



May 20, 2020

Getting an Accurate Picture of New Unemployment Claims

The situation is both better and worse than it appears

On Thursday morning at 8:30, the Department of Labor (DOL) will release its report on first-time unemployment insurance (UI) claims for the week ending May 16. It will be the ninth report in the period since parts of the nation went into lockdown, during which well over 30 million Americans have been recorded as filing a new claim. News coverage and analysis likely will cite a firm number—it probably will be wrong, or at least incomplete.

This is a result both of who is or is not counted and how the data are interpreted. For example, the topline number does not include those self-employed and gig workers who filed claims under the new Pandemic Unemployment Assistance (PUA) program recently passed by Congress. More than **840,000 workers filed PUA claims** during the week of May 9. These claims were included in a paragraph and tables in the most recent DOL report, but not combined with regular claims to get an overall number of new filings.

On the other hand, the topline number of new claims includes a “seasonal adjustment,” which dampens fluctuations due to seasonal variations. This makes it easier to see trends and is very helpful in most cases—except during extremely fast and large job losses due to cataclysmic events like the coronavirus pandemic. The upward adjustment applied in the spring substantially inflated the already extremely high number of new claims in recent weeks. The cumulative seasonally adjusted (SA) number of new claims over the past eight weeks is **3 million higher** than the not seasonally adjusted number (NSA).

Some of the best reporting on new unemployment claims has captured these nuances, although they largely remain buried due to the long-standing and in most cases preferred tradition of presenting seasonally adjusted numbers.

Seasonal adjustments inflate the number of new claims in the current crisis

The number of new unemployment insurance claims is particularly important during a period of sudden and massive job loss because the unemployment rate is calculated only monthly and because it omits many who are not employed. This was the subject of a [recent JEC issue brief](#), “*A Look Ahead to First-Time Unemployment Claims and the April Jobs Report*.”

The DOL report has been the subject of intense interest over the past eight weeks because the average number of new claims skyrocketed from approximately **230,000 per week** (unadjusted) from September—February to **an average of 4.2 million** (unadjusted) over the past eight weeks. And as the weekly UI claims have gained new attention, questions have been raised about whether the seasonally adjusted numbers or the not seasonally adjusted claims figures provide a more accurate reading.

Getting an Accurate Picture of New Unemployment Claims

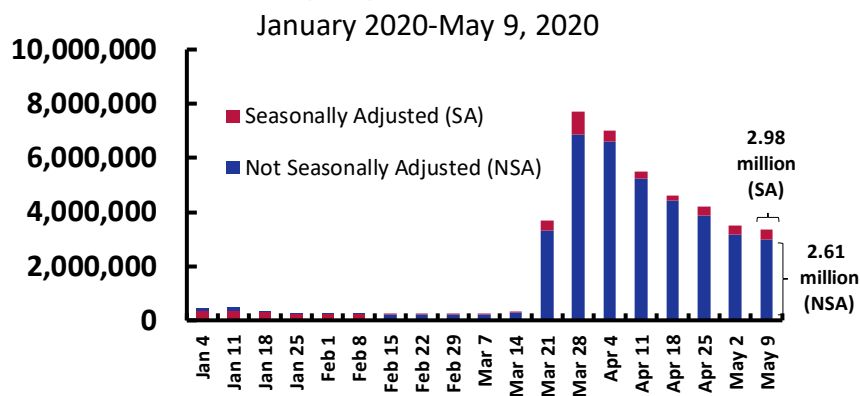
Seasonal adjustment removes well-known seasonal patterns from the data, in order to make less predictable changes more visible. For example, unemployment claims tend to increase after the holiday season when retailers lay off workers that had been hired for holiday shopping. The DOL calculates a seasonal adjustment and reports a number that only reflects the change in the number of claims beyond what would be expected at that time of year. Weeks in March-May, on the other hand, typically have fewer unemployment claims than the average week—so the seasonal adjustment process scales the actual claims higher to get the seasonally adjusted number.

The global pandemic and its impacts on the labor market have little to do with season, so some economists have emphasized that to best understand the dynamics occurring in the labor market, we should use the not seasonally adjusted numbers.¹ In a typical spring week preceding the crisis the seasonal adjustment process adds 10-15 percent to NSA data—or less than 30,000 claims to a typical base of 200,000 to 300,000 claims as recently pointed out by Census Bureau economist Kevin Rinz.²

However, in the current crisis, a 10 percent upward adjustment applied to millions of claims can boost the seasonally adjusted number by several hundred thousand claims each week. In fact, over the eight weeks ending March 21-May 9, **the gap between the seasonally adjusted and NSA numbers is more than 3 million claims**—33.4 million NSA claims compared to the 36.5 million seasonally adjusted figure.³

The NSA numbers tell the real story of the economic damage caused by the pandemic because they count the number of people who actually filed for unemployment.⁴ The seasonally adjusted numbers are cited primarily because that is the way the numbers are always reported—changing methods on short notice would seem to many like changing the way baseball statistics are calculated mid-season.

Seasonally Adjusted vs. Not Seasonally Adjusted Initial Unemployment Insurance Claims



Source: Department of Labor

Pandemic Unemployment Assistance claims should be included when the total number of new claims is cited

The data available from DOL each week are changing. As of May 9, 29 states had begun reporting data on claims for the Pandemic Unemployment Assistance (PUA) program which Congress created as part of the CARES Act to provide unemployment benefits to the self-employed, gig workers, those with insufficient work experience and others who do not qualify for regular unemployment insurance. Information on total PUA claims is now reported weekly by DOL. To get an accurate understanding of how many people are filing for unemployment, those PUA claims should be reported alongside the regular initial claims.

The numbers are sizable. Through April 25, 3.4 million workers had claims processed through the Pandemic Unemployment Assistance program. Since then, another 2.6 million workers have filed PUA claims, including 842,000 workers across 29 states in the week ending May 9.⁵ For context, 840,000 claims is almost four times larger than the average weekly UI claims last year.⁶ As more states come online, the figures may increase, perhaps substantially.

The PUA claims cannot be seasonally adjusted because they have been available only in the past few weeks—consequently, there is no history (thankfully) over several years of data. That fact is, by itself, another reason to use the NSA claims data for regular UI filings so that they can be combined with the PUA numbers to get a total number of workers who filed claims during the week. Combining not seasonally adjusted data with seasonally adjusted numbers could lead to misleading conclusions.

The overall story isn't going to really change: tens of millions of Americans have lost their jobs over an eight-week period. But, it's important to get the numbers right—and to include in the count those who have lost their jobs and filed for unemployment insurance by accessing a new program created by Congress to ensure workers not typically covered by regular unemployment are able to get the economic relief they need to survive this crisis.

¹Heidi Shierholz. "In the last five weeks, more than 24 million workers applied for unemployment insurance benefits." Economic Policy Institute. April 23, 2020. <https://www.epi.org/blog/in-the-last-five-weeks-more-than-24-million-workers-applied-for-unemployment-insurance-benefits/>

² Kevin Rinz. "Understanding Unemployment Insurance Claims and Other Labor Market Data During the COVID-19 Pandemic." May 2020. https://kevinrinz.github.io/covid19_labordata.pdf

³ Department of Labor.

⁴ See EPI for note on correction on CT's initial claims for the week ending May 9. DOL reported that Connecticut first-time claims were 298,680 but the Connecticut Department of Labor reported that the actual number is 29,846 – about 270,000 fewer claims. This is expected to lead to a substantial downward revision of the national UI claims for the week ending May 9. <https://www.epi.org/blog/six-states-saw-increases-in-unemployment-claims-last-week-many-workers-who-are-not-usually-eligible-have-filed-for-unemployment/>

⁵ Department of Labor. <https://oui.doleta.gov/press/2020/051420.pdf>

⁶ Department of Labor. <https://oui.doleta.gov/unemploy/wkclaims/report.asp>