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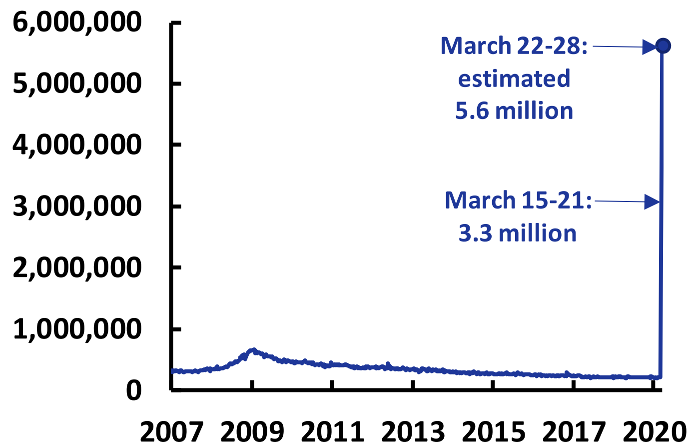
A Second Giant Wave of Unemployment Claims Expected

The Department of Labor will announce Thursday the number of new unemployment claims filed by American workers for the week ending March 28. It is estimated that the figure could exceed the 3.3 million claims filed last week, which was **five times higher** than the 665,000 new filers in the worst single week of the Great Recession.[1] Economists at the Economic Policy Institute, which accurately estimated the number of new claims in last week's report, project that this week they **will rise to 5.6 million.**[2]

The announcement likely will overshadow the upcoming Friday report by the Bureau of Labor Statistics (BLS) on jobs and the unemployment rate for the month of March, which is based on data gathered before March 12th—before the coronavirus hit the United States with full force.[3] Last week's spike in new unemployment claims suggest that the unemployment rate already may have jumped more than two percentage points; another spike **could lift the rate to 8 percent or higher—more than double its recent low of 3.5 percent.** The official unemployment rate reflecting this period won't be released until the next BLS report on May 8.

Initial Claims for Unemployment Insurance

Seasonally Adjusted



Source: Department of Labor

Past difficulties processing claims may bring a flood of new ones

The number of new unemployment claims may be exceptionally high because many people in the previous week tried to file claims, but were unable to due to packed offices, jammed phone lines, crashing websites or lack of awareness of their eligibility. Moreover, there will likely be an upward revision of the number of claims in last week's release because state unemployment offices were so overwhelmed with the flood of applicants that they may not have had time to process and report the total number.

The official data will likely still understate the number of newly unemployed workers

Recent legislation passed by Congress makes more people eligible to receive unemployment benefits, including self-employed and gig workers. However, these newly eligible workers will not be reflected in this week's release, which captures the week before the legislation was signed. These numbers will be reflected in next week's release.

The number of net job losses in only two weeks is on scale with two years of the Great Recession

Not only is the U.S. labor market hemorrhaging jobs at an unprecedented rate, it also is not hiring new workers. For this reason, the *net* job losses—layoffs or fires minus hires—will be more closely reflected in the number of initial claims for unemployment insurance than in past recessions when hiring mitigated some losses. In just two weeks, **an estimated 9 to more than 10 million Americans will have lost their jobs**, with what likely will be a very small number of Americans finding new jobs due to public health measures. Job losses from the Great Recession lasted two years from January 2008 to February 2010, during which time nearly 56 million Americans filed initial claims for unemployment insurance, but net job losses were 8.7 million. Even though there were millions of job losses, there were still millions of hires.[4]

The coronavirus outbreak has caused a much faster economic implosion in the U.S. labor market than the Great Recession—some economists have been comparing it to a massive, nationwide hurricane.[5] The unemployment rate has spiked immediately whereas in the Great Recession it rose slowly but stayed at 9 percent or above for two-and-a-half years.

Difficulty estimating the economic damage necessitates an automatic response

Estimating the official number of Americans who will file this week for unemployment claims is difficult. Given the uncertainty surrounding how the spread of COVID-19 will continue in the United States, forecasting the state of the labor market or the broader economy two-to-three months from now is even more challenging. That is why policymakers are considering using automatic triggers in future legislation to extend spending if conditions require it while dialing it back if the situation improves. These triggers, which can be applied to unemployment insurance, direct payments, SNAP and other programs, would provide a powerful and more timely response if economic conditions worsen.

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[1] Department of Labor. March 26, 2020. Unemployment Insurance Weekly Claims. https://www.dol.gov/ui/data.pdf

[2] Paul Goldsmith-Pinkham and Aaron Sojourner. April 1, 2020. Predicting Initial Unemployment Insurance Claims Using Google Trends. https://paulgp.github.io/GoogleTrendsUINowcast/google_trends_UI.html

[3] Eric Morath and Paul Kiernan. March 30, 2020. March Jobs Report Unlikely to Show Full Impact of the Coronavirus Crisis. *The Wall Street Journal.* https://www.wsj.com/articles/march-jobs-report-unlikely-to-show-full-impact-of-the-coronavirus-crisis-11585490400

[4] JEC Democratic staff calculations based on data from Unemployment Insurance Weekly Claims from the Department of Labor and Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics. *Haver Analytics.*

[5] Quoctrung Bui and Justin Wolfers. March 26, 2020. More Than 3 Million Americans Lost Their Jobs Last Week. See Your State. *The New York Times.* https://www.nytimes.com/interactive/2020/03/26/upshot/coronavirus-millions-unemployment-claims.html