



Box D:

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Measuring and Forecasting the Unemployment Rate during COVID-19

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The “**unemployment rate**” is calculated as the number of **unemployed** persons as a percentage of the total number of persons in the **labour force**. Because of the unprecedented nature of COVID-related job losses, there are measurement difficulties with respect to both of these definitions.

These difficulties can be illustrated by considering the definition of both taken from ILO (2020):

- **Unemployed:** To be considered as unemployed, all persons must satisfy each of the following criteria: a) without work during the reference period, i.e. were not in paid employment or self-employment; b) currently available for work, i.e. were available for paid employment or self-employment during the reference period; and c) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.
- The **Labour Force** is the sum of the number of persons employed and the number of persons unemployed. Thus, the measurement of the unemployment rate requires the measurement of both employment and unemployment.

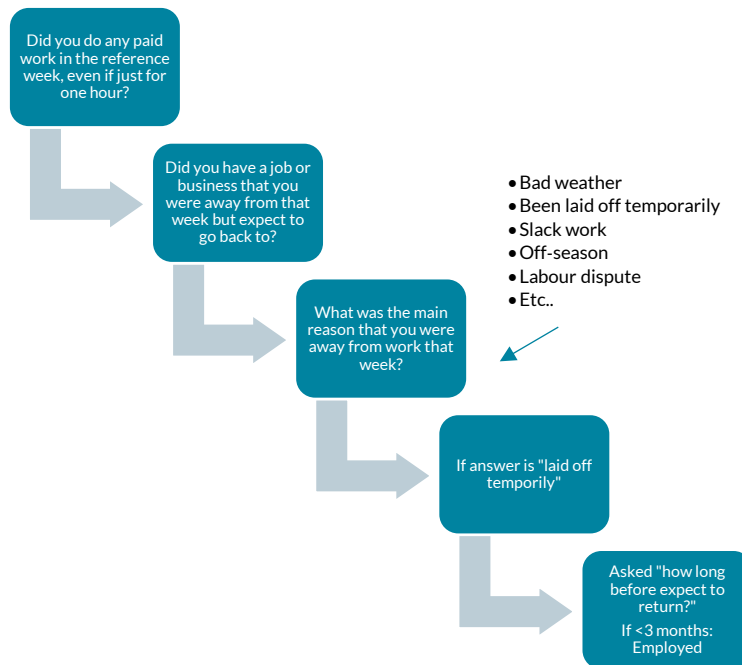
The nature of COVID-19 related unemployment presents particular challenges for statisticians in attempting to measure who is employed and who is unemployed.

For example, Labour Force Survey respondents in receipt of the Pandemic Unemployment Payment (PUP) would have answered a series of questions along the lines outlined in the diagram in Figure A to determine their ILO status. PUP recipients, by definition, have a reasonable expectation of returning to work within a three month period. As a result, they are classified as “employed”.

¹ Irish Economic Analysis Division



Figure 1: Labour Force Survey Questions



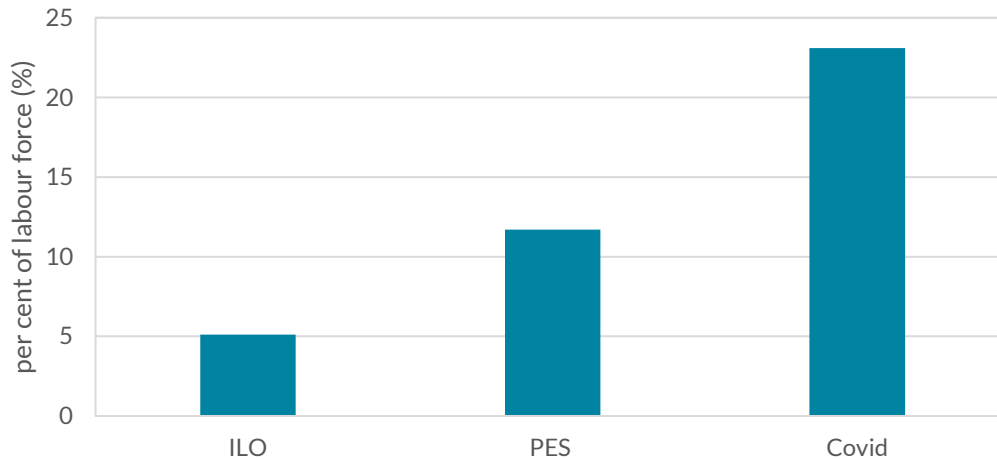
Source: CSO

Because of this classification, the standard unemployment rate for the second quarter only increased to 5.1 per cent compared with 4.7 per cent in the first quarter (Table 1). This is despite the fact that the monthly COVID-adjusted unemployment rate averaged 27.3 per cent during the same period. Unfortunately, the COVID-adjusted rate is not a perfect measure either. It is calculated by adding all of those in receipt of the PUP to the number who are unemployed, less any overlap with other income support schemes.² Some of these workers would not ordinarily be classified as “unemployed” in the official definition, as they may be casual employees, certain types of part-time workers and students, who would not be measured in the official definition. In light of this, perhaps a more appropriate measure of the true unemployment rate comes from survey respondents’ own description of themselves, the “principal economic status measure”. By this count, approximately 11.7 per cent of the working age population are unemployed (Figure 2).

² The monthly COVID-adjusted unemployment rate excludes any overlap between PUP and Live Register recipients. See [Technical Note for Monthly Unemployment and COVID-19 Adjusted Estimates – August 2020](#) for details



Figure 2 – Unemployment by measurement type (Q2 2020)



Source: CSO and Authors' calculations
Note: PES is the Principal Economic Status.

Key Results from Q2 2020 Labour Force Survey:

	Q2 2020	Pre-COVID (Q4 2019)
Unemployment Rate	5.1	4.7
Unemployed Persons	118,700	110,600
Employment Rate	65.7	70.2
Employed Persons	2,222,500	2,361,200

Source: CSO

As the income support schemes are phased out in 2021, the standard measure and the COVID-adjusted measures of unemployment will converge. As part of the July Stimulus Package, the PUP scheme has been extended to end-March 2021. There is a restriction on new entrants from end-December 2020 and a staggered decrease in the payment towards the standard jobseeker payment of €203 from 17 September to end-March 2021. The TWSS has also been replaced by the Employment Wage Subsidy Scheme (EWSS), a dual flat-rate subsidy scheme. The eligibility criteria for this scheme are more restrictive, including monthly compliance checks to ensure a turnover loss of 30 per cent or more relative a year ago. If a firm's turnover increases above the threshold, they may no longer be eligible for the EWSS. Our assumption is that this will increase the number of layoffs, particularly within sectors with a less favourable economic outlook.³

³ See Keenan and Lydon (2020) "Wage Subsidies and Job Retention" Central Bank of Ireland Economic Letter (forthcoming) 2020



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At the end of the scheme in March 2021, workers currently in receipt of the PUP will be dispersed across different classifications:

- Many will return to employment, as the firm they worked for reopens and they are rehired (potentially using the EWSS)
- Some will become unemployed in the strict definition, as their firm has gone out of business or lays them off permanently.
- Importantly, many will transition into the “outside the labour force” category.

Our unemployment rate forecast has thus been revised compared with the previous Bulletin to reflect the standard ILO unemployment rate. This results in a substantial increase in the ILO unemployment rate in 2021 to 8 per cent. On a COVID-adjusted basis, this would average 15.1 per cent in 2020 and 11.1 per cent in the first quarter of 2021.