Job mobility and job tenure in the UK

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Key points

● In 1996 half of all employees had been working for the same ﬁrm for ﬁve years or less. This had fallen to four years by 2001.
● In 1996 90 per cent of employees worked for the same ﬁrm as 12 months ago compared with 87 per cent in 2001.
● In 2001 51 per cent of those in the 18-24 age group were in the same job as 12 months ago compared with 86 per cent for those aged 50 and over.
● In 2001 there was a 6 percentage point diﬀerence (in those in the same ﬁrm as 12 months ago) between those married or living as a couple and those not living as a couple.
● Some 79 per cent of those working full time, compared with 71 per cent of those working part time, were in the same job as 12 months ago in 2001.
● In 2001 public sector workers were least mobile, with 83 per cent in the same job as 12 months ago compared with 74 per cent for the private sector.

The ease with which people can change jobs is one aspect of labour market ﬂexibility. The factors inﬂuencing job mobility and tenure in the UK are examined here.

Introduction

IT IS often argued that labour market ﬂexibility is an important factor in economic performance. If labour can adjust eﬃciently to changes or shocks in the market, theory suggests that market forces will tend to lead to optimal economic (and social) outcomes. Driven by this belief, there have been a number of moves to deregulate the labour market and to increase ﬂexibility. Examples include the trade union reforms of the 1980s and, more recently, the New Deal policies aimed at getting marginal workers back in employment. This article, which is one of a series looking at diﬀerent aspects of ﬂexibility within the UK labour market, focuses on job mobility and job tenure, and the demographic and economic factors which inﬂuence them.

Background

The term job mobility is used to mean the ability of people to move between diﬀerent jobs, and in the statistics this is essentially measured as job change. Job tenure is the length of time someone remains in post. This article also focuses on job retention, in this case measured by the number of people who remain in post for over a year.

The data presented here are for 1996 to 2001. However, there has been other research in this area, some of which has attempted to look at longer-term trends. For example, Burgess and Rees’ used the General Household Survey to estimate job tenure back to 1975. Their ﬁndings suggest that although there was a slight decline in tenure, the change...
between 1975 and 1992 was minor. A similar conclusion was reached by Gregg and Wadsworth using Labour Force Survey (LFS) data for 1975-2000. However, Gregg and Wadsworth also found that although there had been no overall change, this was masking some significant variations for particular groups. For example, they found that job tenure for women with dependent children had increased – in particular, more women were returning to their job after childbirth, something which seems likely to be linked to the introduction of maternity leave legislation in 1979. By comparison, job tenure for men and women without dependent children had fallen; indeed, they suggested that, for men, median job tenure had fallen by around 20 per cent since 1975, and that this was concentrated in men aged over 50. Gregg and Wadsworth also found that job survival chances rose sharply with duration, to the extent that it was equally as accurate to say that “the typical worker today can expect ten years completed job tenure” as that “the typical job will last 15 months”.

In discussing tenure in this article, the main aim is to examine the different groups to see how tenure differs according to personal and industrial characteristics. However, in doing so the article may cast more light on how job tenure has changed recently, though in looking at this one needs to bear in mind another finding of Burgess and Rees and others: job tenure tends to be counter-cyclical; that is, it tends to decrease during the upswing or growth period of the cycle, and increase during the contractionary phase.

As well as using LFS data, the article uses New Earnings Survey Panel Dataset (NESPD) data, which may add further evidence to the issue of whether job tenure has changed. The NESPD is the New Earnings Survey (NES) in panel form, allowing individuals to be tracked over time. The NES sample each year comprises all those whose National Insurance (NI) numbers end with a specified pair of digits. The same pair of digits has been used since 1975 and hence the NESPD comprises data on employees’ earnings linked by NI number over time.

This article uses both the NESPD and the LFS to add further evidence by exploiting the benefits of each survey. The NESPD is useful, as the firm responds rather than the individual, which leads to more accurate data in many areas. For example, the firm will respond with greater accuracy than the individual employee to questions about the number of employees working for them. Since the NESPD is a panel dataset, the individuals in question are constant throughout the time period used, which allows their characteristics to be tracked over time. The main benefit of the LFS is the range of data collected, which enables many personal variables to be explored in this article. Another advantage of using the LFS is that no group is excluded. On the other hand, only those contributing tax on the PAYE system will be included in the NESPD: those earning below the tax boundary are not covered. Also, with the NESPD, people may fall out of the system when changing jobs if the tax records are not updated quickly enough.

Another difference between the surveys is that the NESPD covers Great Britain, and the LFS covers the United Kingdom. Most of the variables tackled in this article relate to personal characteristics. This is a strength of the LFS, and they are not generally covered in the NESPD. As a consequence, all results have been determined using the LFS unless otherwise stated.

The method of testing for mobility used in this article is whether the job held in the year of interest is the same as 12 months ago. This allows job retention in particular to be analysed, but it also has implications for job tenure. If more people have moved job in the past 12 months this suggests, other things being equal, that the labour market is more flexible as people are changing jobs. Both the LFS and the NESPD address this, but with a slight difference in detail. The NESPD asks whether the individual has changed job; this covers those who have changed firm and those who have been promoted.
within the same firm, whereas the LFS asks whether the individual has moved firm in the past 12 months. This could produce a difference in results, as this article shows. In the LFS the question is asked in the spring quarter, and so this is the point used for each year’s data. The NES is an annual survey which takes place in April and therefore has comparable timing to the LFS. In this article, only employees will be considered. This is to keep the results constant between surveys and control for any difference of behaviour between the self-employed and the employed.

The aspects explored include that of general movement, and then more detailed study into personal characteristics, type of work and the industry and environment the employee encounters in everyday work. Previous work looking at such characteristics, such as by Mumford and Smith,3 has found that differences in tenure are generally as much explained by workplace effects as individual characteristics, although women and non-White employees do tend to have lower tenure.

General movement

Figure 1 shows that there appears to have been a reduction in job tenure over the period 1996-2001. This may suggest that labour is more flexible. The proportion of people employed in the same firm for 5-10 years has fallen approximately 5 percentage points, from the highest group in 1996 to the fourth group in 2001. The proportion of people employed for 2-5 years has moved in the opposite direction, increasing over the years.

The most common length of time for employment in the same firm in 2001 was 7-24 months, closely followed by 2-5 years; 20 years and over was the least common period. Looking at the gender split, the behaviour of men and women was similar apart from the fact that the proportion of women remaining in the same firm for 20 years and over was very low. However, this is to be expected, as women are more likely to have career breaks for family reasons.

The mean and median averages for number of months employed both show a downward trend. However, it is insightful to compare them. In 1996 the mean average job tenure was 93.5 months and gradually fell to 90.0 months in 2001. This seems high compared with the results for groups (see below). However, the median job tenure was 61 months in 1996, which fell to 48 months in 2001. This shows the distorting effect of a few employees working in the same job for a very long time.

Figure 2 shows the pattern for men and women between 1996 and 2001 according to the LFS and the NESPD. LFS data show that in 1996 men and women were similar, with 90 per cent in the same firm as 12 months ago. Since 1999, they have both decreased to 87 per cent. The NESPD shows women move more frequently than men, with 79 per cent in the same job as 12 months ago in 1996 compared with 82 per cent for men. In 1997 the proportion of women in the same job increased to 80 per cent before falling steadily to 75 per cent in 2001. Over the period, NESPD data followed a similar path to the LFS for men, with a larger decrease in 1998 for men than women, before picking up in 1999 and then continuing the downward movement to 78 per cent in 2001. Both sources in Figure 2 show a downward trend overall: short-term job retention for both sexes has decreased. The difference between the NESPD and the LFS results is because of a difference in definition, and is clearly shown in the chart – the LFS asks about change of firm, whereas the NESPD refers to change of job. Consequently, the NESPD records lower figures than the LFS, as many people change job within the same firm. The NESPD would count that as a change in the past 12 months, whereas the LFS would not.

The potential effect of the economic cycle on job tenure can also be seen in Figure 2. At the end of 1998 there was a slight slow-down in gross domestic product (GDP) with growth falling to just 0.2 per cent in the first quarter of 1999, the lowest rate of growth since...
1992. Confidence in the economy fell; for example, the MORI indicator of consumer confidence fell to –46 in October 1998, the lowest reading since October 1992, and well below its long-run average of –14. This may have had a deterring effect on people’s changing jobs, and there may also have been fewer jobs on offer. Looking at job tenure, it can be seen that for 1999 the downward trend ends and the proportions of those in the same occupation as 12 months ago were relatively high.

Looking at job mobility from another angle, the number of times that people changed jobs in a given period can be extracted from the NESPD. Only those individuals that were present in every year of the dataset (1996-2001) have been included here. However, there will be a bias, and the figures will tend to understate mobility since those who have moved firms are more likely to be missed by the NES. Looking at the data as it stands, 66 per cent of these individuals have not moved over the six-year period; 24 per cent moved job once; 8 per cent moved twice; 2 per cent moved three times; and 0.6 per cent moved more than three times. Caution is needed here, as the NES is an annual survey and the question asked is whether the employee has spent more or less than 12 months in the same job. It is possible that the employee has moved more than once in a year; however this cannot be recorded as each employer is only asked once a year. Therefore, the maximum possible moves in this dataset are six, and the figures above record the minimum number of moves; for example, the 24 per cent of people who moved once, moved at least once.

**Personal characteristics**

**Age**

As mentioned above, many variables may affect an individual’s movement in the labour market. Personal characteristics can have an important effect. Looking at age groups using the NESPD, the proportion of those in the same job as 12 months ago increases as age increases (see Figure 3). This is in line with Mumford and Smith’s findings. In 2001, 18 per cent of 16 to 17-year-olds were in the same job compared with 86 per cent for those aged 50 and over. The figure for 16 to 17-year-olds is likely to be lower, partly because they have just entered the job market and are unlikely to have been employed in the same job for more than a year, and also because of the prevalence of short-term holiday jobs in this age group. Looking at trends, each age group seems to show a slight downward trend: for the 16 to 17-year-old group this is more pronounced. There seems little difference between males and females.

Job mobility could be expected to decrease with age as people become settled in careers, and with increasing responsibilities. Also, when approaching the end of their working lives, people are less likely to change jobs, as it is harder for older workers to get a new job. The young are likely to have fewer responsibilities, will not have settled in a career and have different priorities such as study, travel and finding a job they enjoy. Given the ageing population and the tendency for older workers to change jobs less frequently, the likely impact on the labour market will be to reduce flexibility.

**Family circumstances**

Married people, or those living as a couple, are clearly less likely to move firms (see Figure 4). The difference in job retention rates between those married or living as a couple and those not is around 6 percentage points, and remained constant in the reference period. There was a downward trend in the proportion of people in the same firm as 12 months ago for both categories of 2.5 to 3.0 percentage points from 1996 to 2001. The blip of 1998-99 is shown in this data, and more so for those married/cohabiting. Of those married/cohabiting, 91 per cent were in the same firm in 1996 as 12 months before, while of those not married 86 per cent were in the same firm.
firm as 12 months ago. Five years on, the figures had fallen to 89 per cent and 83 per cent. The data by sex shows similar results.

Those with children and those without both showed downward trends in job tenure and the blip for 1998-99. However, individuals with children appear to be less mobile than those without. The final 2001 job retention rates of those in the same firm as 12 months ago are 89 per cent for parents (down from 91 per cent in 1996), and 86 per cent for those without children (down from 89 per cent). This seems to contradict the findings of Mumford and Smith that the presence of dependent children significantly reduces tenure (although they approached the question from a slightly different angle).

Interestingly, the age of the youngest child in the family unit affects the results in a more unexpected way. The expectation was that the older the children get the more likely they will be able to look after themselves, and hence flexibility will increase. However, the result is actually the opposite: the older the youngest child gets the less mobile the parents are in the labour market. The 2001 figures show that the most mobile group is those with children aged 0-4, with 88 per cent in the same firm as 12 months ago (down from 89 per cent in 1996). Those least likely to have moved firm in 2001 were those with children aged 16-18, with 93 per cent in the same firm as 12 months ago (down from 94 per cent in 1996, see Figure 5). There are some possible explanations for this: the children getting older suggests that the parents are moving up the age groups, and age has a stronger influence and so flexibility decreases with age; the parents are more likely to move location or job when the children are younger so as not to unsettle them during schooling years; and it is perhaps...
more expensive to keep children as they get older, making continuity of income an important factor.

**Qualifications**

It seems probable that an individual’s qualifications and skills are likely to have an impact on job mobility. Both Burgess and Rees and Mumford and Smith found that educational attainment had a broadly negative impact on tenure, suggesting that more educated workers are more mobile. Although it is the case that people with no qualifications are the least mobile, Figure 6 shows that the most mobile individuals are those with GCSE grades A-C or equivalent. Above this level, mobility appears to reduce with education. Slightly more mobile than those with no qualifications is the higher education category. Those with A levels or equivalent are less mobile than those with GCSEs, but slightly more mobile than those with degrees. The results actually suggest that the higher the qualification gained the more inflexible the worker is, unless they have no qualifications at all. A possible explanation for this could be due to the nature of higher education, which is more vocational and more directly aimed at certain careers. Also, it is perhaps the case that degree-educated workers are less likely to move into part-time working or temporary working.

**Personal living choices**

This section looks at how an individual’s decision on living arrangements may affect their movement in the labour market. For example, does the government region in which one chooses to live have an effect? An earlier article looked at movement between the regions. Here the focus is on the number of people by region working in the same firm as 12 months ago.

All regions apart from Northern Ireland showed a general downward trend in job retention, with an average decrease of 2 percentage points. For Northern Ireland the trend was slightly upwards, with a higher proportion of people remaining in their firms for over 12 months. In general, the further north the region, the higher the proportion was of people staying in the same firm. This could be interpreted as showing that employees are less mobile in the north, and on this basis London and the South East appeared most mobile, closely followed by the South West. However, movement also occurs between regions. On the whole, there is a net migration of people from the north to the south, and particularly to London. This migration may cause the south to appear more mobile than the north, when in fact the mobility comes from northerners moving south.

Another choice individuals make about their living arrangement is what type of accommodation to live in (see Figure 7). Those who rented accommodation were the least likely to have stayed in their firm for over a year; nevertheless, 81 per cent had done so in 2001. Of course, there is an issue of causality here: it cannot be stated whether workers who rent are more mobile because they rent, or whether they rent because they are more inclined to move firm. Those with the highest proportion remaining in the same firm for 12 months were those who own their accommodation outright. This migration may cause the south to appear more mobile than the north, when in fact the mobility comes from northerners moving south.

**Type of employment**

The type of employment an individual chooses can affect mobility, since some areas of the labour force are
less flexible than others. The choice of full-time or part-time work, for example, can have a considerable effect on job tenure. The NESPD shows that the proportion of full-time workers staying in the same job as 12 months ago was approximately 8 percentage points higher during 1996-2001 than for part-time workers. In 2001 of those in full-time work 79 per cent were in the same job as 12 months ago, whereas of those in part-time work 71 per cent were in the same job. There was a downward trend for both categories over the six-year period, with the full-time proportion falling by 3.9 percentage points and the part-time by 4.5 percentage points.

There is also a clear difference between men and women (see Figure 8). Men are largely affected by whether they are carrying out full- or part-time work. The NESPD shows the gap between work patterns was approximately 20 percentage points and appears to have been diverging from 1998 onwards. In 2001 of male full-time workers 80 per cent were in the same job as 12 months ago, whereas 58 per cent of part-time workers were in the same job. Again, both show a slight downward trend. For women there was less of a difference between full-time and part-time at just 3-4 percentage points, but once again both show a downward trend. In 2001 of women working full time 77 per cent were in the same job as 12 months ago, and of those working part time 73 per cent. It should be noted that only those on the Pay As You Earn (PAYE) system are included in the NESPD. Therefore people earning less than the tax boundary will not be included. Since these people earn a low annual wage, they are more likely to work fewer hours and so this may affect the part-time more than the full-time results.
Pay

A large incentive for someone to move jobs is the gross pay received, so it is potentially interesting to look at how mobility varies by earnings using NESPD data. When exploring this area, only those without loss of pay during the period were included. The difference in movement of the lowest and highest 5 per cent of earners and the quartiles has been explored, separating for full- and part-time work. Generally, job retention rates increase as pay increases. The highest 5 per cent of earners vary around the 85 per cent mark, both for full-time and part-time. The pattern followed is similar over the years, although it is more distinct in part-time workers. The lowest 5 per cent group has larger movements: both part-time and full-time start near 67 per cent, show a downward trend with a dip in 2000, and then bounce up. The difference here is the bounce for part-time is from 51 per cent to 69 per cent, and for full-time from 56 to 66 per cent. Looking at pay quartiles (see Table 1) there is a similar story, although the time series are somewhat smoother – all showing a very slight downward trend. As earnings increase a higher proportion are seen to have been in the same job for over 12 months. This seems likely to be explained by the fact that many of the low paid jobs are short-term, for example student holiday jobs.

Occupation

Occupations vary in mobility. To look at this, the following groups were examined with the NESPD: managers and administrators; professional; associated professional and technical; clerical and secretarial; craft and related; personal and protective services; sales, plant and machine operatives; and other. The proportion of those in the same job as 12 months ago decreased for all groups over the six-year period. The most mobile occupation group was sales at 68 per cent in 2001; however, the change in job retention rates between 1996 and 2001 was only 1 percentage point. The group which experienced the greatest change in job tenure was personal and protective services, with those in the same firm falling from 79 per cent to 73 per cent over 1996-2001. The least mobile occupation group was sales, personal and protective services; clerical and secretarial; craft and related; associated professional and technical; and managers. The 5 per cent of earners has been explored, separating for full- and part-time work. Generally, job retention rates increase as pay increases. The highest 5 per cent of earners vary around the 85 per cent mark, both for full-time and part-time. The pattern followed is similar over the years, although it is more distinct in part-time workers. The lowest 5 per cent group has larger movements: both part-time and full-time start near 67 per cent, show a downward trend with a dip in 2000, and then bounce up. The difference here is the bounce for part-time is from 51 per cent to 69 per cent, and for full-time from 56 to 66 per cent. Looking at pay quartiles (see Table 1) there is a similar story, although the time series are somewhat smoother – all showing a very slight downward trend. As earnings increase a higher proportion are seen to have been in the same job for over 12 months. This seems likely to be explained by the fact that many of the low paid jobs are short-term, for example student holiday jobs.

Industry and environment

Mumford and Smith found that the industry of the workplace can have a significant effect on job tenure. They suggest that the wholesale and retail trade industries are real estate, and wholesale and retail trade (based on the 2001 figures), although this could be due to the different data source (Mumford and Smith used the Workplace Employee Relations Survey 1998). The least mobile industry, which has actually shown a slight increase in job retention, is public administration and defence, including compulsory social services.

The NESPD was also used to explore job mobility in non-profit-making organisations. The results showed that private sector workers were most mobile, followed by non-profit-making organisations; the public sector was least mobile (see Figure 9). Each category shows a downward trend, with an approximate difference of 7 percentage points between public and private. The falls over the five years were: 4.9 percentage points for the private sector to end at 74 per cent, 5.2 percentage points for the non-profit-making organisations to 79 per cent, and 2.8 percentage points for the public sector to 83 per cent. This shows that not only are those who work for the public sector most likely to be in the same job as 12 months ago but they also have the slowest decline in job retention.

The size of the firm that an individual works for appears to have little impact on job mobility. Grouping firms by number of employees, the NESPD shows that in 1996 the percentage of those working in the same job as 12 months ago ranged from 80.7 per cent to 81.4 per cent (see Figure 10). By 2001 the range according to size of establishment had increased slightly to 75-78 per cent. The 2001 results showed that employees working for larger

Table 1

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Source: New Earnings Survey Panel Dataset
establishments were slightly more likely to have stayed in the same job as 12 months ago than those in smaller firms. It was also found that people in establishments with 0–24 employees went from being the least mobile in 1996 to the most mobile in 2001 (from 81 per cent working in the same job as 12 months ago to 75 per cent).

**International comparisons**

According to analysis based on Eurostat figures for the year 2000, 78 per cent of employees in the UK were in the same job as 12 months ago. This compared with 82 per cent for the European Union as a whole. The USA had the highest levels of mobility at 67 per cent.

**Conclusion**

Flexibility in the labour market is better for the economy as a whole if it allows adjustments for any shock or structural change imposed on the market to be made more efficiently. As discussed, individual flexibility is affected by a number of factors, with some having more impact than others. Personal characteristics of sex, age, marital and family status and the highest qualification achieved each have an effect, sometimes unexpected. Age is an important variable for occupational mobility, with marital status influential as well. An individual’s living choices have an effect, with those renting accommodation being much more mobile than homeowners. Various regions have quite different labour markets, for example the difference between London and Northern Ireland in 2001 was 9.5 percentage points (for proportion of people in the same firm as...
12 months ago) which suggests greater flexibility in London.

Summarising the effect of an individual’s choice over work, the full-time or part-time decision creates a difference of 8 percentage points in the proportion in the same job as 12 months ago. When comparing the lowest and highest 5 per cent of earners, the difference is 16 and 17 percentage points for full-time and part-time workers respectively. Occupation also affects mobility: sales occupations are highly mobile, whereas plant and machine operatives are more likely to stay in one job over 12 months. The different industries range from 54 to 89 per cent of people staying in the same job for 12 months. The larger the firm the less likely a person is to move, and those who work in the public sector seem to stay put.

Year-on-year job retention has fallen over the five-year period under review. This could be interpreted as suggestive of evidence of increased mobility within the UK’s labour market. If so, it is an encouraging sign that the trend continued into 2001 despite the slow-down in GDP growth. However, it needs to be borne in mind that job tenure is counter-cyclical, and we may only be seeing the effects of the current growth cycle.