Preparing for automatic enrolment : Proportion of employees leaving a paid job before 24 months

June 2011

Introduction

The analysis presented here details the rate at which employees leave work per quarter, and how many of these employees leave before 24 months in their job. The Office for National Statistics (ONS) has produced several analyses[1][2] on this subject, in 2008 and 2003. However, no recent data for those leaving work before 24 months is available. This analysis forms part of the growing evidence base for the analysis of options surrounding regulatory differences between occupational and workplace personal pensions and decisions on the future of short service refunds[3].

Methodology

Data is taken from the longitudinal Labour Force Survey (LFS), between 2008 and 2010. The LFS uses a wave structure, where individuals are sampled each quarter for five consecutive quarters. Through this, it is possible to identify individuals who were employed in one wave of the survey, but had left work by the next. We can also identify the length of time that the individual has been employed for, at each wave.

The results show:

- the **job separation rate** which is the number of employees leaving work per quarter, as a proportion of those leaving work in a quarter, plus the number of employees have been in work for greater than three months (see technical note). This is in line with the definition used in ONS publications; and

- the **proportion of employees leaving work who leave before 24 months**[4],**[5].**

All figures are expressed as four quarter averages, taken over the calendar year. The results are constrained to just paid employees, therefore excluding those in self-employment and those in unpaid work. This is because the ongoing decisions relating to short service refunds will only affect those in paid employment. The figures are taken from 2008 to 2010; it should be noted that during late 2008 and 2009, the economy was in recession, and this may have an effect on job separation trends.

Both series are intended to be comparable to the previous publications in footnotes 1 and 2. We have intended to follow the ONS methodology as closely as possible, but

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[1] 2008: http://www.statistics.gov.uk/elmr/09_08/downloads/ELMR_Sep08_Kent.pdf

[2] 2003: http://www.statistics.gov.uk/articles/labour_market_trends/job_separations_March03.pdf

[3] Preparing for automatic enrolment: Responses to the call for evidence.
http://www.dwp.gov.uk/docs/personal-pensions-consultation-response.pdf.

[4] This figure accounts for some uncertainty in when the individual leaves work. For all individuals, we have only identified the quarter in which an individual leaves work. Therefore, we calculate the maximum and minimum lengths of service in work. For example, an individual who is in work for 15 months at wave 1, and has left work by wave 2, must have been in work for a minimum of 15 and a maximum of 18 months.

there may still be methodological differences that we have not accounted for. As such, it is advised that any comparison between this and previous publications is done with caution.

Results

Table (1): Job separation rate, and proportion of employees leaving before 24 months, 2008-2010.

	2008	2009	2010
Job separation rate	5.6% - 5.9%	5.0% - 5.3%	4.9% - 5.2%
Proportion of employees leaving work who leave before 24 months	52% - 59%	48% - 55%	47% - 54%
Base (unweighted)	97,384	88,176	80,988

Notes:

1 Figures relate to Great Britain.

2 Job separation rates are rounded to the nearest tenth of a percent, whilst the proportion of employees leaving work is rounded to the nearest whole percent, due to the smaller sample size.

3 Ranges for job separation rate express 95% confidence intervals. Ranges for the proportion of employees leaving work before 24 months express 95% confidence intervals, plus an adjustment to account for uncertainty around the exact date an employee leaves work.

Source: Labour Force Survey 2008 – 2010

Technical Note:

Job separations can be expressed as quarterly rates. These are derived from a count of the number of people who have left a paid job, not the total number of job separations, as a small number of people may have left more than one paid job in the three months before interview. However, because respondents are not asked what their economic activity status was three months ago, the denominator for the rate has to be constructed by adding the number of people who have been employed for more than three months to the number of people who separated from a job in the three months prior to interview. Quarterly job separation rates can be expressed as follows:

$$\text{Job separation rate} = \frac{\sum \text{Working age employees leaving paid job (per quarter)} \times 100}{\sum \text{Working age employees leaving paid job (per quarter)} + \text{employed for three or more months}}$$