

# Mobility of Public and Private Sector Workers

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## Executive summary

- The Office for Budget Responsibility currently forecasts that general government employment will fall by 800,000 between 2014–15 and 2018–19 if cuts to departmental spending planned in Budget 2015 are delivered. The Conservative Party manifesto plans imply cuts of around 580,000 over the same period. Although some of these workforce cuts can be achieved through recruitment freezes, many workers will need to find a new job in the private sector if the cuts are fully delivered.
- Between 1998 and 2007, just over 3% of female and male public sector employees moved to the private sector each year. Since workforce cuts began to take effect in 2010, this percentage has increased. On average in 2012 and 2013, 5% of men and 4% of women in the public sector moved to the private sector each year.
- The public sector workforce fell by 5.7% between mid-2010 and mid-2013, with the larger falls coming at the beginning of the period. This initial fall saw a sharp reduction in flows from the private sector to the public sector and an increase in movements from the public sector into non-employment.
- Since 2011, reductions in public sector employment have been implemented with relatively few flows to non-employment. This has been due to more public sector workers moving to private sector jobs, fewer private sector workers joining the public sector and somewhat lower reductions in public employment. The flows to non-employment are smaller than those seen between 2006 and 2008, despite larger falls in public employment than during that period.
- The increase in mobility from public to private sector has been accompanied by a decline in within-sector mobility. This is now at historically low levels in both the public and private sectors. For the public sector, the decline is likely to reflect a shift to older, less mobile workers. However, for the private sector, this decline is seen across all ages and seems to reflect a decrease in workers moving between firms. The decline in private sector mobility is partly (but not wholly) explained by reduced levels of redundancies.

## 1. Introduction

Between 2010 and 2015, the coalition government implemented a fiscal consolidation aimed at restoring the public finances to balance over the medium run. Cuts to departmental spending formed a significant component of this consolidation package. The cost of employing government workers was £171 billion in 2010,<sup>2</sup> representing around half of departmental spending. This meant cuts to the size of the public sector workforce and pay per head were essentially unavoidable. The plans in the Conservative Party's manifesto prior to the general election imply that the new Conservative government will continue to reduce departmental spending, leading to continued cuts to the size of the government workforce.

Between 2010Q1 and 2014Q4, there was a fall in the government workforce of about 375,000.<sup>3</sup> Based on the coalition government's plans from Budget 2015, the Office for Budget Responsibility projects that general government<sup>4</sup> employment will fall by 800,000 between 2014–15 and 2018–19, before rising by 150,000 in 2019–20. As shown in Figure 1, this would reduce the general government workforce as a share of all workers to around 15% in 2018–19 and 2019–20, its lowest share since at least 1971 when the series began. If delivered, these cuts would dwarf past reductions in general government employment, such as the 300,000 fall that occurred during the early 1990s. It should be noted that the plans set out by the Conservative Party in its manifesto imply smaller reductions, of around 580,000 between 2014–15 and 2018–19.<sup>5</sup>

There are two main ways a government can cut the size of the public workforce, and they are likely to have different effects on the labour market. First, inflows can be reduced by freezing recruitment and not replacing workers who leave of their own accord (e.g. due to retirement).

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<sup>2</sup> ONS, 'Blue Book tables – UK summary accounts', <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cdid=NMXS&dataset=bb&table-id=1.7.2> (ONS series NMXS).

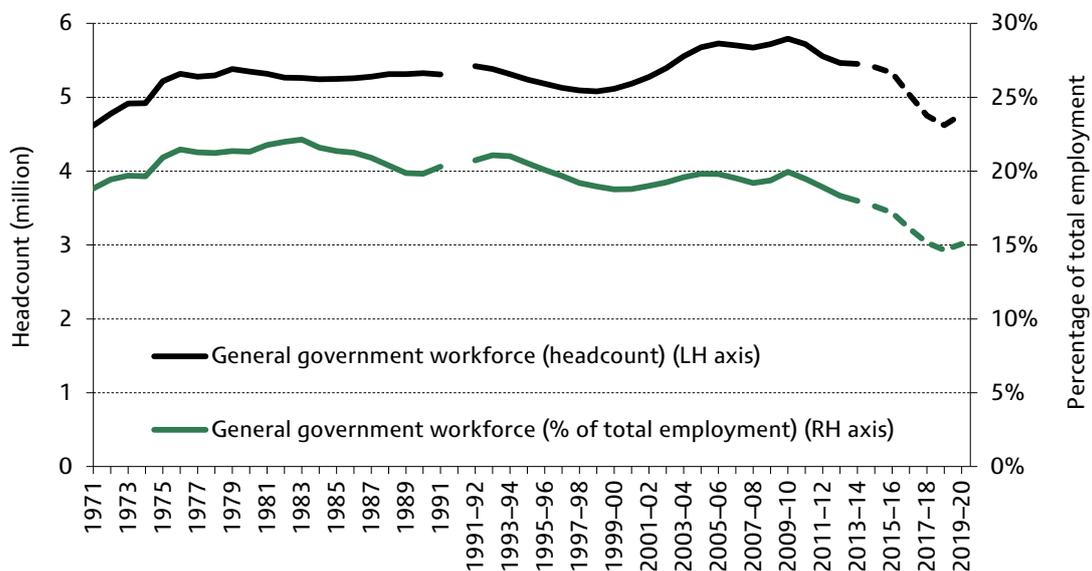
<sup>3</sup> Authors' calculations based on ONS Public Sector Employment Statistics.

<sup>4</sup> General government is defined as the sum of central and local government. It differs from the public sector only in that it does not include publicly-owned corporations.

<sup>5</sup> See C. Emmerson, 'Public spending: more cuts to come', presentation at 'The 2015 Budget and Spending Review: An IFS and IfG Background Briefing', 4 June 2015, <http://www.ifs.org.uk/publications/7766>.

This is likely to increase the average age of public sector workers if it is younger workers who would otherwise have joined the public workforce (either as a first job or by moving from the private sector). Second, the government can increase outflows by implementing redundancies (either compulsory or voluntary). Redundancies are likely to lead to individuals moving either into non-employment or to a new job in the private sector. The extent to which individuals will be able to move to the private sector will largely depend on the transferability of skills between jobs in the two sectors.

**Figure 1. General government employment (including forecasts from Budget 2015)**



Note: The discontinuity in the data at 1991 is caused by changes in the methodology for calculating general government employment post-1991 that mean the series are not fully consistent with each other. Headcount for 1971 to 1991 is measured at mid-year. Community Programme employees, who were in the public sector from 1983 to 1988 before being transferred from general government to the private sector in 1988Q3, are excluded. Polytechnic staff were transferred out of general government into the private sector in 1988 but are included in general government from 1989 to 1991 to remove this discontinuity. Figures exclude the reclassification of workers in further education and sixth-form colleges in England to the private sector in 2012.

Source: Authors' calculations using Office for National Statistics, *Economic Trends Annual Supplement 2004* (for 1971 to 1991 figures), Office for National Statistics, *Public Sector Employment Statistics* (for 1991-92 to 2013-14 figures) and Office for Budget Responsibility, *Economic and Fiscal Outlook March 2015* (for forecasts). Total employment is measured using ONS series MGRZ.

In this briefing note, we set out the extent to which reductions in the public workforce to date have been delivered by reducing net inflows from outside the labour force (freezing recruitment of new workers and not

replacing workers who move to non-employment) and increasing net outflows to the private sector (more workers moving from the public sector to the private sector than moving in the other direction). We find that moves from public to private sector have increased since the beginning of workforce cuts. Although we find that initial cuts to the public workforce resulted in increased outflows to non-employment, in more recent years we find that the vast majority of workforce cuts have been delivered by increasing net outflows to the private sector workforce.

Moving between sectors is not the only form of job mobility though. Workers can change jobs within sectors and they can also move around the country. Both these forms of job mobility are interesting in their own right. They provide evidence on how the fluidity and flexibility of labour markets are changing over time and form a useful comparison in order to judge whether across-sector moves are relatively common or not. We might also expect these forms of job mobility to differ between the public and private sectors because of differences in the transferability of skills within sectors and the nature of rewards.

The rest of this briefing note proceeds as follows. Section 2 briefly sets out reasons why we might expect job mobility to differ between public and private sector workers. Section 3 describes the data and methodology for measuring mobility. Section 4 shows overall trends in mobility across sectors over time and the extent to which reductions in the public workforce can be explained by net outflows to the private sector. Section 5 examines worker mobility within sectors and geographical mobility for public and private sector workers. Section 6 concludes.

## **2. Explaining job mobility between and within the public and private sectors**

Job moves can be categorised as either ‘involuntary’ (redundancy) or ‘voluntary’ (where an employee decides to leave their job). By looking into the factors driving voluntary and involuntary moves, we can predict which groups are likely to see higher job mobility.

Higher rates of redundancies in the private sector may mean that we should expect job mobility to be higher in the private sector, while rises in public sector redundancies since 2010 are likely to increase job moves for

public sector workers, particularly to the private sector (since many public sector employers have been implementing hiring freezes).

A key factor determining voluntary job moves is the extent to which the skills of current employees are well suited or ‘matched’ to their current jobs. While some skills may be general, very specific ones will be less transferable and therefore individuals with these skills will be less likely to move jobs. Therefore, the more specific the job or occupation is to the public or private sector, the lower the likelihood of moving between sectors. Younger workers, who tend to have fewer specific skills, may be more likely to move jobs than older workers.

Another important factor affecting mobility between sectors could be the differences in the level of pay and pensions between the public and private sectors. Previous work has found a significant pay premium, on average, to working in the public sector for some types of individuals, particularly those who are lower educated.<sup>6</sup> This is likely to decrease the desirability of moving from the public sector to the private sector. Final salary pension schemes, which have ‘backloaded’ structures and reward long service, and which (until recent reforms) were widespread in the public sector, may discourage workers, particularly older ones, from leaving the public sector.

### **3. Measuring mobility**

In order to measure the mobility of workers across sectors and areas, we need to make use of data that follow the same workers over time. To do this, we use the New Earnings Survey (NES; up to 1998) and Annual Survey of Hours and Earnings (ASHE; 1998 onwards) panel data sets. Collectively, they represent a 1% sample of all employees in Great Britain from 1975 through to 2013. They allow us to follow the same individual workers over time (as long as they are employed as an employee in Great Britain). They also have the advantage of allowing us to look at long-run changes, and the sector of work is likely to be reliable as it is reported by employers. The main drawbacks are that there are no data on educational qualifications, the data sets are likely to slightly overstate the size of the

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<sup>6</sup> J. Cribb, C. Emmerson and L. Sibieta, *Public Sector Pay in the UK*, IFS Report R97, 2014, <http://www.ifs.org.uk/publications/7395>.

public sector workforce as large public sector employers are more likely to respond to the surveys, and they do not allow us to look at moves to and from self-employment as only employees are covered.<sup>7</sup>

In measuring sectoral mobility, we take an individual worker's sector in a given year as a base. Ideally, we would then classify movers as those observed in a different sector or area compared with the previous year. However, a large number of individuals appear to have gaps in their employment histories (about 15% of individuals in any given year<sup>8</sup>). Although these gaps might reflect periods of unemployment or very low weekly earnings,<sup>9</sup> the large number of individuals who have missing years in the data makes us believe that the gaps may also reflect missing data.

We have therefore developed a methodology for measuring sectoral mobility which accounts for these missing data. Individuals are classed as moving sector in a given year if they are observed in a different sector in the previous year ( $t-1$ ) compared with their current one ( $t$ ). However, if individuals are missing in the previous year ( $t-1$ ), they are still classed as moving sector if their last observation was two years previously ( $t-2$ ) and they were then in a different sector compared with their current one ( $t$ ). We do not look further than two years into the past as it becomes much harder to judge when a sector move took place and because the missing observation is more likely to reflect an actual spell of non-employment rather than missing data. We use an equivalent methodology when looking at geographical mobility.

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<sup>7</sup> Other data are available that track workers over time. However, although the Labour Force Survey would allow us to look at moves to and from self-employment, high rates of attrition between the five quarters for which the survey follows workers make it hard to measure mobility, while the British Household Panel Survey has relatively small sample sizes.

<sup>8</sup> Figure based on the number of individuals with a gap of two years or more between observations in ASHE (1998 to 2013).

<sup>9</sup> The sample of ASHE and NES is composed of those individuals who have a specific set of digits as the last two numbers on their National Insurance (NI) number. However, in the data we use, employers only had to respond to the survey for those individuals who earn over the lower earnings limit (£107 per week in 2012–13). Some employers respond to the NES/ASHE survey for all of their employees with the specified NI numbers, whatever their earnings. Despite this, some employees will be missing from the survey due to low earnings.

Throughout our discussions of mobility, we look at men and women separately.<sup>10</sup> We measure sectoral mobility as a proportion of men or women in the sector in the previous year (e.g. what proportion of female employees in the public sector moved to the private sector in a given year?). To give a sense of how important these flows are in the labour market, we also show the proportion of all employees who make given moves in a year (e.g. what proportion of all male employees in the labour market move from public to private sector in a given year?). This also allows us to directly compare flows in either direction to find periods when the public and private sectors are changing size.

In addition, we measure levels of mobility within sectors over time. We do so by calculating the proportion of people who say they are in a different job compared with 12 months ago but who stay within the same sector. This is interesting in its own right as it shows the level of job mobility in the economy. It also provides a benchmark for judging how large or significant sector or area moves are over time. We do this for both the public and private sectors, focusing on mobility as a share of individuals within the sector (e.g. what proportion of men in the public sector change jobs within the sector in any given year?).

When analysing geographical mobility, we measure mobility as cases when individuals move region (Government Office Region)<sup>11</sup> and use the same approach as described above. We again focus on geographical mobility as a share of workers in the sector (e.g. what proportion of women in the private sector have changed region in the past year?).

#### **4. Overall levels of mobility across sectors**

We now examine how overall levels of mobility across sectors have changed over time and the extent to which these movements have been associated with recent reductions in the public workforce.

Figure 2 shows the proportions of men (solid lines) and women (dashed lines) who have changed sector in each year from 1998 to 2013, both for

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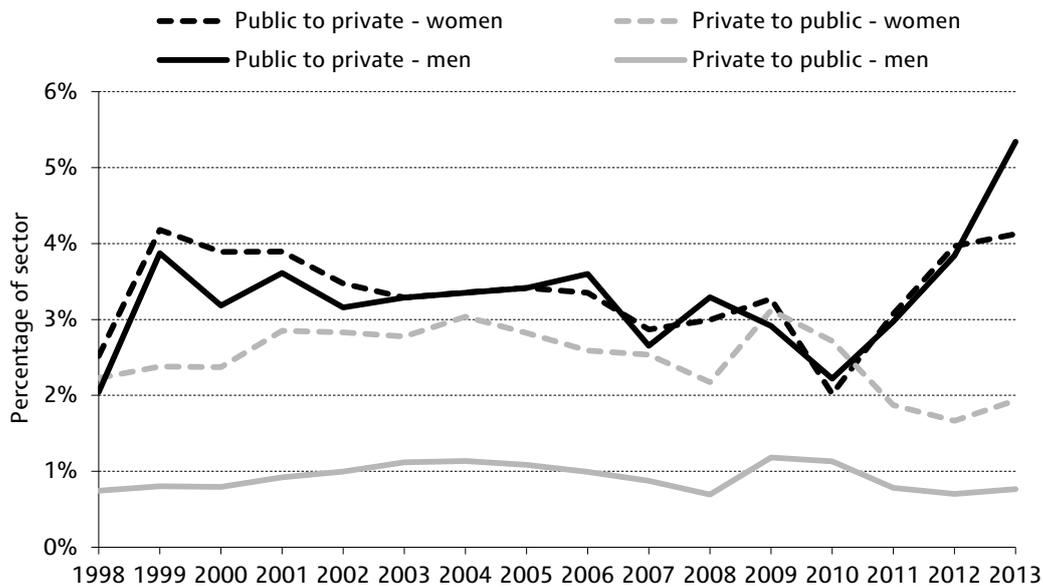
<sup>10</sup> This is partly because the public sector employs a much higher proportion of women than the private sector and we do not want to confound results on mobility with potentially different trends in mobility by sex.

<sup>11</sup> We measure region as an individual's region of work, rather than as their home region.

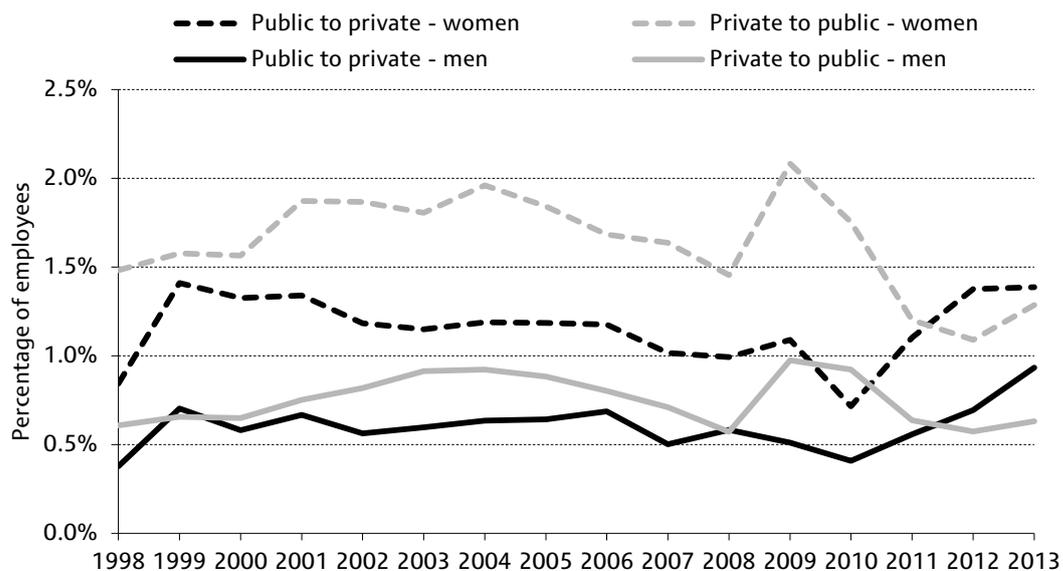
those moving from the public to the private sector (black lines) and for those moving from private to public sector (grey lines). Panel (a) shows this as a share of the worker's previous sector (e.g. proportion of female public sector workers who move to the private sector in a given year), whilst panel (b) presents these figures as a share of all employees in the data in order to compare the absolute level of movements in either direction.

**Figure 2. Overall levels of mobility across sectors, 1998 to 2013**

**(a) As a share of sector**



**(b) As a share of all employees in the data**



Source: Authors' calculations using the Annual Survey of Hours and Earnings.

Between 1998 and 2007, on average 3.2% of men and 3.4% of women in the public sector moved to the private sector in any given year, whilst 2.6% of women and 0.9% of men in the private sector moved to the public sector.

The *numbers* of women moving from private to public sector generally exceeded the numbers moving from public to private sector. The net inflow of women to the public sector could be partly explained by the fact that there appears to have been a public sector pay premium for women over this period.<sup>12</sup> Whatever the cause, this net inflow of women to the public sector (and no net inflow of men) will have naturally contributed to the growth in the share of women working in the public sector seen over this period.

Since 2010 and the start of the fiscal consolidation, mobility from public to private sector has (unsurprisingly) increased. In 2012 and 2013, the proportion of men in the public sector moving to the private sector increased to an average of 4.6%, representing 0.8% of all male employees across the two years. In the same years, on average 4.0% of women in the public sector moved to the private sector, which is 1.4% of all female employees.

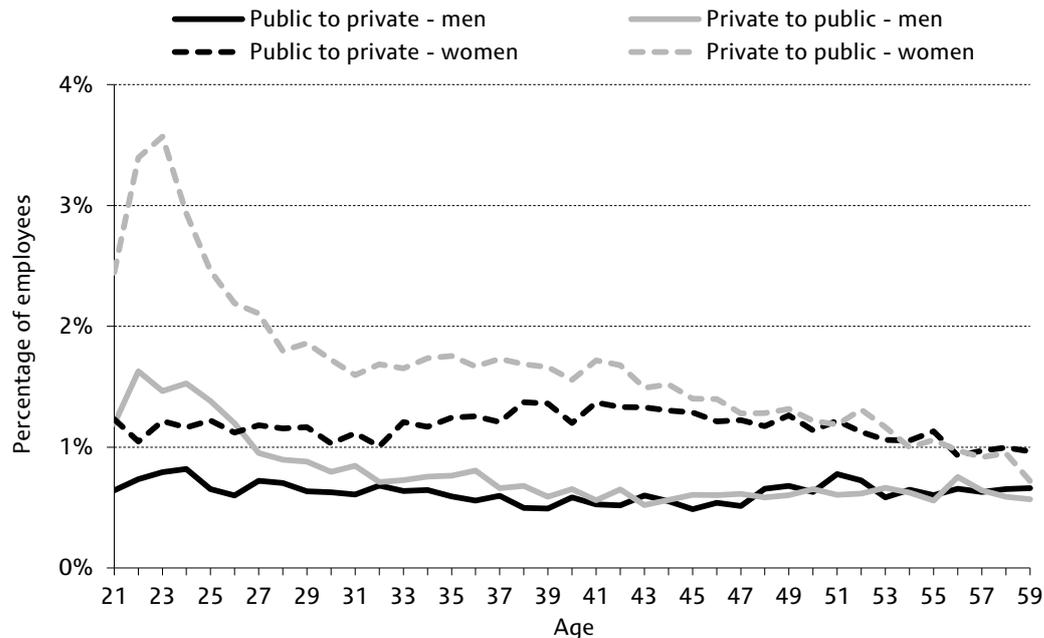
Despite the recent rise, movements from public to private sector were actually at their peak during the 1980s and early 1990s (see Appendix Figure A1), reflecting the privatisations of previously state-owned industries. Up to 10% of men in the public sector moved to the private sector in some years. The figures for women also peaked during the 1980s, though they were much lower, with around 4–5% of women in the public sector moving to the private sector during the late 1980s. This reflects the fact that women were less likely to work in (formerly) nationalised industries. However, much of this apparent worker mobility during the 1980s is a change of ownership rather than an actual change in job. During the privatisations of the 1980s, whole industries (such as water, electricity and gas) were moved from public to private sector and many were restructured at the same time. For workers who stayed in the industry, the mobility consisted of a change of ownership.

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<sup>12</sup> See J. Cribb, C. Emmerson and L. Sibietta, *Public Sector Pay in the UK*, IFS Report R97, 2014, <http://www.ifs.org.uk/publications/7395>.

Before focusing on recent movements in more detail, it is worth examining what sorts of workers are more likely to move sector. The ASHE data are relatively limited in what worker characteristics we can consider here. Nevertheless, Figure 3 shows the proportion of men and women of each age who move sector in any given year (data are pooled over 2000 to 2013 to ensure sufficient sample sizes).

**Figure 3. Mobility across sectors by age, pooled across 2000–13**



Source: Authors' calculations using the Annual Survey of Hours and Earnings (data pooled from 2000 to 2013).

Figure 3 shows that men and women are much more likely to change sector at younger ages, with sector movements relatively low and constant from around age 30 onwards. This is not unexpected, since younger workers are less likely to have built up significant levels of firm- or industry-specific skills and are likely to have fewer pension rights than older workers, as discussed in Section 2.

***Decomposing the changes in the public and private sector workforces***

Mobility between jobs in the public and private sectors is particularly important at a time when the size of the public workforce is reducing, as has been the case since 2010. In order to understand this better, we can decompose the changes in public sector employment into three constituent parts. The first two parts we have already measured using data from ASHE: people who move jobs into the public sector *from* the private

sector (inflow) and people who *leave* jobs in the public sector for a new job in the private sector (outflow). The final part is the net inflow<sup>13</sup> from non-employment to public sector employment.<sup>14</sup> We can express these flows as a proportion of the level of public sector employment in the previous year, giving us percentage changes. This decomposition can be summarised in the following equation:

$$\begin{aligned} \text{Change in public sector employment since last year} = & \\ & \text{Inflow to public sector from private sector} \\ & - \text{Outflow to private sector from public sector} \\ & + \text{Net inflow from non-employment} \end{aligned}$$

By decomposing the changes in this way, we are able to determine the role of each of these flows in the decline in public sector employment since 2010. However, there are two issues to note before proceeding to this analysis.

First, since ASHE does not contain self-employed people, we cannot observe moves from the public sector to self-employment (or the other way round). Given that self-employment has been increasing as a share of the workforce (reaching 15% in 2014),<sup>15</sup> this may mean we slightly understate the fraction of workers leaving for new employment outside the public sector.<sup>16</sup> Second, as the calculations of mobility between the public and private sectors are based on records in April of each year, a person losing their job in the public sector, spending a period of time unemployed and then finding a private sector job before the next April will be counted as moving between public and private sectors.

The results of the above decomposition are shown in Figure 4 for changes in the public workforce going back to 2000. In the early 2000s, public sector employment was growing at around 2% per year. This can largely

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<sup>13</sup> Of course, a negative net inflow is (equivalently) a net outflow.

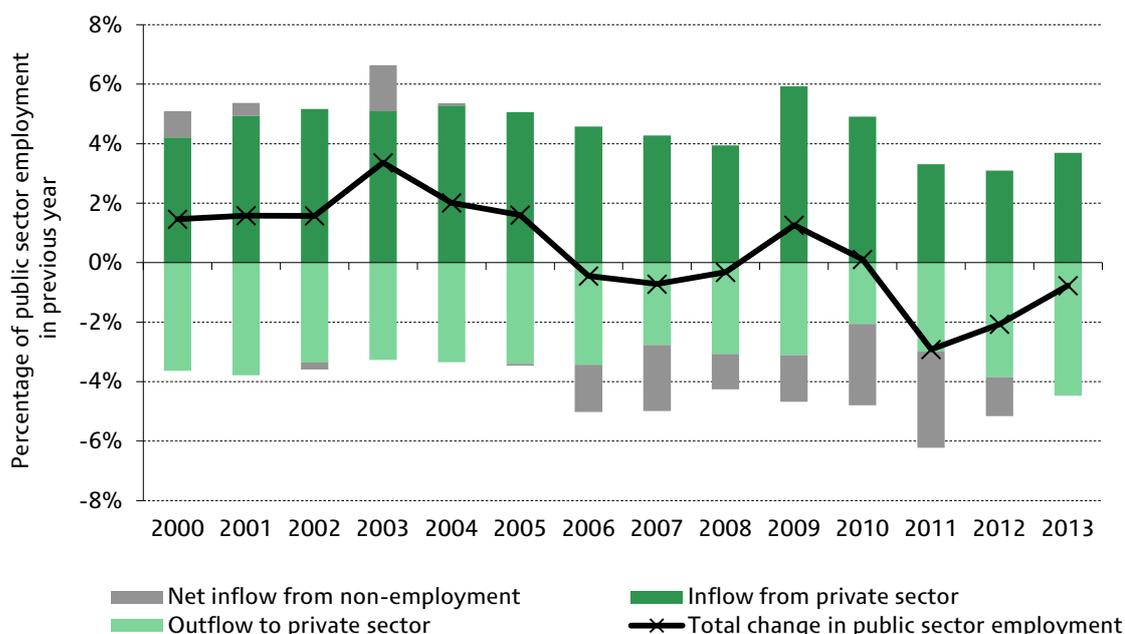
<sup>14</sup> i.e. This is the total number of people who join the public sector who previously did not have a job (e.g. student or unemployed person) *minus* the number of people who leave a public sector job for non-employment (e.g. people who retire). However, since self-employed people are not captured in ASHE, we cannot distinguish moves to/from non-employment from moves to/from self-employment.

<sup>15</sup> See J. Cribb and R. Joyce, 'Earnings since the recession', in C. Emmerson, P. Johnson and R. Joyce (eds), *The IFS Green Budget: February 2015*, 2015, <http://www.ifs.org.uk/publications/7543>.

<sup>16</sup> It may also mean that we underestimate the fraction who join the public sector from previous employment.

be accounted for by inflows from the private sector being greater than outflows to the private sector (around 5% per year compared with about 3½% per year, respectively). Net inflows from non-employment were around 0.4% per year. Between 2006 and 2008, there were slight falls in the public sector workforce, with net outflows to non-employment of around 1.7% per year.

**Figure 4. Decomposing changes in public sector employment**



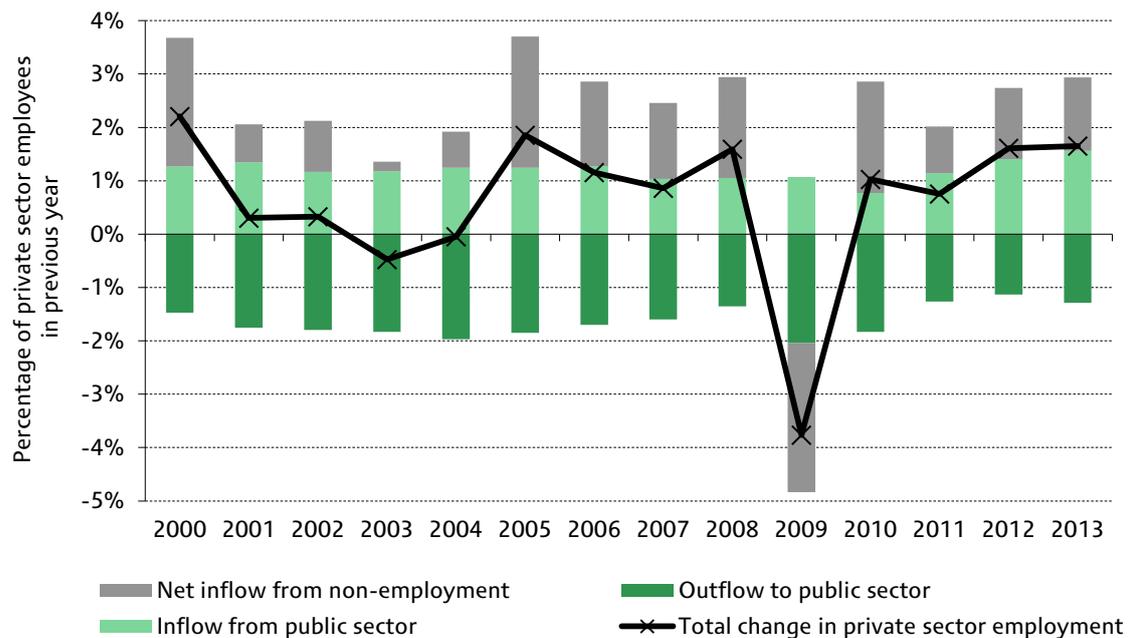
Note: Each year refers to the change in employment between Q2 of the named year and Q2 of the previous year. Public sector employment is adjusted for reclassifications as described in the note to Figure 1.

Source: Authors' calculations using the Annual Survey of Hours and Earnings and ONS Public Sector Employment Statistics.

In 2009, the recession meant that, as private sector employment was falling, there were higher inflows to the public sector from the private sector. Since 2010, there have been reductions in the size of the public workforce: between 2010Q2 and 2013Q2, public sector employment fell by a total of 5.7%. Between 2010 and 2011, the falls in public sector employment were quite fast (a 2.9% fall in one year) and were driven by a sharp fall in inflows from the private sector (which quickly reduced to 3.3%, their lowest level since at least 2000), an increased outflow to non-employment (at 3.2%) and an increase in outflow to the private sector. However, in 2012 and 2013, there were smaller reductions in overall public sector employment and the flows explaining these reductions began

to change as well. Inflows from the private sector remained low, but outflows to the private sector increased gradually just as outflows to non-employment reduced. In short, although in 2010 and 2011 the large reductions in public sector employment led to some net flows into non-employment, by 2013 net flows into private sector employment accounted for the full reductions.

**Figure 5. Decomposing changes in private sector employment (employees only)**



Note: Each year refers to the change in employment between Q2 of the named year and Q2 of the previous year.

Source: Authors' calculations using the Annual Survey of Hours and Earnings, ONS Public Sector Employment Statistics and ONS Self-Employment Statistics (series MGRQ).

The equivalent exercise for the private sector (employees only) is shown in Figure 5. It is clear that the flows to and from the public sector are much less important (in terms of the fraction of the workforce moving to or from the public sector), because the private sector workforce is so much larger. The results show a striking pattern since the recession. Between 2008 and 2009, the number of private sector employees fell by 3.8%, and although there was a small increase in the outflow of workers to the public sector, the majority of this change is explained by larger net outflows to non-employment (2.8% of private sector employees) consistent with the fact that this was a period of rising unemployment. Moreover, since then, although the inflow from previous public sector workers has increased,

the number of private sector employees has increased so much that there are significant net inflows from non-employment, although at a level somewhat lower than that seen in the period 2005 to 2008.

In summary, although there were some increases in the flows from private to public sector during the recession, there were larger flows from the private sector to non-employment. Since the reductions in public sector employment commenced in 2010, there has been a different pattern. Inflows from the private sector quickly decreased and have remained low. Although flows from the public sector to the private sector increased, the reductions in public sector employment in 2011 were large enough that there were significant flows from the public sector to non-employment. Since then, the triple combination of smaller flows from the private sector, more moves to private sector jobs and somewhat lower reductions in public employment means that the reductions have been implemented with relatively few flows to non-employment – no higher than those seen between 2006 and 2008, despite larger falls in public employment than during that period.

#### ***Differences across parts of the public sector***

Given that there have been markedly different changes in different parts of the public sector,<sup>17</sup> and the types of jobs done across different parts of the public sector are very different, it is also important to see how mobility varies across different parts of the public sector and to decompose the changes in employment across these different parts. For this, we split the public sector into four parts: the NHS, education, public administration and a residual ‘other’ group.<sup>18</sup> In 2014, the NHS made up 27% of the public sector workforce, education made up 29% and public administration made up 18% (the residual group made up 26%).<sup>19</sup> We can then decompose the

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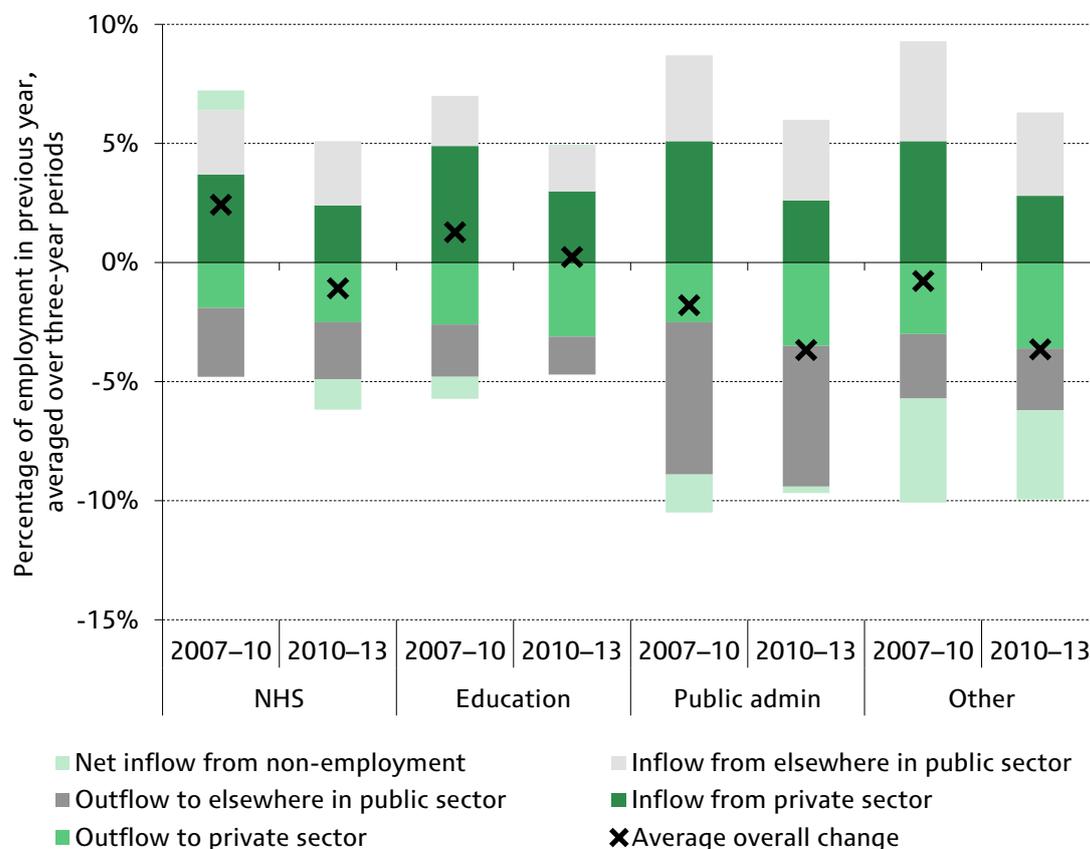
<sup>17</sup> See J. Cribb, R. Disney and L. Sibieta, ‘The public sector workforce: past, present and future’, IFS Briefing Note BN145, 2014, <http://www.ifs.org.uk/publications/7113>.

<sup>18</sup> This residual group contains (among others) the police, HM Forces, and health and social care workers outside the NHS (in local government).

<sup>19</sup> These percentages are based on authors’ calculations using ONS Public Sector Employment Statistics. Note that the public sector education workforce figures include the 196,000 workers in further education and sixth-form colleges in England who were reclassified to the private sector in 2012. This is in order to maintain comparability over time. For more details, see [http://www.ons.gov.uk/ons/dcp171766\\_266962.pdf](http://www.ons.gov.uk/ons/dcp171766_266962.pdf).

change in employment of each part of the public sector into five components: inflow from the private sector, outflow to the private sector, inflow from other parts of the public sector, outflow to other parts of the public sector and net inflow from non-employment. Once again, we divide the changes by the level of employment in the given part of the public sector in the previous year. Figure 6 shows the flows averaged across two three-year periods – from 2007 to 2010 and from 2010 to 2013 – to ensure sufficient sample sizes.

**Figure 6. Decomposing changes in employment in different parts of the public sector**



Note: Employment changes are adjusted for reclassifications as described in the note to Figure 1.

Source: Authors' calculations using the Annual Survey of Hours and Earnings and ONS Public Sector Employment Statistics.

We can draw a number of conclusions from this analysis. First, falls in employment in public administration and other parts of the public sector have been larger than those in the NHS or education, which is what one would expect given the spending protections offered to the NHS and schools. Second, comparing the period 2007-10 with 2010-13, there have

been reduced inflows of workers from the private sector and increased outflows to the private sector. This was found in the analysis in Figure 4, but Figure 6 shows that it has been occurring across all parts of the public sector. Interestingly, outflows to the private sector only rose slightly and were of a similar level across all four areas in 2010–13. Inflows from the private sector were also of a similar level across all four areas in that period, though they fell much more sharply in public administration and other parts of the public sector than they did in the NHS. Third, public administration, which has seen the largest cuts to employment over the period 2010–13, has seen only very small net outflows to non-employment since 2010. This is in part because workers in public administration have continued to find new jobs in other parts of the public sector. However, if there are continued reductions to employment across the public sector, the extent to which this can continue to occur is unclear.

It is also clear from Figure 6 that mobility within the public sector is less high for the NHS and education than for public administration and other parts of the public sector. This is probably because many jobs in health and education require special skills not valued as highly outside those industries. However, if there are reductions to NHS or education workforces, it raises the question of whether these workers will find new jobs as easily as people who have left other parts of the public sector workforce.

## **5. Mobility within sectors**

We now move on to examine how often workers change jobs *within* sectors. This analysis forms a useful comparison with across-sector movements in order to judge whether these moves are relatively common or not. Levels of mobility within sector are also interesting in their own right as they provide important evidence on how the fluidity and flexibility of labour markets are changing over time.

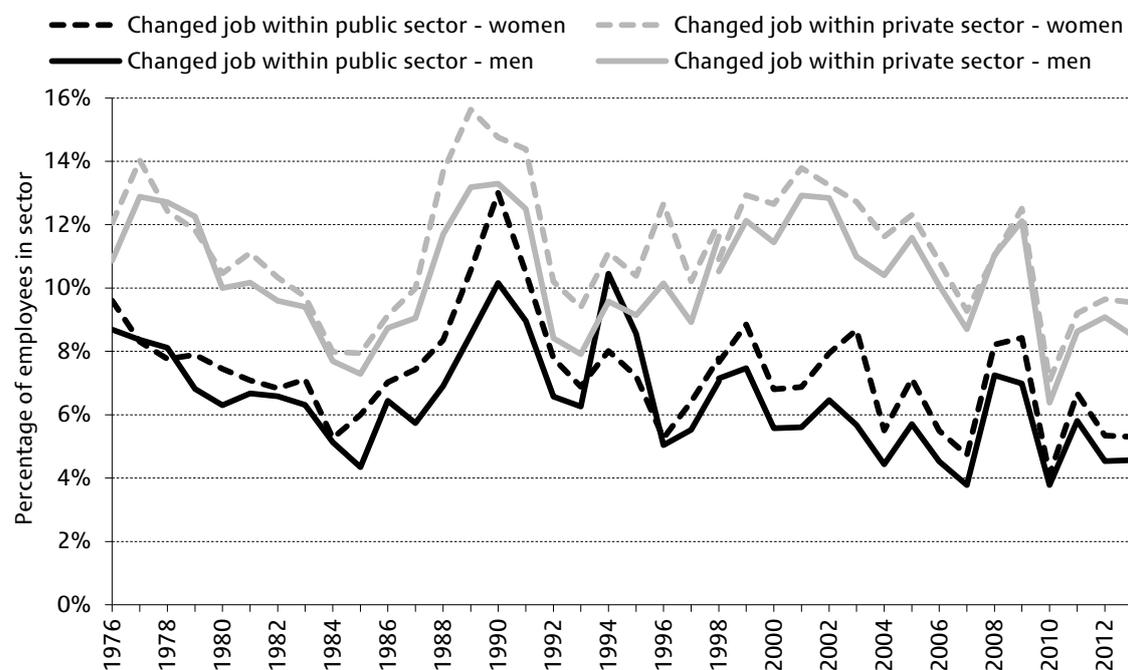
In Figure 7, we show the proportions of men and women in the public and private sectors who changed job within sector in the previous year.<sup>20</sup>

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<sup>20</sup> This analysis includes people who change jobs within a firm. It is based on a question that asks the employer ‘On the Xth April, had the employee worked in the same job in your organisation for more than a year?’. If the employer answers ‘No’, the employee counts as having moved jobs within the firm. This

Historically, movements within sector have clearly been much larger than movements across sectors. Job mobility is also more common in the private than in the public sector. Between 1998 and 2007, about 11% of men and 12% of women moved jobs within the private sector and about 6% of men and 7% of women moved within the public sector. These figures are much higher than the proportions of men and women changing sector over the same period, particularly for the private sector, with around 3% of men and women in the public sector moving to the private sector each year on average between 1998 and 2007 and around 1% of men and 3% of women moving from private to public sector. These higher levels of mobility within sector are to be expected as skills are more likely to be transferable within sector than across sectors.

**Figure 7. Overall levels of mobility within sectors, 1976 to 2013**



Source: Authors' calculations using the New Earnings Survey Panel Dataset (up to 1998) and the Annual Survey of Hours and Earnings (from 1998 onwards).

Having peaked during the late 1980s and early 1990s, job mobility levels within sector appear to have declined over time, particularly in the private sector. In 2012 and 2013, around 9% of men and 10% of women in the private sector moved jobs within the sector. With the exception of the

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question is therefore to some extent open to the interpretation of the employer. In Figure 9 later, we separate job moves within firm from those that are made across firms.

financial crisis, these percentages are lower than at any point since the early 1990s and compare with average levels of 11–12% between 2000 and 2007.

In 2012 and 2013, job mobility in the public sector was at its lowest level since the early 1980s, with around 5% of men and women changing job within the public sector in the previous year. There has been a gradual decline in mobility within the public sector, from around 7–9% in the late 1990s to around 5% in the early 2010s. This decline meant that job mobility within the public sector was then at a similar level to the proportion of public sector workers moving to the private sector. In other words, given the increasing number of moves from public to private sector, and (to a lesser extent) falling within-sector mobility in the public sector, public sector workers in 2013 were as likely to move to get a new job in the private sector as they were to move to a different public sector job.

#### ***Possible explanations for falling within-sector job mobility***

Job mobility is an important component of labour market flexibility as it may reflect workers moving from less productive to more productive jobs. The fact that it has declined by a significant degree in the private sector could thus be a cause for concern if it reflects barriers to workers making such transitions. We now examine the plausibility of a number of potential explanations for this decline in mobility.

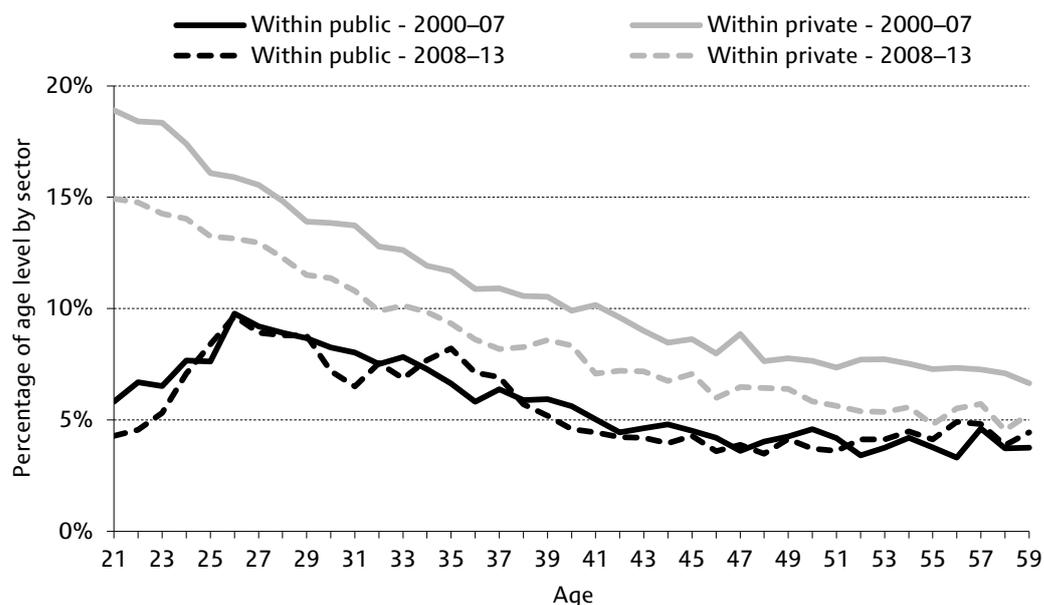
First, the decline in mobility could reflect a compositional shift in the workforce towards workers with lower levels of mobility. An important compositional shift occurring at present is the ageing of the workforce.<sup>21</sup> We might expect older workers to have lower levels of mobility, perhaps because they have built up more industry- or firm-specific capital. To examine this possibility, Figure 8 shows the proportion of men and women by age level who change job within sector. This is shown separately for the period before the Great Recession (2000 to 2007) and afterwards (2008 to 2013).

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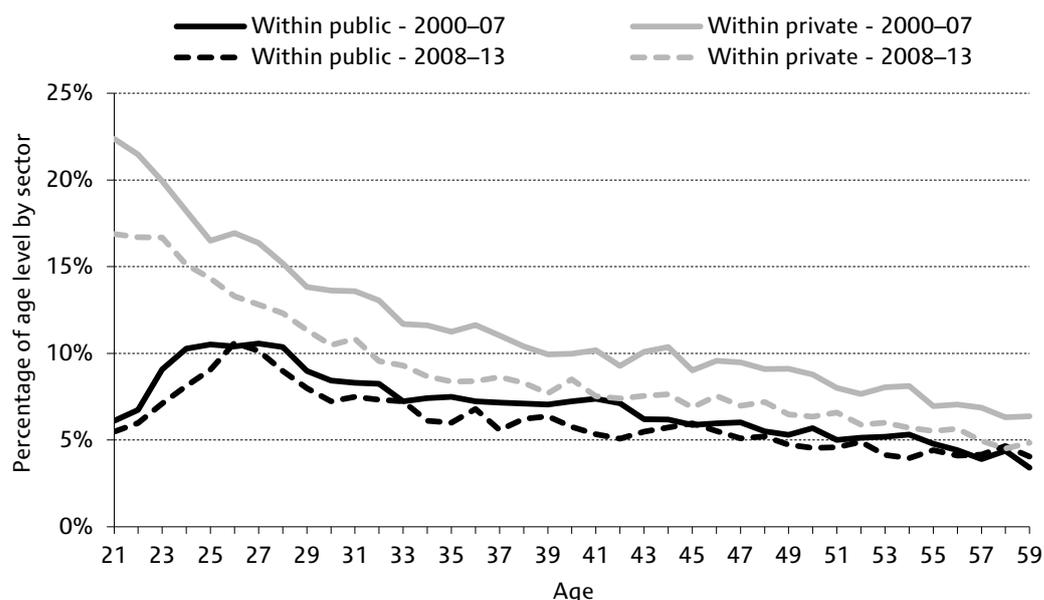
<sup>21</sup> See, for example, J. Cribb and R. Joyce, 'Earnings since the recession', in C. Emmerson, P. Johnson and R. Joyce (eds), *The IFS Green Budget: February 2015*, 2015, <http://www.ifs.org.uk/publications/7543>.

**Figure 8. Mobility within sectors by age, before and after 2007**

**(a) Men**



**(b) Women**



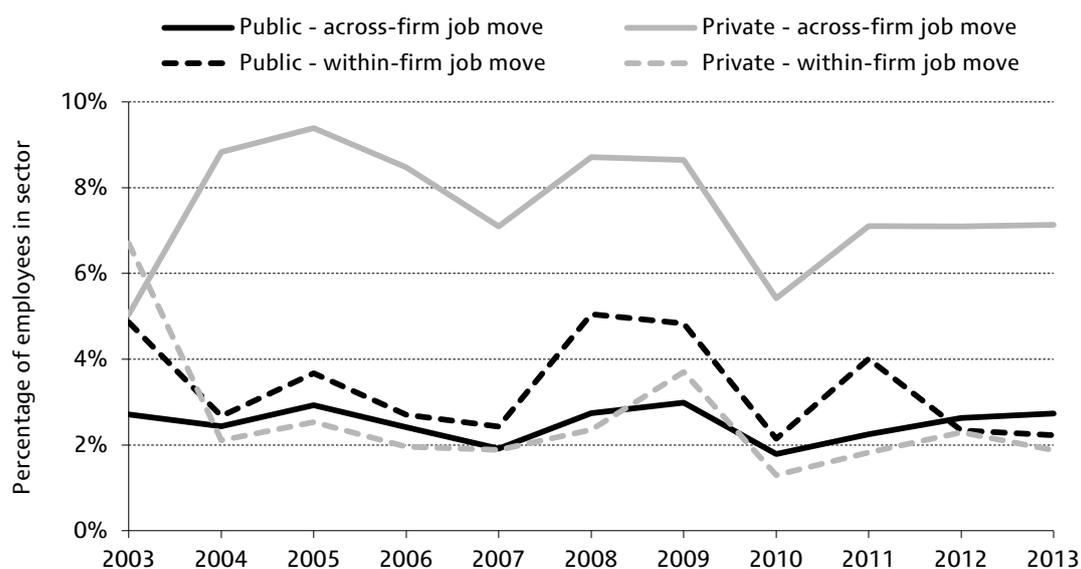
Source: Authors' calculations using the Annual Survey of Hours and Earnings (data pooled from 2000 to 2007 and from 2008 to 2013).

Figure 8 confirms that older workers are indeed less likely to change jobs within sector, and this is true for both public and private sectors. A reduction in mobility levels between the two periods can be seen across all ages in the private sector. Within the public sector, there has been no decline for workers of given ages, suggesting that the small decline in public sector mobility could reflect an ageing of the workforce.

Furthermore, it suggests that the factors driving reduced mobility levels are likely to be having a particularly strong impact on the private sector.

The decline in private sector mobility could reflect decreased mobility within firms (e.g. reduced progression in jobs within firms) or it could reflect reduced movements across firms. To examine these possibilities, Figure 9 separates out within-firm and across-firm movements for the period since 2003. This makes clear that within-firm movements are of a similar level in both public and private sectors (currently around 2% of workers in both sectors and of a similar level to that seen in the mid-2000s). Thus the higher level of mobility of workers within the private sector is entirely accounted for by higher levels of movements across firms as opposed to within firms. Furthermore, the decline in movements within the private sector seems to reflect a decline in across-firm movements rather than within-firm movements.

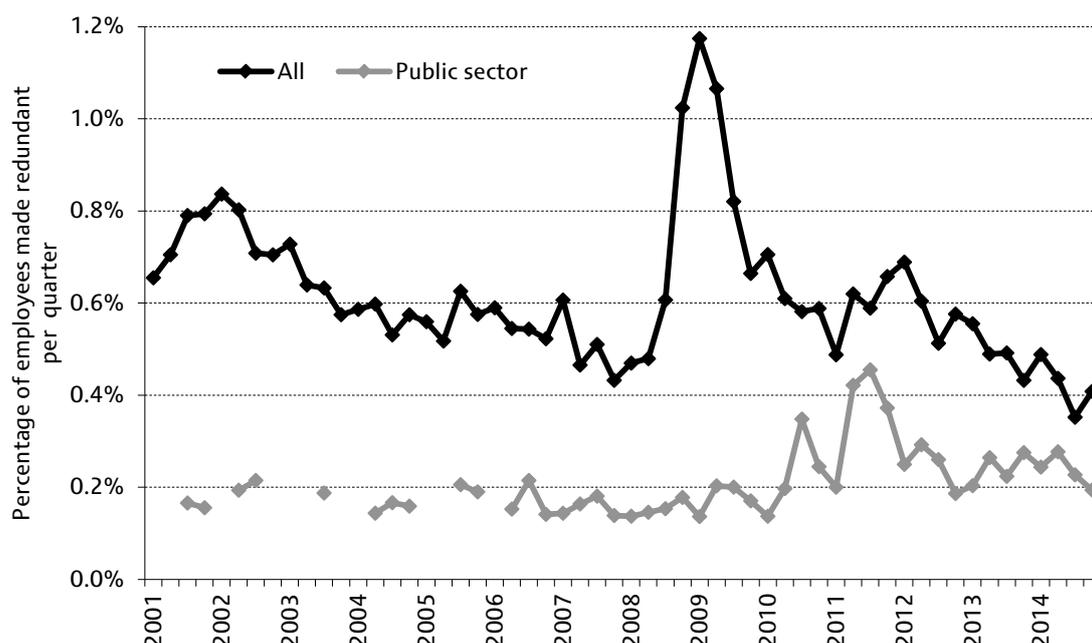
**Figure 9. Within-sector moves, split into across-firm and within-firm moves: men and women combined, 2003 to 2013**



Source: Authors' calculations using the Annual Survey of Hours and Earnings.

What are the factors that could be driving reduced across-firm movements in the private sector? They could reflect either reduced involuntary job movements (i.e. reduced redundancies) or reduced voluntary job movements (e.g. workers moving because they have been able to find a better offer). Figure 10 shows the redundancy rate across the whole workforce and for the public sector only back to 2001.

**Figure 10. Redundancy rate (per quarter), 2001 to 2014**



Note: Public sector defined as health, education and public administration, as defined by Standard Industrial Classification 2007. Some quarters (for the public sector) are missing prior to 2007 due to insufficient sample size.

Source: ONS Redundancy Statistics from the Labour Force Survey.

Overall redundancy rates fell throughout the early 2000s from 0.8% per quarter in early 2002 to 0.4% in late 2007. There was then a spike in redundancy rates during the financial crisis. Since the recession, they have fallen significantly (driven by falls in private sector redundancies) and by late 2014 are around or even below pre-crisis levels. Therefore, part of the decline in private sector mobility can certainly be assigned to reduced involuntary job moves over time. Despite the cuts to public sector employment in recent years, the increase in redundancies in the public sector is only relatively small and redundancies remain well below those for the whole economy. The fact that there has only been a small increase in public sector redundancies will partly reflect the restraint in public sector pay growth in operation since 2010: for given spending budgets, central and local government can employ more employees than if public pay growth had been higher.

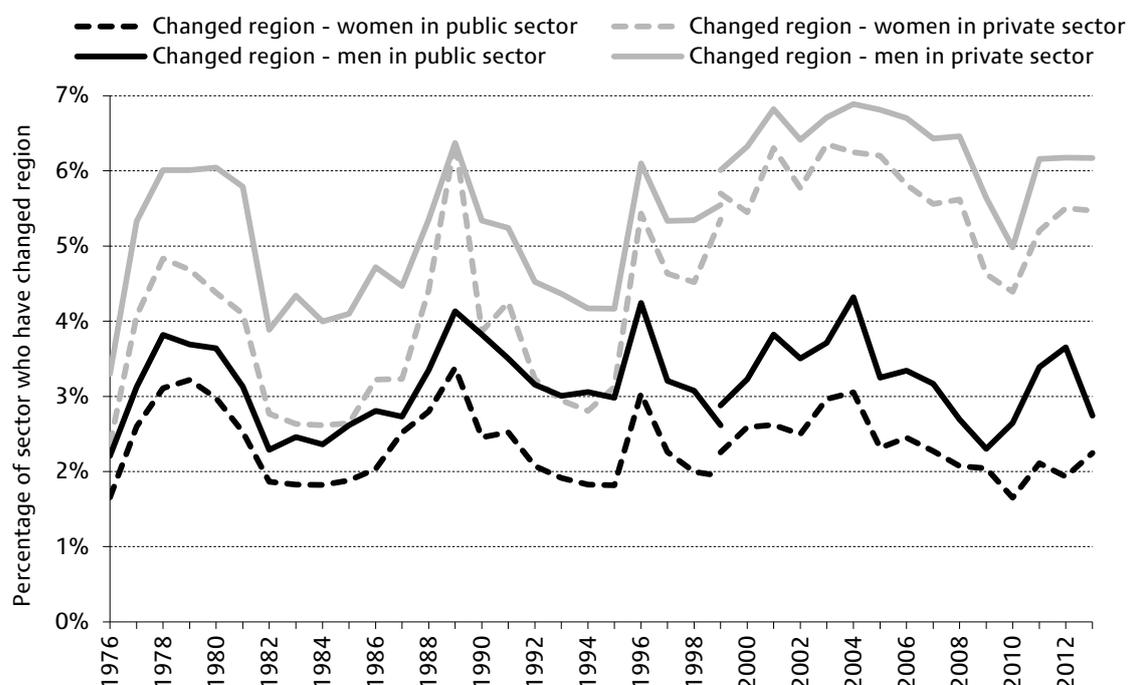
However, the relatively low redundancy rate is unlikely to be the full explanation for lower within-sector mobility in the private sector; there is also likely to be a role for reduced voluntary job moves, which could reflect

factors such as increased specialisation in jobs. More research is clearly needed to better understand the reduction in job mobility in the private sector.

### **Geographical mobility**

Finally, how do levels of geographical mobility compare across the public and private sectors? Figure 11 shows the proportion of men and women who have changed region in the past year, for the public sector (black lines) and the private sector (grey lines). Levels of geographical mobility are clearly higher for the private sector than for the public sector. Since 2000, about 6% of men and women in the private sector have changed region on average each year, compared with about 3% of men and 2% of women in the public sector.

**Figure 11. Overall levels of mobility across regions by sector, 1976 to 2013**



Source: Authors' calculations using the New Earnings Survey Panel Dataset (up to 1998) and the Annual Survey of Hours and Earnings (from 1998 onwards).

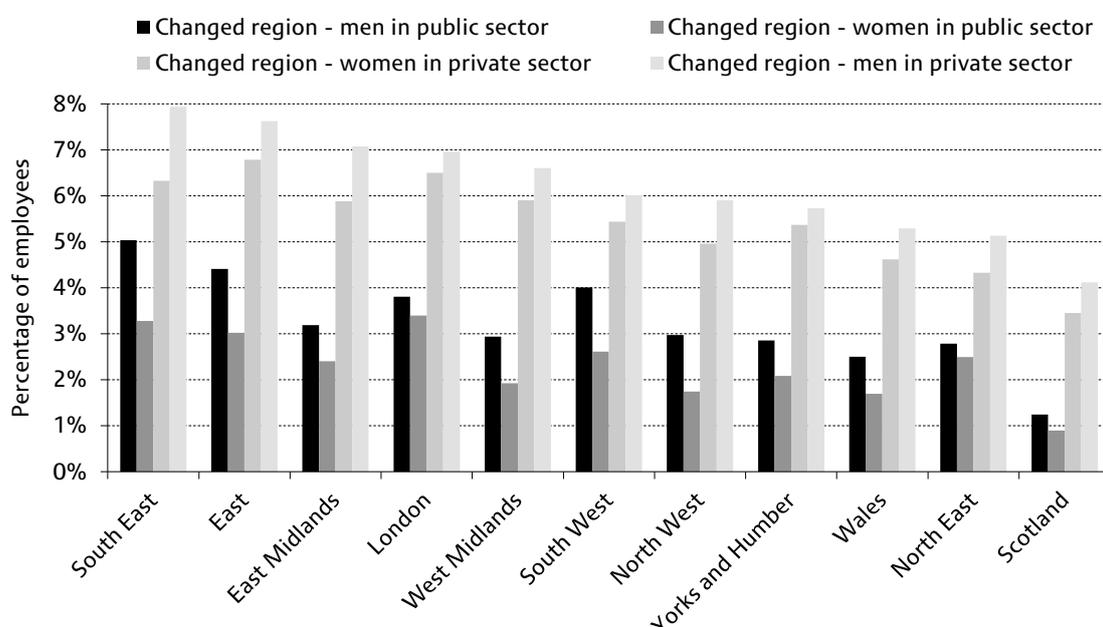
Geographical mobility has varied over time, but not as much as mobility across or within sectors. Interestingly, geographical mobility has exhibited clear peaks and troughs, with peaks during the economic expansions of the late 1970s, late 1980s and early/mid-2000s and troughs in the mid-1980s, mid-1990s and during the recent financial crisis. Moreover, the trends in

the public and private sectors are very similar, implying that whatever is driving geographical mobility is common across the two sectors.

For the private sector, geographical mobility is relatively high compared with recent history. Throughout most of the 2000s and in the most recent years after the Great Recession, geographical mobility has been at a similar level to or higher than that seen during the recessions of the early 1980s and 1990s. In contrast, geographical mobility for the public sector is close to its long-run historical average for both men and women.

Figure 12 shows how regional mobility differs across regions for men and women in the public and private sectors (we focus on differences by the region individuals end up in rather than by the region they moved from).

**Figure 12. Geographical mobility by region, pooled across 2000–13**



Source: Authors' calculations using the Annual Survey of Hours and Earnings (data pooled from 2000 to 2013).

As we have seen before, geographical mobility is slightly higher for men than for women and it is clearly higher in the private than in the public sector. People are most likely to relocate to the South and East of England (including London) for both the public and private sectors. In contrast, workers are less likely to relocate to Wales, the North East of England and Scotland.

In summary, the level of geographical mobility across regions is relatively low, particularly in the public sector and in Wales, Scotland and the northern regions of England. This suggests that public sector job losses are likely to require workers finding jobs in the private sector within their current region in order to prevent workers moving into non-employment.

## **6. Conclusion**

Significant falls in public sector employment have been accompanied by important increases in the flow of public sector employees directly into private sector jobs. In 2012 and 2013, the flows to non-employment were lower than those seen during the last period of falling public sector employment, between 2006 and 2008.

By 2013, the proportion of public sector employees moving to private sector jobs, at 4% of women and over 5% of men, was higher than at any point since the era of large-scale privatisations in the 1980s and early 1990s.

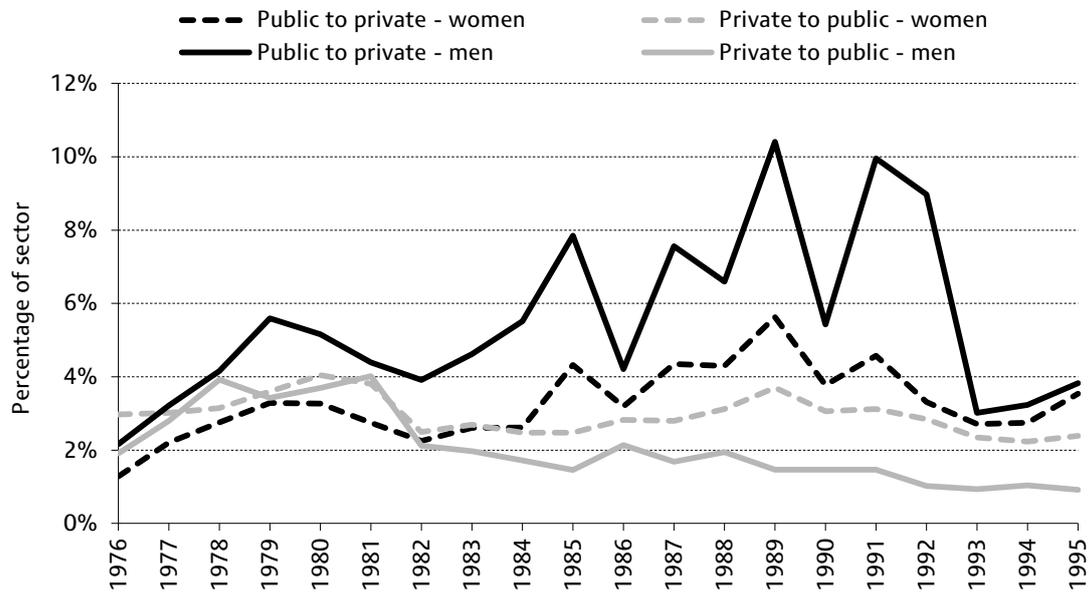
The increase in mobility from public to private sector has been accompanied by a decline in within-sector mobility, which is now at historically low levels in both the public and private sectors. For the public sector, this is likely to reflect a shift to older, less mobile workers. However, for the private sector, this decline is seen across all ages. The fall in mobility within the private sector is potentially concerning if it reflects barriers to workers shifting from less productive to more productive jobs, though it could also reflect greater specialisation or other compositional shifts. Understanding the root causes of this decline in private sector job mobility is an important area for future research.

There are likely to be significant further public sector workforce reductions over this parliament. Under either the plans set out in the March 2015 Budget or those implied by the Conservative manifesto, there will be significant further reductions in general government employment up to 2018–19, faster on average than those under the coalition government. It remains to be seen whether such large reductions can again be accommodated through moves into private sector employment rather than into non-employment.

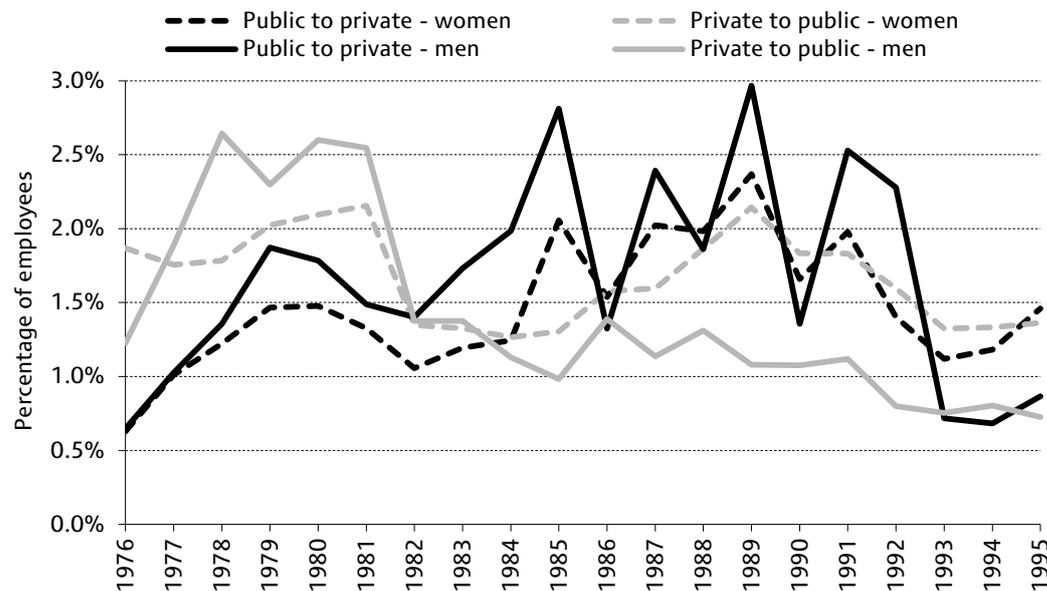
## Appendix: Supplementary figure

Figure A1. Overall levels of mobility across sectors, 1976 to 1995

### (a) As a share of sector



### (b) As a share of all employees in the data



Source: Authors' calculations using the New Earnings Survey Panel Dataset.