure 6 shows the estimated inactivity rate if we assume that the additional workers are drawn in equal numbers from unemployment and inactivity (again, this seems unlikely given it implies exceptionally low unemployment, as shown in Figure 5). Separately, the dashed blue line uses our main split assumption but returns to the possibility that our main employment rate estimate is wrong – corresponding to the test set out in Figure 3 with an arbitrary 100,000 upwards population revision and 200,000 downwards employment revision. In both scenarios, the estimated inactivity rate would then be higher than pre-pandemic, although the rate would still be significantly lower than in current LFS estimates and no higher than in 2017. Altogether, this gives us some confidence – though nothing here is certain – that the rise in the inactivity rate since 2019 (if any) is smaller than the LFS has suggested.

A rise in health-related benefit claims and long-term sickness can be consistent with little to no rise in the overall inactivity rate

Is it possible to square such a downwards reassessment of the inactivity rate – potentially to the point of there being no rise since 2019 – with health-related benefit caseloads and with concern about long-term sickness? These coinciding trends have certainly contributed to a narrative of "spiralling economic inactivity",[19] and in isolation do give credence to some degree of inactivity rise over the past few years. But there are good reasons to think that the benefit data need not necessarily imply an overall rise in inactivity.

To briefly summarise the benefits evidence: although making comparisons over time is complicated by benefit policy changes over the past decade (particularly the roll-out of UC), the administrative benefits data suggests there has been a rise in the number of people in receipt of means-tested, health-related inactivity benefits since 2019. (There has also been a rise in receipt of Personal Independence Payments (PIP), which go to people who have a long-term health condition or disability to reflect their additional living costs; claimants can be in or out of work, with 41 per cent of new awards going to people in employment.[20]) These trends are important on a national as well as individual scale: they come with significant fiscal implications and may also be indicators of population ill-health. But these are not measures of inactivity: PIP is clearly not an out-of-work benefit, and even 15 per cent of UC's 'no work requirements' group (which includes people who are deemed to have a health condition that prevents them for working or preparing for work) are in employment. In the other direction, many people who are out

of work due to long-term sickness are not eligible for or inclined to claim these benefits. So, it is reasonable to think that trends in benefit caseloads give some weight to a rise in inactivity due to long-term sickness, but the story is not so clear-cut as to give any precise scale of change.

However, the more fundamental issue here is that there is no logical inconsistency between the overall inactivity rate falling and the number of people who are inactive because of ill-health rising. There are several other components to inactivity, most notably including retirees, students (including 16-18-year-olds in school or college) and those 'economically inactive' due to looking after their children or home. There is good reason to think that the number of students has risen since 2019, as the LFS says.[21] But the LFS (and other surveys) suggest a continued fall in the number of people 'looking after family/home' as well as some decline in the number of retirees under 65.[22]

The fall in these other components of inactivity – particularly 'looking after family/home' (which has fallen by around 300,000 since Q4 2019 in the existing LFS) – as well as general population growth (which would push up working-age inactivity by around 300,000 even with rates unchanged) means that it is possible to have a notable rise in the number of people who are inactive because of ill-health, as well as a rise in student numbers, alongside a flat overall inactivity rate. This is demonstrated in Figure 7 which shows – purely as an illustrative scenario – how different types of working-age inactivity would have changed since 2019 if the 16-64 inactivity rate had not risen (as per our main estimates) but the population had grown and the relative composition of inactivity had changed in the way the LFS currently says. With these assumptions, the modelled number of people inactive due to long-term sickness would have increased by 560,000 – similar to the existing LFS series and the rough scale of the out-of-work health-related caseload rise – thus showing that such a rise could have happened alongside no change in the overall inactivity rate (let alone a merely revised-down but still positive rise). And this possibility can also be seen in the current LFS statistics for 35-49-year-olds and for women aged 16-64, who have seen increases in both the numbers of health-related benefit claims and people inactive due to long-term sickness, but declines in inactivity rates overall.[23]

21 Higher Education Statistics Agency, Who's studying in HE?, September 2024.
22 M Brewer et al., Unsung Britain: The changing economic circumstances of the poorer half of Britain, Resolution Foundation, November 2024.
23 ONS, Economic inactivity rate, All, Aged 35-49, November 2024; ONS, Economic inactivity rate, Female, Aged 16-64, November 2024.

FIGURE 7: **With population growth and significant falls in some other forms of inactivity, long-term sickness could have risen even with little or no rise in the overall inactivity rate**

Illustrative modelled change in 16-64 economic inactivity numbers since Q4 2019, by reason: UK
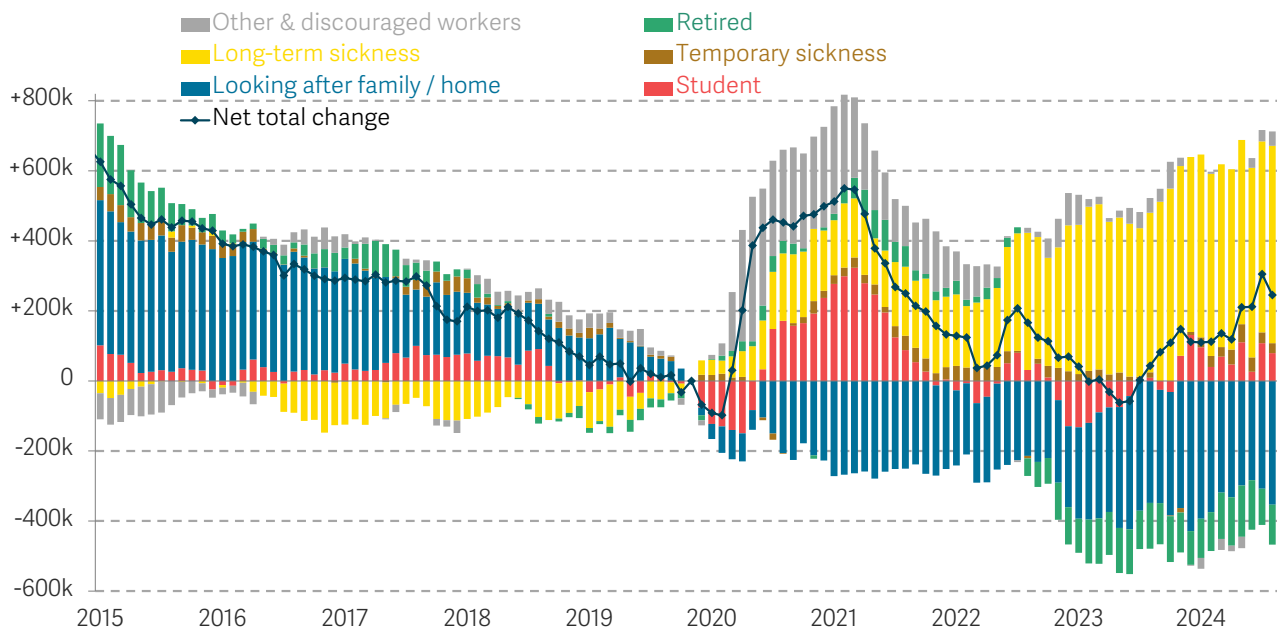
NOTES: This chart is purely intended as a demonstration. The change in economic inactivity by category is modelled using our admin-implied 16-64 economic inactivity rate (which is 20.9 per cent in both Q4 2019 and Q3 2024) and population estimates, plus the relative category sizes from ONS labour market statistics as of November 2024. Latest data point is July-September 2024.
SOURCE: RF analysis.

More research is warranted on the relevant benefit caseload trends and the make-up of inactivity, and upcoming LFS reweighting will change some numbers. But our conclusion is that, although there is very reasonable cause for concern about levels of inactivity due to long-term sickness, we should not dismiss the idea that the overall inactivity rate is notably lower than thought.

The ONS needs to get the UK's labour market statistics working

We have shown above that there are very good reasons to think that the LFS is under-estimating employment and overestimating inactivity. Beyond these more confident conclusions about the basic direction of errors, it could even be the case that the employment rate was back to its pre-pandemic peak in 2023, and that inactivity rates may be little changed from 2019 – or else the unemployment rate may be strikingly low.

We cannot claim that our new estimates are inevitably correct; plenty of uncertainty remains. As noted earlier, there would be somewhat less of a difference between our estimates and the LFS rates if self-employment numbers have declined further than HMRC statistics so far suggest, or if the population is larger than the ONS currently thinks –

although the latter error would have much broader implications for policymakers, economic forecasters and existing statistics. But our findings demonstrate the potential scale of LFS problems. And it is hard to over-state the importance of knowing these core facts about the UK labour market. Indeed, if our findings are correct (and GDP is unchanged), they additionally imply that productivity growth has been even weaker than thought – possibly zero since 2019.[24]

The ONS is well aware of the deficiencies in the LFS and is midway through a work programme to try to deal with some of them. Reweighting (expected in December 2024) should close some of the growth gap in employment numbers, but Bank of England and Resolution Foundation estimates have suggested it may not help close the gap with our admin-implied employment rate, and our estimate already anticipates the likely increase in the overall LFS population estimate.[25] Contemporary labour market estimates from the LFS may also improve over time as other interventions to boost response rates take effect, and there are welcome plans to try and quantify some of the reasons why recent trends have diverged.[26] The long-awaited TLFS, which has been running in some form since 2020, could also give quite different numbers to the LFS, but is yet to see the light of day.[27]

Purely admin-based rate estimates as set out in this paper may serve as useful benchmarks for all these developments – providing reassurance when these and survey-based estimates give similar results, and quickly highlighting potential problems or noise when they do not. These admin-based rates are extremely easy to produce at a basic level, and the ONS or government departments should be capable of more sophisticated work than we have undertaken here (given that they have access to micro-data on personal taxes, benefits and more, and not just the published tables that we have used) to reduce uncertainty and resolve some of the outstanding questions, as well as linking the LFS itself with admin data to provide extra checks. Further improvements could potentially also be made to the RTI system to ensure it is even more timely when people move in or out of work, while both the personal tax and social security systems (through Making Tax Digital and UC) are also moving towards more frequent collection of data from the self-employed – which could in time inform labour market indicators.[28]

Whatever the right results, it is clear that significant progress is needed as quickly as possible. In the spirit of 'fixing the foundations', 'rebuilding our country' and 'Getting Britain Working', the ONS needs to resolve the fact that Britain's labour market stats aren't working, and this need is only accentuated by the Government's intention to track an employment rate target.

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24 See Box 1 in E Fry, C Pacitti & J Smith, Great expectations in hard times? Previewing the big decisions for the Chancellor in the new Government's first Budget, Resolution Foundation, October 2024.

25 Bank of England, Monetary Policy Report, November 2024; A Corlett & H Slaughter, Measuring up? Exploring data discrepancies in the Labour Force Survey, Resolution Foundation, August 2024.

26 "We are looking to refresh our work on reconciling estimates of employment from the LFS and WFJ": ONS, Labour market overview, UK, November 2024.

27 ONS, Transformed Labour Force Survey – user guidance, May 2024.

28 T Leunig, When your map is unreliable, get a better one: The case for doing statistics differently, November 2023.

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For more information on this report, contact:

Adam Corlett
Principal Economist
adam.corlett@resolutionfoundation.org