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Measuring labour market flows in Europe with the Labour Force Survey

Abstract – Proposal for IARIW 30th General Conference

Parallel Session 4A. Global and National Flows of People and Jobs

Slovenia, August 24-30, 2008

The European Union Labour Force Survey (EU-LFS) is a continuous large sample survey providing quarterly results for the population in private households in the EU.

The EU-LFS provides rich and timely data on European and national labour market *stocks* and is used for the calculation of the so-called structural indicators to monitor the Lisbon Strategy. Indeed, Lisbon Strategy is a European process adopted for a ten-year period in 2000 in Lisbon by the European Council. It broadly aims to "make Europe, by 2010, the most competitive and the most dynamic knowledge-based economy in the world". Recognising the limited progress achieved so far towards these targets, the European Council decided in 2005 to re-launch the Lisbon Strategy without delay and refocus priorities on economic growth and employment. One of the three broad areas of this process is "the improvement of adaptability of workers and enterprises", which implies a high level of worker's mobility.

Therefore there is an increasing demand from policy makers for data on labour market *flows* (e.g. working status, workplace, and economic activity mobility). For that purpose it becomes necessary to measure not only *stocks* but also *flows*. **The aim of this paper is to analyse to what extent the EU-LFS can be used to derive labour market flows.**

There are two ways to compute labour market flows using the Labour Force Survey: the first way is to cross variables recording the *current* situation of people in the labour market with the variables recording the situation of people in the labour market *one year before*. The second way is to use rotating panel data.

1- Comparing current work status and work status one year before

The available information on the situation of surveyed people one year before is the following:

- country and region of residence
- situation with regard to activity (employed, unemployed, student, in retirement, permanently disabled, fulfilling domestic tasks, other inactive ...)
- professional status (self-employed, employee, family worker)
- economic activity (according to NACE classification)

Then LFS makes possible to calculate transition probabilities by economic status (for example the percentage of people unemployed in year N who are employed in the year N+1) for all countries of the European Union as well as for European Union as a whole. This paper will assess the quality of these data. It will also highlight some possible uses of this information.

2- Using rotating panel data

In all EU Member States the Labour Force Survey consists in a rotating panel survey: each sample unit (dwelling, household or person) is surveyed several times, so that it is possible to follow the job situation of people over time (see table in annex). For example, in the Italian Labour Force Survey, households are interviewed in two consecutive quarters of the year N and interviewed in the same quarters of the year N+1. This makes possible to compute quarter-to-quarter and year-to-year flow statistics for this country.

For the European Union as a whole, the main limitations are the differences in rotation schemes by country: the number and the periodicity of surveys for a sample unit are different from one country to another. It is then possible to calculate flows using panel data, but it will be all the more difficult to compare figures between countries because of the variety of the rotating panels.

Hardarson (2001)¹ identified design-related issues on the production of flows estimates using LFS. The paper will assess the possible impact of these issues, using LFS microdata. It will also assess the quality of the flows statistics computed by rotating panels, in particular analysing the consistency of these figures and those computed by the method presented in paragraph 1.

¹ *Data sources for mobility research - Some methodological issues related to the use of matched employer-employee files and the Labour force Survey*, Nordic Industrial Fund Working Paper

Annex: Sample size and rotation scheme of LFS by country

Country	Overall sampling rate (pr. quarter)	Sample size per quarter	Rotation scheme (quarters)
BE	1.20%	11 960 households	2-
BG	0.60%	18 000 households	2-(2)-2
CZ	0.60%	33 900 dwellings	5-
DK	0.40%	16 665 persons	2-(2)-1
DE	0.25%		4-(annual)
EE	0.50%	2 500 households	2-(2)-2
IE	3.30%	39 000 households	5-
GR	0.86%	36 000 households	6-
ES	0.50%	62 700 dwellings	6-
FR	0.17%	54 000 dwellings	6-
IT	0.30%	76 872 households	2-(2)-2
CY	1.54%	4 500 dwellings	6-
LV	0.30%	2 574 households	1-(1)-1-(1)-1
LT	0.40%	4 000 households	2-(1)-2
LU	2.61%	5 866 households	2*-
HU	0.92%	36 700 households	6-
MT	2.00%	2 500 households	2*-
NL	0.71%	50 000 households	5-
AT	0.60%	22 700 households	5-
PL	0.14%	24 700 dwellings	2-(2)-2
PT	0.60%	22 554 dwellings	6-
RO	0.38%	28 080 dwellings	2-(2)-2
SI	1.00%	7 300 households	3-(1)-2
SK	0.60%	10 250 dwellings	5-
FI	0.90%	36 000 persons	3-(1)-2
SE	1.00%	60 000 persons	8-
UK	0.30%	69 600 households	5-