Youth unemployment rates

Darren Lawlor, Senior Parliamentary Researcher (Economics)

21 August 2021

Even taking the impact of the Covid-19 pandemic on Ireland’s youth into account, tackling youth unemployment is not a new policy problem. In its recently published *Pathways to Work Strategy 2021-2025*, the Government committed to reducing the traditional youth unemployment rate “back to or below” 12.5% (the 2019 average monthly rate) by 2023. However, measuring the true rate of youth unemployment is inherently complex. This Note briefly explores the youth unemployment rate and comparable measures.

Youth unemployment, a 10-year perspective

According to monthly CSO figures, the traditional, seasonally adjusted unemployment rate among Ireland’s youth (those aged 15-24, inclusive) has trended downward from the peak of the post-2008 Irish economic downturn when it hit 31.6% (June 2012) to reach a 10-year low of 11% (October 2019). The onset of the Covid-19 pandemic and associated public health measures has led to an inconsistent but initially sharply upward trend with two discernible peaks in September 2020 (19.9%) and again in April 2021 (18.8%).

Figure 1: Traditional monthly unemployment rates by sex/group, January 2010-July 2021

![Figure 1: Traditional monthly unemployment rates by sex/group, January 2010-July 2021](source: L&RS based on CSO data.)
Reducing the youth unemployment rate to below the 2019 average of 12.5% (which is the lowest annual average rate measured in the past decade and the most recent rate unaffected by the pandemic) by 2023 is one of the four ‘High Level Ambitions’ contained in the Government’s recently published (July 2021) *Pathways to Work Strategy 2021-2025*. For context, the average rates since 2004, capturing the Celtic Tiger period, the impact of 2008-2010 economic and fiscal crises and the (initial) impact of the Covid-19 pandemic, are as follows:

**Table 1: Average standard monthly unemployment rates, 2004-2021 (partial)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average.</th>
<th>Year</th>
<th>Average.</th>
<th>Year</th>
<th>Average.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>8.8%</td>
<td>2010</td>
<td>28.2%</td>
<td>2016</td>
<td>16.8%</td>
</tr>
<tr>
<td>2005</td>
<td>8.7%</td>
<td>2011</td>
<td>29.7%</td>
<td>2017</td>
<td>14.4%</td>
</tr>
<tr>
<td>2006</td>
<td>8.7%</td>
<td>2012</td>
<td>30.8%</td>
<td>2018</td>
<td>13.8%</td>
</tr>
<tr>
<td>2007</td>
<td>9.1%</td>
<td>2013</td>
<td>26.8%</td>
<td>2019</td>
<td>12.5%</td>
</tr>
<tr>
<td>2008</td>
<td>13.5%</td>
<td>2014</td>
<td>23.5%</td>
<td>2020</td>
<td>15.8%</td>
</tr>
<tr>
<td>2009</td>
<td>24.5%</td>
<td>2015</td>
<td>20.3%</td>
<td>2021*</td>
<td>17.9%</td>
</tr>
</tbody>
</table>

Source: L&RS calculation based on CSO. *January to July 2021 figures only.

**Defining and measuring youth unemployment**

It is important to understand how terms such as ‘youth’ and (consequently) ‘youth unemployment’ are conceptualised and defined. The age categories used to define ‘youth’ are elastic and differ between countries. For statistical purposes in Ireland, the ‘youth’ category is classified as persons aged 15-24 years, a classification formally adopted in 1999 by the International Labour Organisation (ILO)². Other terms used throughout this Note are explained in Box 1 below.

**Box 1: Glossary of terms**

A person’s labour force status falls into two main categories:

- **Economically active (employed/unemployed):** Persons who are in paid work / employment (employees and self-employed) or available for seeking paid work / employment. Also known as the labour force or workforce or total labour supply.
- **Economically inactive:** Persons who are not in or available for seeking paid work / employment e.g. pre-school children, school children, students, and retirees.

Source: ILO, Eurostat.

There are three main measures interchangeably cited in analysing this issue. Generally, the traditional, standard measure of youth unemployment is the ‘youth unemployment rate’. As Figure 1 (previous page) shows, this is simply an age-specific subset of the traditional rate of unemployment, i.e. the number of unemployed youth as a proportion of the total labour force / economically active youth. This may include those in full-time education (e.g. college students) who are also in part-time employment.

\[
\frac{\text{Total unemployed youth (aged 15 – 24)}}{\text{Total economically active youth}} \times \frac{100}{1} = \text{Youth Unemployment rate (%)}
\]

The problem in the EU-27 is that there are more economically inactive persons in the 15-24 age category (i.e. outside the labour force) than there are in the labour force. Youth who are outside of the labour force are also not officially unemployed either as many of these are students in full-time education.
An alternative measure is the **youth unemployment ratio**, which considers all those aged 15-24 (i.e. all youth) regardless of their participation in the labour force / economic activity. Building upon the youth unemployment ratio is the **NEET rate** – a measure which adds those aged 15-24 who are both not employed and not in education\(^3\) (i.e. unemployed non-students) to those not economically active and not in education (i.e. inactive non-students)\(^4\). In other words, the NEET rate incorporates youth who are both engaged and disengaged in/from employment and/or education or training. As such, the NEET rate inextricably links youth unemployment with participation in education and training.

\[
\frac{\text{Total number of youth NEETs}}{\text{Total population of youth}} \times \frac{100}{1} = \text{NEET rate (\%)}
\]

The usefulness of the NEET measure has been recognised by the United Nations and it is included as one of the key indicators to measure progress towards the achievement of the Sustainable Development Goals (SDGs) under Goal 8\(^5\) (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).

To summarise:

1. **Youth unemployment rate**: the number of unemployed young people aged 15-24 as a proportion of the labour force of economically active 15-24 year olds (i.e. those employed and unemployed but seeking work);

2. **Youth unemployment ratio**: the number of unemployed youth (aged 15-24) as a proportion of the entire population of 15-24 year olds\(^6\);

3. **NEET**: a youth (person aged 15-24, 16-24 or, more typically, aged 15-29) who is **Not in Employment, Education or Training**. A youth who is NEET is either (a) unemployed i.e. available for and looking for work, in the labour force or (b) economically inactive i.e. not looking for work and not undertaking education or training.

**Why are there different measures?**

Put simply, it depends on what you’re trying to conceptualise. A simple youth unemployment rate does not, it is argued, reflect a true level of youth engagement or disengagement with employment and education as it includes only those employed, unemployed or unemployment (i.e. only refers to those youth who are economically active regardless of their employment status).

The NEET measure, by contrast, is far broader in that it measures the total number of unemployed youth (i.e. not in employment) **plus** those youth that have not received any formal/non-formal education or training in the 4 weeks prior to data collection (i.e. not in education or training) as a proportion of the much broader population of economically active (in the labour force either employed or unemployed) **and** inactive youth (not in the labour force). As described by the United Nations under Strategic Development Goal 8:

“The share of youth not in employment, education or training (youth NEET rate) provides a measure of youth who are outside the educational system, not in training and not in employment, and thus serves as a broader measure of potential youth labour market entrants than youth unemployment. [The NEET measure] includes discouraged worker youth as well as those who are outside the labour force due to disability and engagement in household chores, among other reasons” [emphasis mine].
Figure 2 illustrates the conceptual difference between these two measures.

Figure 2: The conceptual difference between the youth unemployment and NEET rates

Labour market participation (economic activity) is also highly age specific as it increases sharply with age, in direct contrast to education. As noted by Eurostat and illustrated by Figure 3 below, labour market participation increases from 5% at age 15 to 72% at age 24.

Figure 3: Youth population in education and/or in the labour force by age in the EU-27 – 2019


Source: Eurostat, Youth Unemployment.
As described by Eurostat, the significant change in labour market participation is a distinctive feature of the youth population and has no equivalent at other ages. This unique feature again challenges the usefulness of the traditional youth unemployment rate, particularly among those aged 15-19.

Ireland’s NEET rate

Ireland’s NEET rate (those aged 15-29) was 13.4% in 2020, compared to an average youth unemployment rate (those aged 15-24) of 15.8% for 2020 (see Table 1 on page 1). This rate is closely comparable to the EU-27 and OECD average, as shown by Figure 4 below. Looking at a 10-year horizon, Ireland’s NEET rate was above both the EU-27/28 rate and OECD average, often significantly, in the period 2009-2016. This is likely attributable to the significant impact of the 2008-2010 economic and fiscal crises on the Irish economy.

Figure 4: Ireland’s NEET rate (15-29-year olds) compared to the EU-27 and OECD average

The European dimension: NEETs, the Social Pillar and the reinforced Youth Guarantee – a quick overview

According to Eurofound, ‘NEET’ entered the European lexicon for the first time in the Europe 2010 initiative ‘Youth on the Move’. More recently, explicit targets to reduce the NEET rate were introduced across the EU through the European Pillar of Social Rights (‘the Social Pillar’). The Social Pillar, proclaimed at the Gothenburg Summit in 2017, is structured around three chapters:

1. Equal opportunities and access to the labour market;
2. Fair working conditions;
3. Social protection and inclusion.

On 4 March 2021, the European Commission adopted an Action Plan to implement the Social Pillar which includes an EU-wide target of reducing the NEET rate to 9% by 2030. Progress will be monitored through the European Semester process. The Social Pillar is mainly supported by the
€88bn European Social Fund Plus (ESF+), the EU’s main social and employment funding programme. Among other objectives, the ESF+ commits Member States to other actions related to youth unemployment, specifically:

“to tackle youth unemployment, Member States will need to devote at least 12.5% [of ESF+ funding allocation] for young persons not in employment, education, or training (NEETs) where the relative percentage falling in this group is above the EU average, whereas all other Member States will need to dedicate an appropriate amount to implement the reinforced Youth Guarantee.”

The reinforced Youth Guarantee is a reaffirmed commitment by all EU Member States to ensure that all young people under the age of 30 receive a good quality offer of employment, continued education, apprenticeship or traineeship. The EU-27 agree to its implementation in October 2020. The European Council Recommendation explicitly restates the bloc’s continued commitment to tackle youth unemployment, as follows:

“The COVID-19 pandemic has spiralled the Union into an unprecedented economic recession, which is likely to bring back dramatically high youth unemployment and NEET rates. The Union’s economy is expected to shrink significantly in 2020, entering the deepest recession in its history. Young people who were already in a precarious situation in the labour market or who faced barriers to accessing work prior to the onset of the pandemic will suffer most, while those entering the workforce at this time will find it harder to secure their first job. It is therefore necessary to reinforce the Youth Guarantee in the light of the present crisis.”

Accounting for Covid-19

Often a far higher youth unemployment rate is cited. For example, an Irish Times report from July 2021 cited a 44% rate (at that time, since revised). It is important to consider this in context.

The ongoing pandemic is an exceptional event and has created significant methodological difficulties for statistical agencies. Technically, a person of any age in receipt of the PUP is not classified as employed or unemployed (officially) and so they are not recorded in the traditional / standard unemployment rate. As noted by the CSO:

“It is not possible to ascertain how those in receipt of the PUP would be classified in terms of official labour market status based on the International Labour Organisation (ILO) definitions for employment and unemployment”.

To preserve the existing methodology of the traditional / standard monthly unemployment estimate, the treatment of PUP claimants presents a problem as the traditional / standard rate may not represent the ‘true’ unemployment rate.

As a partial solution, since March 2020, the CSO has presented, alongside the standard monthly estimate, an alternative ‘Covid-19 Adjusted Measure of Unemployment’ to estimate the share of the labour force that (a) are not working due to unemployment (traditional classification) and (b) are out of work due to Covid-19 and in receipt of the Pandemic Unemployment Payment (PUP).
In summary:

- **Monthly traditional / standard measure of unemployment (MUR):** PUP claimants classified as 'employed' (and so not included).
- **Covid-19 Adjusted Measure of Unemployment:** PUP claimants classified as 'unemployed' (and so included).

However, as noted by the CSO:\(^{13}\):

“This measure assumes that all those who are in receipt of the PUP would be classified as Employed for the standard measure on Monthly Unemployment and considers them as Unemployed for the COVID-19 Adjusted Measure of Unemployment. This assumption would have held in March 2020 when those who started benefitting from the PUP scheme were required to have lost income from employment to be eligible to receive the payment. The assumption would still hold for new applicants for the PUP but is unlikely to hold now for all recipients given that the scheme has been extended and some recipients would now be in receipt of the PUP for more than 12 months.” [emphasis mine].

In effect, therefore, the Adjusted Measure is increasingly likely to represent the true unemployment rate as the nature of the payment has evolved. As such, the CSO presents the Adjusted Measure as an ‘upper bound’ due to this lack of definitional certainty. For illustrative purposes, the standard and adjusted measures/rates for the youth group (those aged 15-24) are compared in Figure 5 below. It is evident from the data that the Adjusted Measure is trending downward and appears to be converging with the traditional/standard (‘Lower Bound’) measures.

**Figure 5: Traditional / standard measure of unemployment (seasonally adjusted and not seasonally adjusted) and the Covid-19 adjusted measure compared (ages 15-24 only), March 2020-July 2021**

Source: L&RS based on CSO.
Adjusted Covid-19 Measure of Unemployment - caveat

Eligibility for PUP is purposely broader than typical, pre-pandemic employment supports meaning that full-time students who may otherwise not be in the labour force are in receipt of the PUP, which complicates the calculation. This issue is explained in a Technical Paper\textsuperscript{14} accompanying the Government’s Pathways to Work strategy:

“… given the circumstances that arose in the wake of the pandemic, Government decided to allow young students (who would not usually be counted as unemployed, as they are not in the labour force) to receive the Pandemic Unemployment Payment (PUP). As a result, this has inflated the youth and overall unemployment figures (COVID-19 adjusted) above what is captured in the traditional International Labour Organisation (ILO) measure, with approximately 38 percent of young people (aged 15-24 years) currently in receipt of the PUP estimated to be students (as at 6 July 2021), or just under 19,000 individuals.”

Those in receipt of payments from the Employment Wage Subsidy Scheme (EWSS) continue to be classed as ‘employed’ and so are not included in the standard estimate.

PUP data

For reference, the number of PUP recipients aged under 25 as a proportion of all PUP recipients has been relatively static since reporting began in April 2020 varying just over 6 percentage points from 19.8% (2 June 2020) to 25.9% (25 May 2021). The number of PUP recipients aged <25 on 6 July 2021 (the most recent data) is $50,437$ or 22.8% of all PUP recipients in the State, the lowest since 6 October 2020. According to the Government’s Pathways to Work Technical Paper (above), just under 19,000 of these are estimated to be students.

Figure 6: PUP recipients aged under 25 and PUP recipients aged under 25 as a proportion of all PUP recipients in the State

Source: L&RS based on Department of Social Protection – COVID-19 Statistics.
Conclusion

Measuring youth unemployment is inherently complex but, as recent data illustrated and analysed in this Note shows, the phenomenon is evidently sensitive to changing economic conditions. Several rates (or ratios) purport to reflect the ‘true’ state of youth unemployment and, as such, all rates should be treated with caution with due and appropriate regard to the underlying criteria applied and methodology i.e. treatment of the ‘target’ youth group (numerator) and the population (denominator).

In the last decade, Ireland’s traditional/standard youth unemployment rate had gradually declined but this downward trend has been interrupted by the onset of the Covid-19 pandemic and, though the data shows recovery, it has not yet returned to pre-pandemic levels or even to a consistent downward trend due to the reintroduction of ‘Level 5’ lockdown measures in 2021. The average monthly rate in 2021 to date (January-July) is 17.9%. The Government, in its recently published Pathways to Work Strategy 2021-2025, has committed to reducing this to 12.5% by 2023. An adjusted supplementary measure produced by the CSO, which attempts to account for the ‘true’ impact of the Covid-19 pandemic, suggests a significantly higher youth unemployment rate (31.7% in July 2021). However, eligibility for access to the PUP is broader than general unemployment schemes meaning that full-time students are also eligible where they would otherwise not be.

However, the traditional rate captures only economically active youth, including those in full-time education and ignores economically inactive youth (who may be potential labour market entrants). A broader (and better) measure includes youth not in employment, education and/or training (NEETs). For the past 10 years, Ireland’s NEET rate (for those aged 15-29) has similarly gradually declined and compares broadly (and favourably) to the EU-27 and OCED averages. In 2020, Ireland’s NEET rate was 13.4%.

Suggested further reading

- Eurofound, 2021. NEETs.
- Global Strategic Development Goal (SDG) Platform – 8.6.1 Youth not in Education, Employment or Training (NEET).
As clarified by the CSO, the data series is concurrently seasonally adjusted to correct for typically seasonal patterns.

A youth is considered to be in education or training if any of the following apply (1) They are enrolled on an education course and are still attending or waiting for term to (re)start; (2) They are doing an apprenticeship; (3) They are on a government supported employment or training programme; (4) They are working or studying towards a qualification; or (5) They have had job-related training or education in the last 4 weeks. See: Office for National Statistics, 2015. *Statistical Bulletin: Young People Not in Education, Employment or Training (NEET).* August 2015, p.2.

There is significant debate about whether the youth unemployment rate or ratio should be used to provide a more accurate picture of the extent of youth unemployment. Both the CSO and Eurostat give primacy to the youth unemployment rate in their publications.

See [https://sdg.tracking-progress.org/indicator/8-6-1-youth-not-in-education-employment-or-training-neet/](https://sdg.tracking-progress.org/indicator/8-6-1-youth-not-in-education-employment-or-training-neet/)

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**Notes:**

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5. See [https://sdg.tracking-progress.org/indicator/8-6-1-youth-not-in-education-employment-or-training-neet/](https://sdg.tracking-progress.org/indicator/8-6-1-youth-not-in-education-employment-or-training-neet/)
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