

Understanding Unemployment Insurance Claims and Other Labor Market Data During the COVID-19 Pandemic

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Comments and suggestions welcome

Abstract

Weekly data on claims for unemployment insurance (UI) provide the highest-frequency official statistics on the state of the labor market and can be especially useful for understanding turning points in macroeconomic conditions. Monthly data on employment from the Current Employment Statistics program (the “establishment survey”) and the Current Population Survey (the “household survey”) provide additional detail on affected workers, industries, occupations, and regions, but with a longer lag. However, the nature of the COVID-19 pandemic and the policy response make interpreting these statistics more difficult than usual. This document poses and answers several questions to help readers understand new releases of UI claims and other labor market data.

*Email: kjrinz@gmail.com. All errors and opinions are mine alone. This document will be updated as necessary. The current version can be found at http://kevinrinz.github.io/covid19_labordata.pdf.

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1 How many people have filed for UI because of COVID-19?

As I write this, we have data on initial claims for UI from three weeks that were completely or partially affected by widespread “social distancing” measures that have lead to the (at least) temporary closure or reduced operation of many business: the weeks ended March 14, 21, and 28. Table 1 below shows the number of initial claims received each week, as well as estimates of how many claims might have been filed in the absence of the COVID-19 pandemic under a few different sets of assumptions.

Table 1: Initial Claims for UI Filed Due to COVID-19

| Week Ended | Actual Initial Claims (NSA) | Counterfactual Initial Claims (NSA) | | |
|-----------------|-----------------------------------|-------------------------------------|-------------------|-------------------------|
| | | 2/2020 Average | 3/2019 Average | Projected March 2020 |
| March 14 | 251,416 | 213,808 | 189,378 | 188,359 |
| March 21 | 2,920,160 | 213,808 | 189,378 | 186,250 |
| March 28 | 5,823,917 | 213,808 | 189,378 | 184,773 |
| Total | 8,995,493 | 641,424 | 568,133 | 559,382 |
| Due to COVID-19 | | 8,354,069 | 8,427,360 | 8,436,111 |

Note: Figures in the “Actual Initial Claims (NSA)” column are the total claims filed for regular state programs, not seasonally adjusted, as of the April 2, 2020 release. Figures in “2/2020 Average” average column are based on the average of all weeks ended in February 2020. Figures in the “3/2019 Average” column are based on the three weeks in March 2019 that correspond to the weeks considered here. Figures in the “Projected March 2020” column are estimated using the number of initial claims filed in the week ended March 7, 2020 and the seasonal factors for the three weeks considered, assuming no deviation from the expected seasonal pattern.

About 9 million people have filed initial claims for UI in the last three weeks. However, some number of people would have filed for UI during these weeks under ordinary circumstances. We have no way of knowing how many people that would have been, but a few reasonable approaches to guessing indicate that about 600,000 total initial claims would have been filed during this period absent the pandemic. Therefore, about 8.4 million additional claims have been filed in the last three weeks beyond what we might have expected to see. Causal inference is a tricky business, but this seems like a reasonable guess as to the change in initial claims due to COVID-19.

2 I’ve seen news reports with bigger numbers than that. What are those numbers?

Larger numbers are probably generated by a combination of 1) not subtracting out the claims that would have been filed anyway, and 2) considering the seasonally adjusted number of initial claims filed each week. As the table above shows, not subtracting out claims that would have been filed anyway reduces the total number of claims filed by about 600,000. Using seasonally adjusted (SA) numbers instead of not seasonally adjusted (NSA) numbers increases the total by 1.24 million. So you might have seen numbers up to about 10.2 million that are based on interpreting real data somewhat differently. The differences between 8.4 million, 9 million, and 10.2 million are large in some senses and small in others, but whichever number you go with, a lot of claims were filed in the last few weeks.

3 Seasonal adjustment? What? Which UI numbers should I be paying attention to?

Good question. The short answer is that you should primarily be paying attention to the not seasonally adjusted numbers.

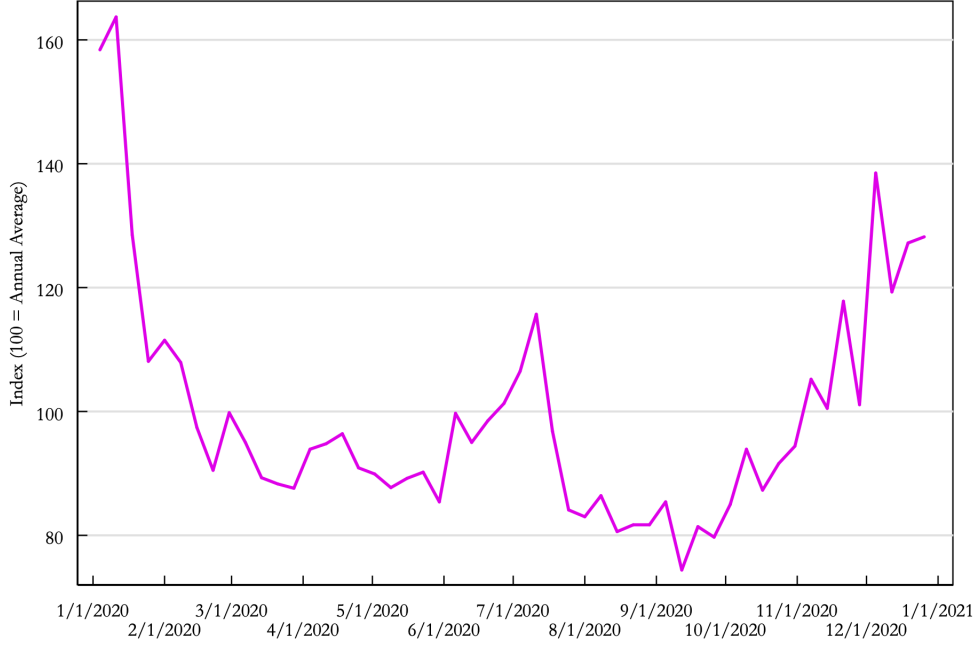
The long answer involves first asking another question: what is seasonal adjustment and why do we do it?

Many kinds of economic activity follow distinct seasonal patterns that are pretty consistent year after year. For example, a large number of people are hired in the run-up to the holiday shopping season every year, and then laid off after Thanksgiving, later in December, and at the beginning of the new year. This results in consistently higher than average levels of initial claims for UI in December and January. Figure 1 shows the Employment & Training Administration (ETA)’s expected weekly pattern of initial claims for unemployment insurance over the course of 2020.¹

To help data users understand when changes in a given series are unexpected, we “seasonally adjust” the data by taking out the changes we expect to happen throughout the year. In the case of UI initial claims, this is done by dividing the number of claims actually received each week (the not seasonally adjusted, or NSA number) by a decimalized version of the index plotted in Figure 1, also known as the “seasonal factors” (SF) for initial claims, to get the seasonally adjusted (SA) number of claims:

¹Estimating these seasonal patterns is complicated in general and can be especially difficult for weekly data, since several holidays do not have the same date every year. An example of work on this subject done by researchers at the Federal Reserve and the BLS can be found [here](#).

Figure 1: Expected Seasonal Pattern of Initial Claims for Unemployment Insurance, 2020



Source: United States Department of Labor, Employment & Training Administration, seasonal factors used in seasonal adjustment of initial claims for unemployment insurance (<https://oui.doleta.gov/unemploy/claims.asp>)

$$SA = \frac{NSA}{SF/100}$$

If the seasonal factors predict a 20 percent decline in initial claims between one week and the next, and NSA initial claims in fact decline by 20 percent, the SA number of claims for the two weeks will be the same, indicating that expected seasonal patterns account for the full change in initial claims between the two weeks. Going in the other direction, if the SA number of claims increases by 10,000 between week one and week two, that means that the change in initial claims between the two weeks was 10,000 claims larger than expected.

The expected seasonal pattern of initial claims includes weeks that range from about 60 percent above the average weekly number to about 25 percent below it in 2020. March, April, and May generally see fewer initial claims than the average week (i.e. the seasonal factors for these weeks are less than 100), so the seasonal adjustment process scales the NSA claims totals up by about four to 17 percent, depending on the week. But of course, the seasonal adjustment algorithm did not predict the global COVID-19 pandemic. Initial claims for the week ended March 21 were more than 1100 percent higher than the prior week, and they were nearly another 100 percent higher still for the week ended March 28.

The magnitude of the real change in economic activity that has accompanied the social distancing measures taken across the country completely swamps the magnitude of normal seasonal changes, and it is clearly driven by non-seasonal COVID-19-related precautions. Applying seasonal adjustment to the data in this context arguably inhibits our ability to understand the underlying activity rather than enhancing it. For this reason, we should primarily be paying attention to NSA claims data.

Another reason to focus on NSA claims data has to do with the multiplicative nature of the seasonal adjustment procedure that is used in this setting. During the spring in recent years, seasonal adjustment has typically increased the NSA initial claims total by up to roughly 10 to 15 percent, adding (sometimes much) less than 30,000 claims per week to a base of roughly 200,000 to 300,000 claims. This is not an especially large number of claims in absolute terms. But this spring, with millions of NSA claims filed per week, the absolute number of claims “added” by the same 10 to 15 scaling up can be quite large. In the week ended March 28, the SA initial claims total was more than 800,000 greater than the NSA total. Differences of this magnitude can be meaningfully misleading, especially when aggregated over several weeks.

4 Do you have to be unemployed to get UI? Or get UI to be unemployed? I’m confused.

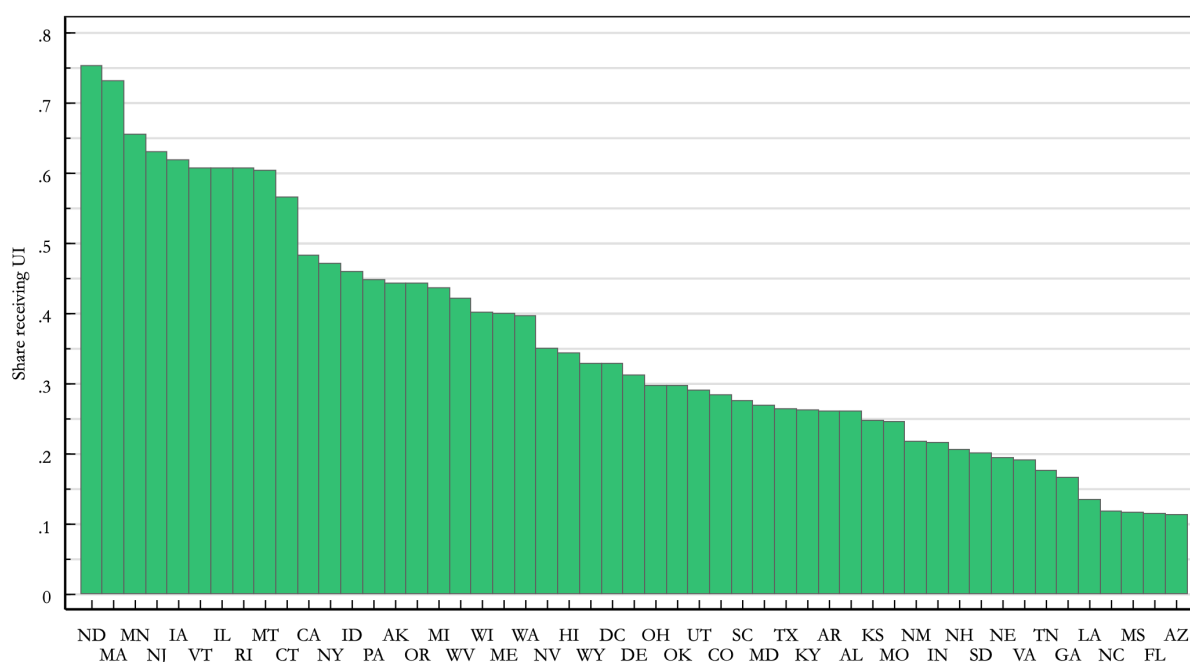
I understand, and I’m here to help. Despite using the same word, fitting the formal definition of “unemployed” and receiving unemployment insurance are distinct concepts determined by completely different entities. You do not have to be formally unemployed in order to receive UI, nor do you have to receive UI in order to be considered unemployed.

In order to be officially counted as unemployed, you must 1) not have a job, but be available for work, want a job, and be actively searching for one, or 2) be on temporary layoff from a job. If you don’t have a job, how you ended up without a job (i.e. whether you got laid off, quit, started looking for work after completing school, returned to work after caring for a relative, etc.) does not figure into whether you are technically unemployed; all that matters is whether you can and want to work, and that you are actively looking for a job. This definition is determined by the Bureau of Labor Statistics (BLS) and goes back to at least 1948.

In general, in order to receive unemployment insurance benefits, you have to satisfy the requirements set by the state in which you work. There is a lot of variation across states in these requirements, but some types are used consistently. States typically require that

UI recipients be on temporary layoff or have lost their job through no fault of their own (i.e. they cannot have quit or been fired for cause), be actively looking for work, and have had sufficiently high earnings over some period prior to applying for UI.² In some cases, workers who have seen their hours reduced but who have not been laid off can receive benefits through their state's UI system. Certain categories of workers (e.g. gig workers, independent contractors, self-employed workers, who do not pay the employer-side payroll tax that finances the UI system) are generally not eligible for UI benefits even if they meet the job search, no-fault, and earnings history conditions laid out for traditional employees.

Figure 2: Share of Unemployed Workers Receiving UI, February 2020



Source: U.S. Bureau of Labor Statistics and U.S. Employment and Training Administration. Figure plots mean continuing claims for unemployment insurance for weeks ended in February 2020 divided by the total number of unemployed workers for that month in each state.

Given these two sets of rules, there are some clear groups who can be considered unemployed but generally cannot receive UI (e.g. people who quit their previous jobs, gig workers). Similarly, there are other, generally much smaller groups who can receive UI benefits but cannot be considered unemployed (e.g. workers whose hours have been reduced). The [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) has broadened UI eligibility rules during the COVID-19 pandemic, so some additional groups of unemployed

²More information on state UI laws can be found [here](#).

workers may become temporarily eligible for UI, but in general, fitting the formal definition of unemployed is neither necessary nor sufficient to receive UI benefits, and vice versa.

On top of eligibility, there is the issue of take-up. No one is required to file for UI benefits. As Figure 2 shows, it is far from the case that all unemployed workers receive UI. Between differences across states in eligibility and take-up, the share of unemployed workers actually receiving UI in February 2020 ranged from only 11 percent in Arizona and Florida to about 75 percent in North Dakota, with 40 states and the District of Columbia below 50 percent. The set of people receiving UI while continuing to work reduced hours is small enough during this period to ignore for the sake of this comparison.

5 How does the CARES Act change UI eligibility during the COVID-19 pandemic?

This is actually two questions: 1) what does the CARES Act say about who is eligible for UI during the COVID-19 pandemic, and 2) how will the Department of Labor (DOL) and state UI agencies implement the law?

Let’s deal with the letter of the law first. The CARES Act creates the Pandemic Unemployment Assistance (PUA) program to provide UI benefits to workers who need support due to the pandemic but do not meet traditional eligibility requirements for regular state programs. This includes otherwise eligible workers who have limitations or responsibilities imposed by the pandemic that prevent them from meeting some requirements of regular state UI programs (e.g. those who are unavailable for work due to caregiving responsibilities, those who quit their jobs because of the pandemic, those who are sick themselves), as well as workers who would generally not be eligible for regular UI benefits (e.g. those who are self-employed or have insufficient work histories).³ As enacted, the PUA program provides up to 39 weeks of coverage and lasts through the end of calendar year 2020. If the law is read broadly, PUA could cover a very large share of people who have been unable to work due to the COVID-19 pandemic.⁴

Whether it actually will or not depends on how it is implemented. There are signs that DOL will not make PUA benefits as accessible as they could be. For example, in [guidance issued April 5](#) and described by some observers as “[narrow](#)”, the department points out that individuals who are eligible for PUA because they are providing care for children who are at home because their schools have closed are no longer in that situation once the date that the school year was scheduled to end has passed. It also points out that “Generally, an employee

³For full details, see section 2102(3) of the law.

⁴Notably, undocumented immigrants are [not eligible](#) for regular UI benefits or PUA.

‘has to quit’... only when ceasing employment is an involuntary decision compelled by the circumstances identified in the section,” suggesting that quitting because one merely feels uncomfortable or unsafe continuing to work may not be sufficient for PUA eligibility. The guidance also implies that, for gig workers like Uber or Lyft drivers, lack of demand for services may not be sufficient for PUA eligibility, suggesting instead that such workers might be eligible if orders by local authorities force them to suspend operations.

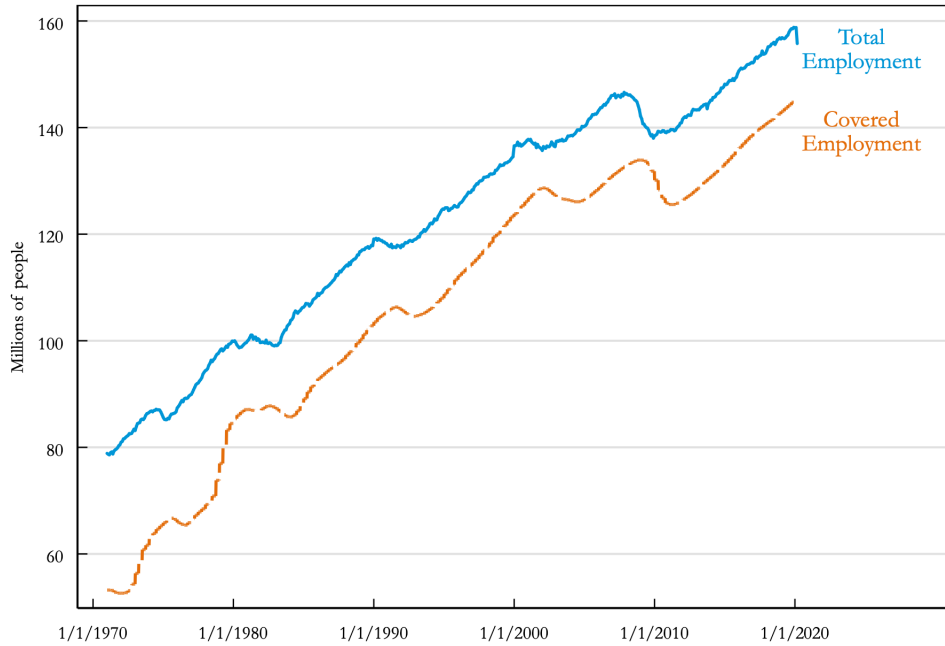
It remains to be seen how states implement this guidance. So far, states have reported problems handling both the [volume of claims](#) and the [changes in eligibility](#).

6 Does the CARES Act change how we should interpret UI claims data?

Mostly no, but a little bit yes. The weekly UI claims data release will continue to report the number of people filing claims under regular state programs, which is the type of program that essentially all claims have been filed under so far. In the past, claims filed under special federal UI programs, such as the Emergency Unemployment Compensation (EUC) program during the Great Recession, have been reported on a separate line in the weekly release. ETA is expected to follow a similar practice with the Pandemic Unemployment Assistance program, with PUA claims expected to start showing up in releases in mid-April. When that happens, getting the total number of claims filed each week will involve adding up numbers from a couple different lines. That’s pretty simple, though. I don’t think you’ll get confused by that. I believe in you. This is all the “mostly no” part of the answer. One UI claim is still one UI claim, whichever line of the release it appears on.

Now for the “a little bit yes” part. Since the pandemic started, the set of people who can claim UI has been basically fixed. As mentioned above, the set of people who can claim UI is smaller than the set of people who work. Figure 3 plots trends in the number of people who report being employed in the CPS and the total number of people who could potentially claim UI if they were to lose their jobs and met their state’s other eligibility requirements (this is called “covered employment”). The gap between these two lines is typically millions of people. The CARES Act both extends UI eligibility to people in that gap and eases requirements (like earnings history and job search requirements) that prevent covered employees from being eligible. Combined, these changes could make UI benefits accessible to many millions of additional workers. Going forward, once these eligibility expansions are put into practice, additional claims represent not just increased take-up among previously eligible workers, but also take-up among newly eligible workers. So, more claims of course

Figure 3: Total vs. Covered Employment



Source: U.S. Bureau of Labor Statistics, Employment Level [CE16OV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CE16OV>, April 6, 2020; U.S. Employment and Training Administration, Covered Employment [COVEMP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/COVEMP>, April 6, 2020.

still reflect additional beneficiaries, but keep in mind the larger pool of potential claimants if making comparisons over time.⁵

7 Are there any other significant UI-related provisions of the CARES Act?

For people who are eligible for UI benefits under regular state programs, the CARES Act provides \$600 per week on top of their normal weekly benefit. This supplement is available for up to four months. This provision was designed to increase the share of lost earnings replaced by UI benefits. It may prove especially helpful to workers who ordinarily receive tips, whose regular benefit calculation may not have fully captured their usual earnings. The CARES Act also pays the first week of UI benefits for states that waive any waiting periods they may ordinarily have in place before claimants start receiving benefits, which should

⁵In general, it is always wise to consider how the set of potential claimants is changing when making comparisons between UI claims numbers from substantially different time periods.

help get money into people’s hands more quickly.

Another program the CARES Act aims to enhance is the Short-Time Compensation (STC) program. STC allows businesses to create plans to reduce workers hours rather than laying them off, with the UI system replacing some of workers lost earnings. The CARES Act provides funds to both cover benefits paid under STC programs and help states set them up during the COVID-19 pandemic. STC programs could prove especially useful during the recovery from the pandemic because they allow businesses to maintain connections with their workers while providing workers with financial support during times of decreased demand. These connections between businesses and workers could help economic activity return to normal more quickly once shelter-in-place restrictions are lifted. STC claims also appear on their own line in the weekly UI release, so if states expand existing programs or set up new ones, we will be able to see how many employment relationships they have helped maintain.

8 What if the economic fallout from the pandemic lasts longer than the assistance provided by the CARES Act?

If the pandemic results in a long period of high unemployment, the Extended Benefits (EB) program will kick in to provide additional weeks of UI benefits to workers ordinarily covered by regular state programs. The EB program “triggers on” in a state when its unemployment rate crosses a certain threshold and provides up to 20 additional weeks of UI benefits.

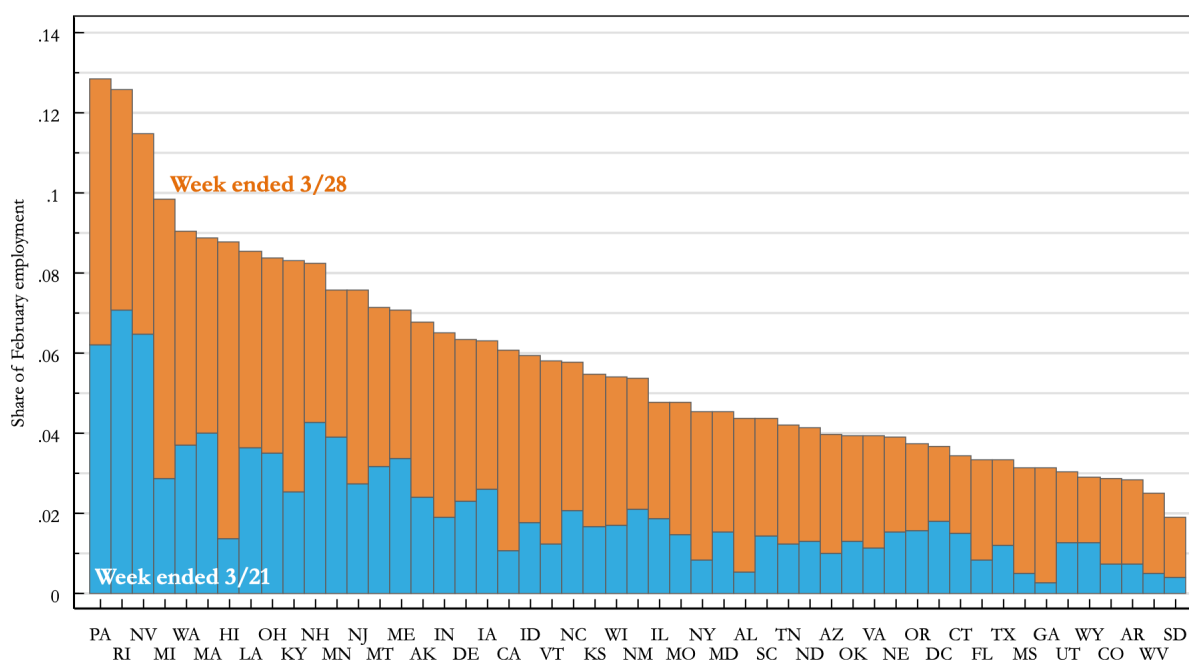
The EB program does not automatically continue the additional assistance provided by PUA if the unemployment rate rises and remains high. For those benefits to continue, Congress would have to take further action. I’m not here to forecast what Congress will do. However, in every recession going back to 1972, Congress has created and then also extended a special federal UI program to provide benefits beyond those provided by states and EB.⁶ The EUC program created in 2008 was revised or extended 13 times before it lapsed at the end of 2013.

⁶See Appendix Table 1 [here](#).

9 Is the number of UI claimants a good proxy for the number of people economically affected by COVID-19?

Right now, you can think of the sum of initial claims for UI since the week ended March 14 as roughly our best available lower bound on the number of people economically affected by COVID-19. As discussed in previous questions, some affected people may not be eligible for regular UI benefits, may not have attempted to file yet, or may not have been able to complete their filing due to overwhelmed state UI offices. Moreover, people may be suffering economically due to the pandemic without having lost their jobs.

Figure 4: Cumulative Initial Claims, Weeks Ended March 21 and March 28



Source: U.S. Bureau of Labor Statistics and U.S. Employment and Training Administration. Figure plots initial claims for UI from weeks ended March 21 and March 28 in each state divided by the total number of employed workers in each state from February 2020.

If we want to focus on the narrower question of how many people have been laid off due to COVID-19 (as distinguished from the first question in this document, how many people have filed for UI because of COVID-19), the initial claims data received so far still probably represent something like a lower bound. Eligibility is again a consideration, but even setting that aside, states' limited abilities to process the overwhelming volume of incoming UI claims

over the last two weeks leaves us with an incomplete picture of how many people have been laid off and are trying to file for UI, so far unsuccessfully. Because UI systems and the ability to process claims differ across states, this is an especially important consideration when comparing UI data across states. As Figure 4 shows, there is enormous variation across states in the number of claims processed in late March as a share of the prior month's employment. These numbers look especially bad for Pennsylvania, which lost nearly 13 percent of employment in two weeks by this measure.

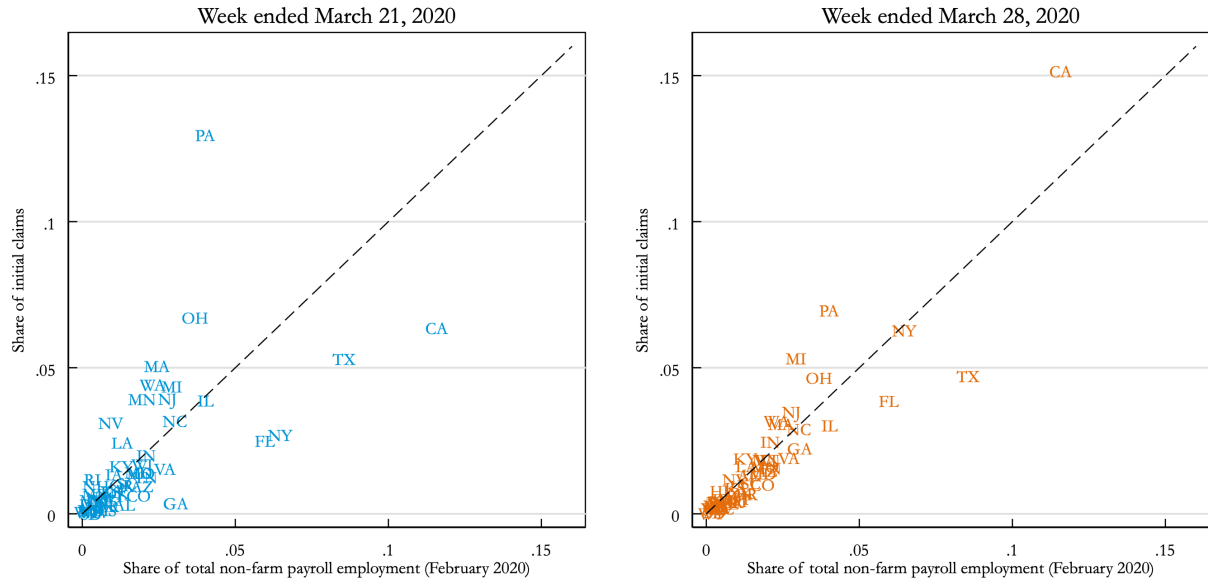
However, given that the industries most severely impacted during the early stages of the pandemic (food services and retail) are not especially concentrated in any particular states, let alone those that appear to be hit hard according to this measure (indeed, these industries are fairly geographically diffuse and tend to be located wherever there are people), it's reasonable to wonder whether states like Pennsylvania have in fact been especially hard hit or if instead they have been especially effective at processing claims. Figure 5 compares states' shares of initial claims in March to their shares of employment in February one week at a time and reveals that several of the states that appear to have lost the greatest shares of employment in Figure 4, including Pennsylvania, accounted for disproportionately large shares of total initial claims given the size of their work forces. Coupled with media reports of relatively effective processing in states like [Pennsylvania](#) and relatively ineffective processing in states like [Florida](#), which has reported fewer claims than expected based on employment, these figures suggest that processing capacity may play a major role in differences across states so far.

10 How high will the unemployment rate get?

The unemployment rate will probably get pretty high. Jobs data released last week showed the unemployment rate increasing by 0.9 percentage point to 4.4 percent in March. These data were collected during the week ended March 14, a period during which initial claims for UI increased relatively modestly given subsequent developments. This already fairly large increase in the unemployment rate will be much larger still when data that capture the millions of people laid off over the last three weeks are collected in April. The unemployment rate for April will be released May 8. Some estimates indicate that, if we could measure the unemployment rate in closer to real time, it would already be above [13 percent](#) today. Other forecasters have projected that the highest measured unemployment rate this year will be as low as [12](#) to [15 percent](#) and as high as [32 percent](#).

Perhaps more important than how high the unemployment rate will get is what it means in this context, and that's hard to say exactly for a couple of reasons. At least some of the

Figure 5: State Initial Claims Shares vs. Employment Shares



Source: U.S. Bureau of Labor Statistics and U.S. Employment and Training Administration. Figure plots each state's share of total initial claims for UI from weeks ended March 21 and March 28 against its share of total payroll employment from February 2020.

variation in unemployment forecasts is driven by different assessments of how many people who stop working due to COVID-19 will be counted as unemployed. As discussed above, not everyone who loses a job or files for UI will be considered as unemployed, and the CARES Act did not change the formal definition of unemployment. In particular, shelter-in-place orders and social distancing measures will likely prevent many people from searching for jobs. These people will likely be considered “not in the labor force” rather than unemployed.

Additionally, some people who remain attached to their employers but are not actively working will be considered employed but absent from work. The number of people in this category often spikes after major natural disasters that keep people away from their jobs, like Hurricanes Sandy or Katrina. BLS was aware of this phenomenon when it was collecting jobs data for March and issued instructions to surveyors to try to make sure people kept away from jobs they still hold by COVID-19 would be classified as “on temporary layoff” (a category that counts as unemployed) rather than employed but absent from work. However, once the data were tabulated, they discovered that if people who were classified as employed but absent from work for what appear to be COVID-19-related reasons had been classified as unemployed (as BLS instructed), the overall unemployment rate would have been about one percentage point higher (i.e. it would have been about 5.4 percent in March rather

than 4.4 percent). To make an already muddled situation potentially more confusing, these employed-but-absent workers will be eligible for UI, adding to the group of non-unemployed UI recipients without contributing to the unemployment rate. The increase in UI claims from this group will likely be much smaller than increases in other types of claims.

The March experience indicates that people who are not working due to COVID-19 will show up as unemployed, out of the labor force, and employed but absent from work, potentially in roughly equal proportions. As a result, the unemployment rate will likely go up substantially, but it won't tell the whole story or capture nearly the full number of people affected by the pandemic.

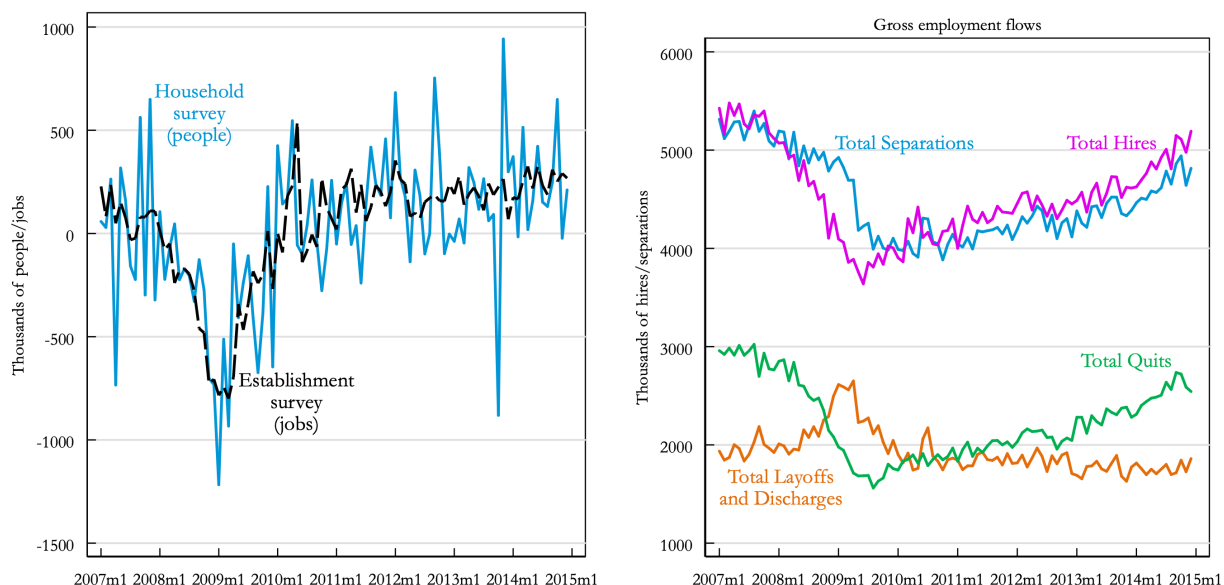
11 What's the best way to estimate how many people have lost work due to COVID-19?

This is a really hard concept to measure since there are a lot of moving pieces and it's hard to know what would have happened in the absence of the pandemic. But in general, there are two types of measures of how many people have lost work or how many jobs have been destroyed due to COVID-19: net job loss and gross job loss. Even in deep recessions, some of the people who lose jobs find work elsewhere. It's possible that shelter-in-place orders and social distancing measures will reduce job finding in the coming weeks and months by more than a typical (or even a severe) recession, but it won't drive it to zero. Adding up the number of people who get laid off or file for UI (measures of gross job loss) could overstate the number of people who remain without work, since some of them will find other jobs.

Another approach to measuring lost work is to look at how the number of people employed has changed since before the pandemic hit. This is a measure of net job loss. People who have lost their jobs and found new ones since the pandemic started don't figure into it. As a result, measures like this will understate the number of people who have had their economic lives disrupted in some way by the pandemic. Figure 6 presents net and gross measures of monthly changes in various employment measures during and after the Great Recession for illustrative purposes. Note that gross flows into and out of employment are much larger than the net changes in employment levels that they generate each month. Adding up gross measures over time will therefore result in still larger totals than does adding up net measures over time.

Depending on the question you're trying to answer, a gross or a net measure may be appropriate. For a gross measure, adding up total job separations as measured by the Job Openings and Labor Turnover Survey (JOLTS) is a good option. You might be primarily

Figure 6: Net vs. Gross Employment Changes During and After the Great Recession



Source: U.S. Bureau of Labor Statistics. Note that quits and layoffs/discharges are components of total separations.

interested in layoffs, which JOLTS also measures, but the pandemic may well also induce quits, so the broader measure might be more appropriate. The major limitation of JOLTS data is that it is only released monthly and on an even longer lag than jobs data (estimates for March will not be available until May 15). For a more timely gross measure, adding up initial claims for UI works well. Either way, as discussed above, remember that some number of layoffs, separations, UI claims, etc. would have happened even if the pandemic had not, so subtracting those off to the extent possible can provide a more accurate picture of the number of people affected by the pandemic.

For a net measure, tracking changes in the number of people employed *and at work* will give a clearer picture than tracking changes in the number of unemployed people, for the reasons discussed in the previous question. It will also capture effects on independent contractors and self-employed workers in a way that looking at changes in payroll employment will not. Last week's jobs data showed that the number of people employed and at work fell by 3 million from February to March, the largest one-month absolute decline on record.⁷

⁷Note that this is based on the seasonally adjusted employment level from the household survey. The NSA change in employment is very similar. Lower frequency (here, monthly) data are not as difficult to seasonally adjust as weekly data, [seasonal adjustment methodology](#) for employment levels is different from the one used for UI claims. So far (i.e. in March), observed employment changes are comparable in magnitude to the largest expected seasonal changes in employment and the differences between SA and NSA estimates are

Adding in the roughly one percent of the labor force that should have been counted as unemployed on temporary layoff rather than employed but absent from work brings the total reduction in employment *at work* to 4.6 million.

If you're inclined to include people working reduced hours among those losing work, the number of people working part time for economic reasons (i.e. involuntarily) increased by 1.4 million in March, bringing the total number of people affected to 6 million under this net measure. Again, remember that these survey data were collected during a week in which only about 40,000 to 60,000 more UI claims were filed than expected.

12 I've heard a lot of comparisons between the current situation and the Great Recession or the Great Depression. Are things really that bad?

The number of initial claims for UI received so far certainly suggests that we're in uncharted territory, and some of the projections mentioned above put us in Great Recession/Depression territory in terms of unemployment. The onset of our current situation has certainly been faster than the arrival of previous recessions. UI claims, for example, have increased much more quickly than at the beginning of the Great Recession. The 700,000 jobs decrease in payroll employment from February to March combined with the millions of UI claims filed in late March suggest we may in fairly short order see a larger net employment loss than we did during the Great Recession, though the data needed to make an apples to apples comparison are not yet available. In general, we should avoid making direct comparisons between net (change in the level of nonfarm payroll employment) and gross (cumulative initial claims for UI) measures of employment changes.

There is, however, a pretty fundamental difference between the current situation and those recessions: we are shutting down economic activity on purpose as a public health measure. At this point, how economic conditions evolve and eventually recover after the pandemic is still very sensitive to the policy choices we make. If we see unprecedented reductions in employment or gross domestic product or whatever other measure you prefer over the next few months, but over that same time adopt policies that contain the pandemic, support people and businesses financially, and ease the transition back into normal economic life once the pandemic is over, those losses could be temporary. Would that be as bad as the Great Depression? You can decide for yourself.

small compared to those estimates themselves. We'll see whether this continues to be true as we get more data.

But if we fail to adopt such policies as soon as possible, instead allowing people to suffer material deprivation and businesses to fail as employment plummets, breaking connections between workers and firms, it will be very difficult to return to normal quickly. We know that job loss and recessions have large and persistent negative effects on people exposed to them, worsening their employment and earnings outcomes for years if not decades, increasing mortality, and even harming their children's economic prospects. It is too soon to say whether exposure to a brief period of reduced economic activity, supported by social insurance payments, followed by a strong recovery would have effects like these, but shutting down the economy without appropriate policy support for people and businesses would almost certainly be devastating.

Whether this will be as bad as or worse than the Great Recession/Depression is still up to policymakers, for now. The longer we go without providing support to people and businesses that meets their immediate needs, the more they will have to take steps to adapt to the conditions they currently face, which could impede our return to normal when the pandemic is over. It remains within our power to prevent a lot of this disruption and the human suffering that goes along with it, but that becomes less true as time passes. Further, swift action is urgently needed to prevent the worst from predictions from coming true.

13 If people going to work makes it more difficult to contain the pandemic, isn't a large number of UI claims... actually good?

Whether a large number of UI claims is a good outcome depends on what other policy responses you think were or are possible. Fundamentally, yes, it is better not to have people at work, potentially spreading or contracting the coronavirus.

It is not clear, however, that having those people end up laid off and receiving UI benefits is good compared to other possible outcomes. For example, is a large number of layoffs supported by increased UI benefits better than people remaining connected to their employers, which are given grants or loans to cover [workers' salaries](#) and [other expenses](#)? Better than remaining employed but having salaries paid by the federal government via employers' [payroll processors](#) for the duration of the crisis? Better than remaining employed but receiving [monthly checks](#) directly from the federal government? Each of these arrangements could have helped maintain connections between workers and businesses, potentially accelerating our eventual recovery in a way that layoffs with enhanced UI do not and saving workers from the emotional turmoil associated with losing a job.

If you think these alternatives are technically or politically infeasible, then maybe a large number of UI claims is a good outcome. Given where we are at the moment, it is certainly better that laid off workers claim and receive the available UI benefits than that they not. But if you think a wider range of policy responses was/is possible, it is not at all clear that lots of people ending up on UI is the approach that is most conducive to subsequent economic recovery. Put another way, the response we have seen within the UI system (processing/implementation difficulties aside) has been pretty good. Limiting our policy response to the UI system would probably turn out to be pretty bad.