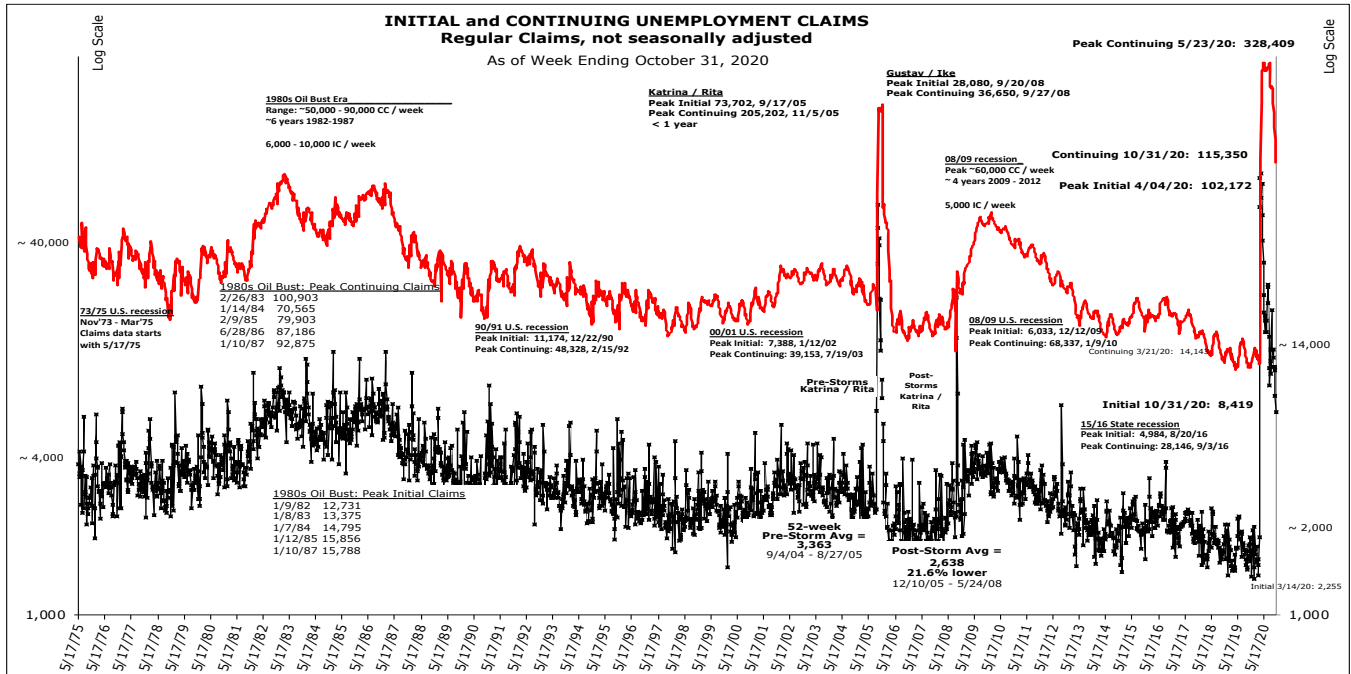


# Current State of the Economy: Weekly Unemployment Claims

## Week-Ending October 31, 2020

The state of the economy has been dramatically and rapidly altered by the coronavirus pandemic. Economic indicators that can provide high frequency information regarding the economic effects of the pandemic are weekly unemployment insurance claims, both initial claims and continuing claims. This data is reported by the Louisiana Workforce Commission every Thursday for the week that ended on the previous Saturday. This brief summarizes this information as a way to help assess the current state of the economy, and provide insight into its likely future path.

### Regular Initial and Continuing Claims Levels – Graph 1



### Week Ending October 31, 2020

Initial Claims: 8,419: 1,524 less than the previous week; 6,657 more than last year  
 Continuing Claims: 115,350: 13,028 less than the previous week; 101,498 more than last year

Graph 1 above depicts weekly regular initial and continuing unemployment claims, and places the current coronavirus impact in historical context as far back as mid-1975<sup>1</sup>. While this data is not seasonally adjusted, and seasonal patterns can be seen in both of the claims' series, overall trends and cycling are obvious. This historical context makes clear the enormous outsized impact of the current coronavirus event<sup>2</sup>, when compared to more normal periods of claims as well as the earlier extreme events of Hurricanes Katrina & Rita in 2005/2006, and the oil bust era of the 1980s. As a general rule of thumb, trend increases in initial claims reflect more firing, while decreases reflect less firing. At the same time, trend increases in continuing claims reflect less hiring, while decreases reflect more hiring.

However, regular state unemployment benefits expire after 26 weeks; beginning around mid-September with respect to the surge of pandemic related claims beginning around mid-March. Thus, the falloff in regular state continuing claims is

<sup>1</sup> The vertical axes are in logarithmic scale such that equidistance vertical increments reflect a doubling of the claims counts. This allows the very large current values to be readily displayed visually along with the much smaller historical values.

<sup>2</sup> The claims counts depicted here are for workers who are traditionally eligible for regular unemployment benefits, and do not include the claims reflecting pandemic unemployment assistance for workers not traditionally eligible for regular unemployment benefits. Unemployment episodes occur for those workers as well, but no unemployment insurance claims by them have been allowed historically. Claims counts by those newly eligible workers are discussed later in this brief.

## Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

the due to a combination of net employment gains after the April 2020 trough as well as the expiration of state benefits for workers who have not been rehired.

Prior to the coronavirus event, regular initial claims were about 2,000/week (bottom series in black), a historically low level. For the week ending March 21, initial claims spiked up to 72,438, unambiguously reflecting the event. Weekly initial claims climbed to a peak of 102,172 for the week ending April 4, declined sharply after that, and have gradually declined in recent weeks, although initial claims still remain at elevated levels. Claims counts for the peak week and the latest week are noted on the right edge of Graph 1.

Prior to the coronavirus event, regular continuing claims were about 14,000/week (top series in red), also a historically low level. As initial claims are processed, continuing claims accumulate and reflect the number of people who actually receive unemployment benefits<sup>3</sup>. The first week reflecting the coronavirus event in continuing claims was unambiguously the week ending March 28, with 58,027 continuing claims. The peak week and latest weeks' continuing claims values are also noted on the right edge of Graph 1. Note that as the flow of elevated weekly initial claims became processed into the stock of weekly continuing claims, continuing claims kept climbing even as initial claims declined after their peak week. So long as initial claims are materially higher than normal, and hiring/rehiring is subdued, the continuing claims count will stay elevated, as exhibited since its peak week of May 23. Both initial and continuing claims associated with the current coronavirus event have materially exceeded the peak claims experienced during the oil bust era of the mid-1980s and the natural disasters of Hurricanes Katrina & Rita in 2005/2006.

In the early stages of the pandemic, the initial claims data looked similar to what occurred after the natural disasters of hurricanes Katrina & Rita, exhibiting a very large sharp rise in claims followed by a sharp falloff. However, within about three months after the hurricanes, initial claims were back down near to where they started their jump up after the storms<sup>4</sup>. Today, roughly seven months after the effects of the pandemic began to show up, initial claims are still elevated at multiples of 4-times their pre-pandemic levels. So far, it appears that initial claims will stay at elevated levels and return to normal over a relatively long period of time; more closely mimicking the oil bust era of the 1980s.

Continuing claims also looked like the storm natural disasters, exhibiting a sharp rise in the early stages of the pandemic, but a quick falloff is more problematic. Given the nature of the current coronavirus event, affecting supply-chains and aggregate demand psychology and realization throughout the nation and world economies, it seems unlikely that the pandemic event will payout in subsequent months comparable to the natural disasters of Katrina & Rita where continuing claims had returned to near pre-storm levels within six months. With regard to continuing claims, a more drawn out time frame for a return to pre-pandemic norms seems likely. Regular state continuing claims stepped down off plateaus as the pandemic event progressed, but stayed elevated even as net employment gains started to occur to after April. In recent weeks, the decline in continuing claims seems more associated with the expiration of benefits as workers who entered continuing status early in the pandemic event are now expiring their maximum of 26 weeks of regular state benefits.

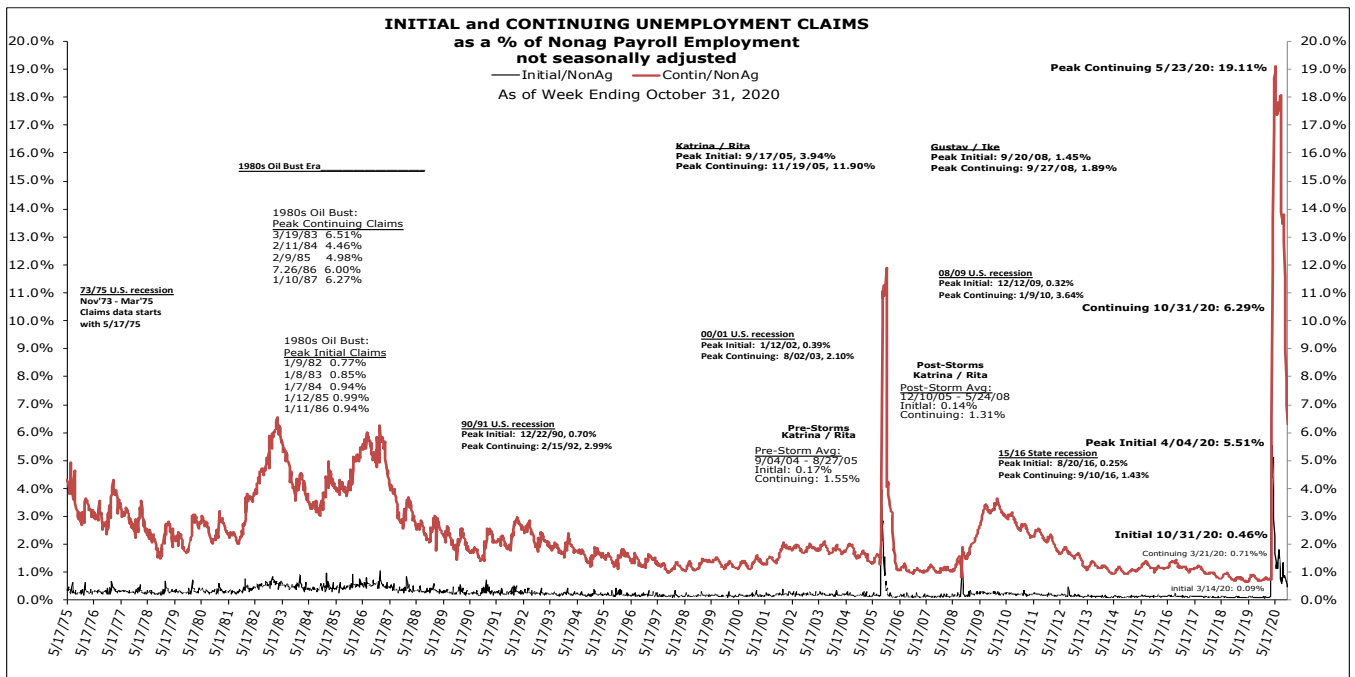
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<sup>3</sup> In any given week, roughly 90% - 95% of claimants will receive an associated benefit payment.

<sup>4</sup> Claims actually fell below pre-disaster levels in the aftermath of hurricanes Katrina & Rita as rebuilding efforts stimulated the state economy. This aspect of the storm natural disasters is not a consideration for the pandemic event in that no rebuilding of the residential and commercial capital stock, and public infrastructure will be necessitated by the pandemic.

# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Regular Initial and Continuing Claims Relative to Payroll Employment – Graph 2



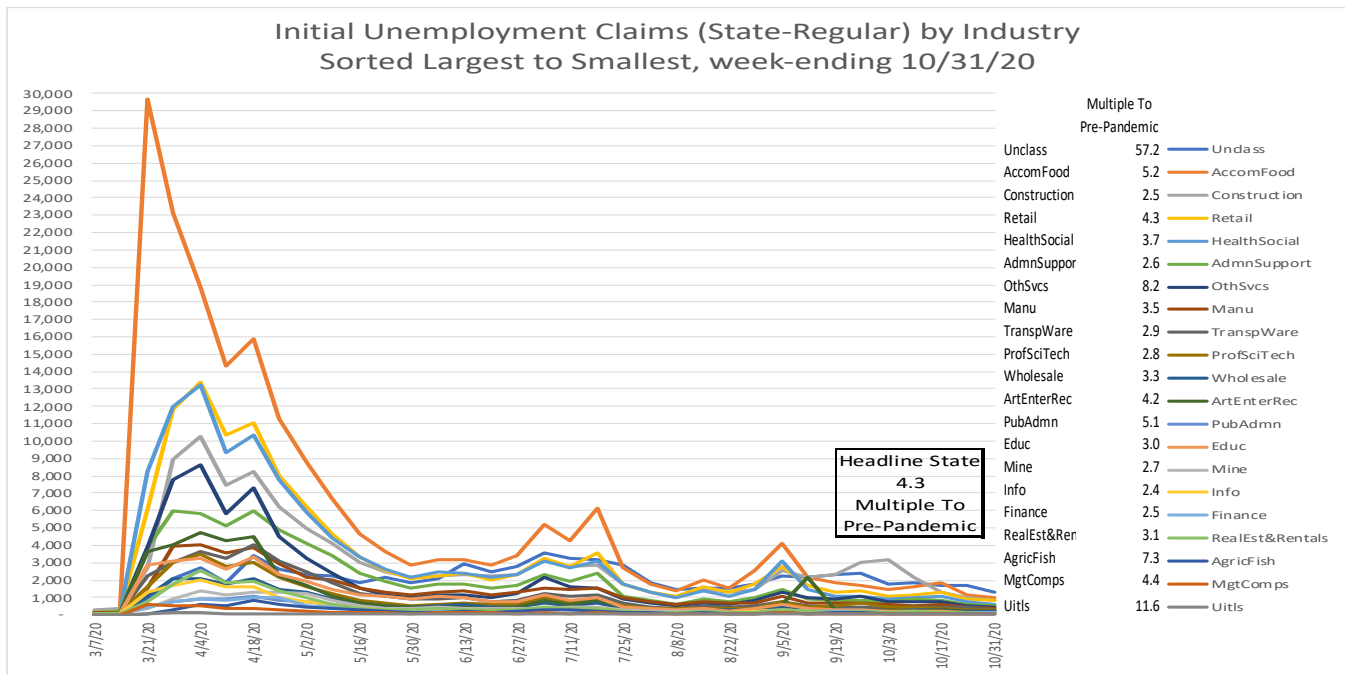
Graph 2 above depicts the weekly regular initial and continuing unemployment claims as percentages of payroll employment<sup>5</sup>, also in historical context back to mid-1975. This perspective highlights that the current coronavirus event is not only outsized in the absolute claims counts, which could occur simply because the economy is larger today than in the past, but also in relation to the size of payroll employment as a whole. Prior to the coronavirus event, initial claims were typically near 0.1% of payroll employment (bottom series in black). As a percentage of payroll employment, initial claims rose to a high of 5.51% for the week ending April 4, 2020, and have generally fallen since then, reflecting the drop-off in initial claims; although, still elevated relative to the pre-pandemic period.

Prior to the coronavirus event, regular continuing claims were typically near 1% of payroll employment (top series in red). As a percentage of payroll employment, continuing claims rose to a high of 19.11% for the week ending May 23, with some fall-off since then, but still remain at very elevated percentages relative to the pre-pandemic period. Both initial and continuing claims, as percentages of payroll employment, associated with the coronavirus event have substantially exceeded the peak claims experienced during the oil bust era of the mid-1980s and the natural disasters of Hurricanes Katrina & Rita in 2005/2006, and also seem unlikely to play out in subsequent months comparable to those natural disasters.

<sup>5</sup> Weekly labor force estimates for the state obtained from Moody's Analytics.

# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Regular Initial Claims Distribution Across Industry Sectors – Graph 3

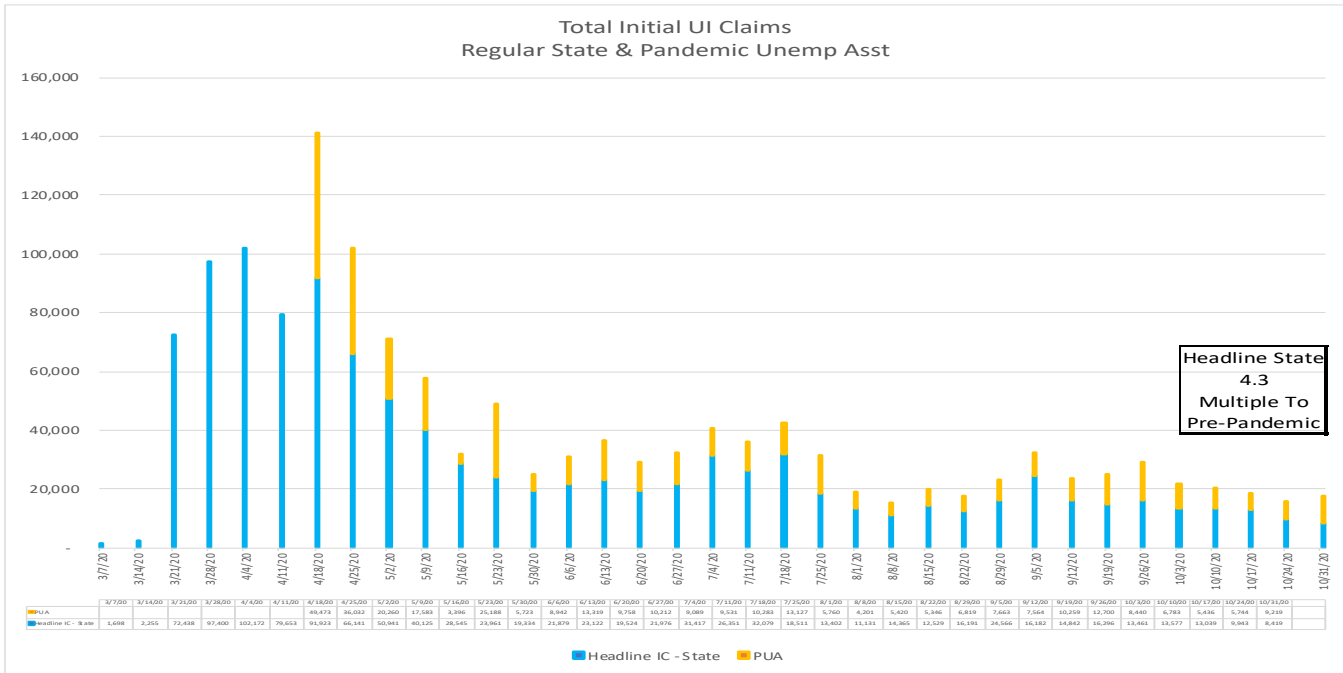


Graph 3 above depicts weekly regular initial claims data across major industry sectors<sup>6</sup>, from the week ending March 7, 2020 to the latest reported week. It is obvious that claims are heavily reported in sectors particularly vulnerable to the pandemic event and associated social distancing behavior and economic shutdown policy response. Sharp increases in claims occurred for workers providing accommodations & food services, retail trade, construction, health care & social assistance, and other personal services etc. However, virtually all sectors have been impacted to some degree. Consistent with Graph 1 above, initial claims increased dramatically in the early weeks of the pandemic, then trended down. However, the downward trend in claims has exhibited waves of resurgence; albeit, mild in comparison to the initial stages of the pandemic. While across industries, initial claims are much lower today than in March and April, they still range from 2.4 to 11.6 times as large as pre-pandemic levels (excluding the unclassified count), with an overall headline claims multiple of 4.3 in the latest week.

<sup>6</sup> Industry sectors are categorized by the North American Industrial Classification System (NAICS), which places firms in the industry that reflects a preponderance of their revenue. As an aside, the sum of initial claims by industry sectors does not equal the headline number of claims. The weekly discrepancy ranges widely, both positively and negatively, and in absolute percentage terms from near-zero to over 11% more headline claims. The average absolute percent discrepancy has been 3.5%.

# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Initial Claims: Regular State and Federal Pandemic – Graph 3a

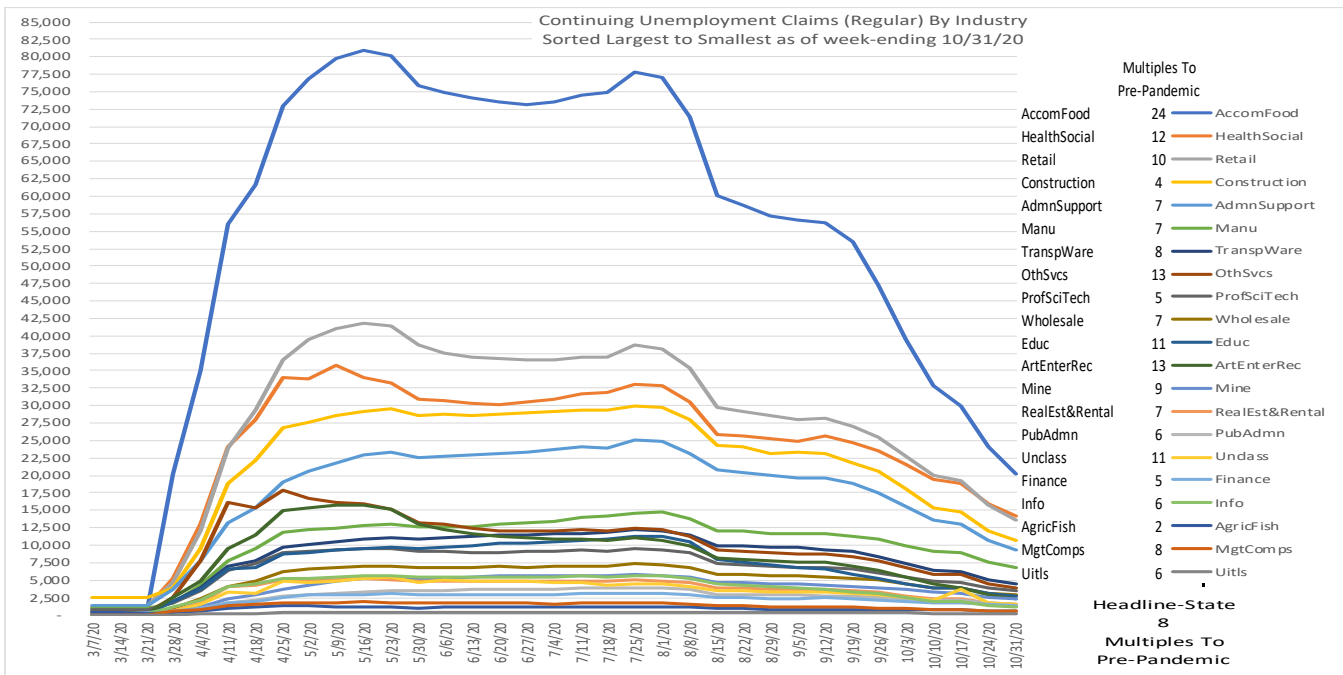


The high level of aggregate initial claims still being exhibited by the economy is readily apparent in the graph above, depicting total regular state headline claims (blue column portion) each week from pre-pandemic early-March to the latest reported week. While down significantly from the earliest weeks of the pandemic, total initial claims have exhibited a cycling pattern, with a modest downward trend in recent weeks. Layoffs are still occurring at levels 2.5 – 11.6 times pre-pandemic layoffs, with overall layoffs still some 4.3 times the pre-pandemic level. Also depicted above are federal pandemic initial claims (orange column portion). Those claims have also declined modestly in recent weeks.

The persistence of elevated initial claims in the past few weeks has become particularly relevant as continuing claims have fallen off. While there have been net employment gains since the trough month of April, those gains have been diminishing each month. Combined with persistently elevated initial claims, this suggests that declining continuing claims are not as reflective of job market hiring today as they have been in the past.

# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Regular Continuing Claims Distribution Across Industry Sectors – Graph 4



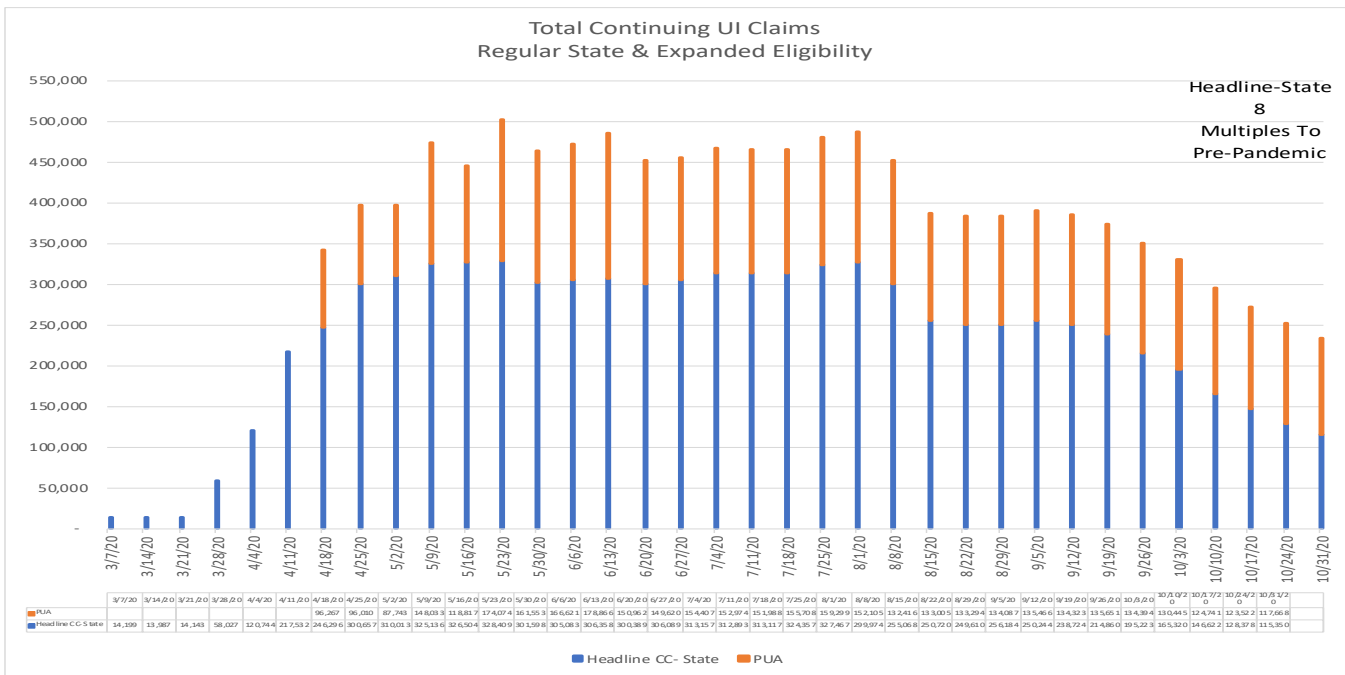
The distribution of the pandemic event across industries is also depicted in Graph 4 above, portraying regular continuing claims by industry from the pre-pandemic week-ending March 7, 2020, to the latest reported week<sup>7</sup>. Again, the concentration of impact in those sectors vulnerable to social distancing and policy response shutdowns is seen in the very high levels of continued unemployment in accommodations & food service, retail trade, health/social services, construction, and the various services within the administrative and support sector. However, the economy-wide effect of the pandemic is evidenced by high levels of continuing claims in almost every sector, relative to the pre-pandemic period. Of particular note in the graph above was the relative stability of continuing claims across industries during the peak weeks of mid-May through the end of July. While the flow of initial claims during this period was relatively stable, net monthly employment gains were reported throughout this period, as the economy began its recovery after it's April trough. During May, June, and July, over 114,000 jobs were reported to have been added back from the falloff in employment during March and April, while regular state continuing unemployment claims were essentially unchanged at their highest levels over the same period. This inconsistency between weekly stable continuing unemployment and monthly employment gains is difficult to reconcile.

By the first half of August, continuing claims finally began to decline sharply across most industry sectors, including those most severely impacted by the pandemic, as reopening of the economy began. The drop distinctly decelerated until mid-September, when benefits began to expire for workers who entered continuing status in late-March and April. That dropoff has continued since then, with regular state continuing claims some 56% lower than now than in mid-September. However, this is not necessarily an indicator that these are workers are being fully re-employed. For the same weeks that regular state claims have been falling, federal pandemic claims have only fallen by some 12%. If hiring was cranking up in the economy, we should expect to see both of these unemployment classifications falling comparably. In addition, during August and September, monthly net employment gains were only 14,700. Continuing claims appear to be falling faster than employment is rising. This is a concern for the true underlying strength of the economy, and the outlook for the near-term is not necessarily optimistic simply because continuing claims counts are falling.

<sup>7</sup> It takes at least a week for an initial claim to be processed through to a continuing claim. In this case of the pandemic event, the influx of initial claims was extraordinarily high, and peak continuing claims (5/16/20) lagged peak initial claims (4/4/20) by some six weeks.

# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Continuing Claims: Regular + Expanded Eligibility - Graph 5



Graph 5 above depicts weekly regular continuing claims and claims attributable to the expanded eligibility provided for the pandemic event<sup>8</sup>. Regular continuing claims are depicted from the week-ending March 7, 2020, and Pandemic Unemployment Assistance (PUA) claims by the newly expanded eligible workers began being reported in continuing claims with the week-ending April 18, 2020. As evidenced in the graph, regular state and federal PUA continuing claims had stabilized from late-April to early August. Regular state claims stepped down in mid-August to early -September, and a steady drop off in claims has become apparent since then. While declining steadily now, as a result of net hiring after April and with the expiration of benefits for workers beginning in September, regular state continuing claims are still at levels 8-times greater than the pre-pandemic period.

The unemployment represented by the PUA claims depicted above has always existed over the business cycle, but has not been quantified through unemployment insurance/assistance claims in the past. Thus, the combined claim counts today cannot be fairly compared to claims counts in the past<sup>9</sup>. These additional claims counts are available today in response to the pandemic event, however, and help to establish the severity of the current event. While not provided by industry or geographical area, it is likely that much of the PUA unemployment is occurring in industries related to tourism and embodying much social interaction, as well as occurring in the metro areas, especially the Orleans area, where those industries and occupations concentrate. In addition, through July, these claimants received federally provided Pandemic Unemployment Compensation of \$600 per week, as did traditional regular state unemployment claimants. Thus, the number of these claims provides insight into the magnitude of unemployment assistance support being provide to the economy during this pandemic economic crisis. Based on the drawdown of the state’s regular unemployment assistance trust fund and the supplemental federal support, this assistance was approximately \$1.3 billion per month to households in the state. The \$600 per week supplemental assistance expired with the last week of July, and was followed by a \$300 per week assistance program for roughly three-quarters of these claimants, with initial

<sup>8</sup> Expanded eligibility for unemployment insurance benefits is provided by the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Act extended pandemic unemployment assistance to the self-employed, freelancers, independent contractors and other workers not eligible for regular state unemployment assistance. These claims are reported separately in the aggregate, but not by industry of employment.  
<sup>9</sup> Note that the initial and continuing claims counts in the first two graphs of this brief do not include the expanded eligibility (PUA) claims being reported today to avoid distorting the historical comparisons provided by those first two graphs.

## **Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020**

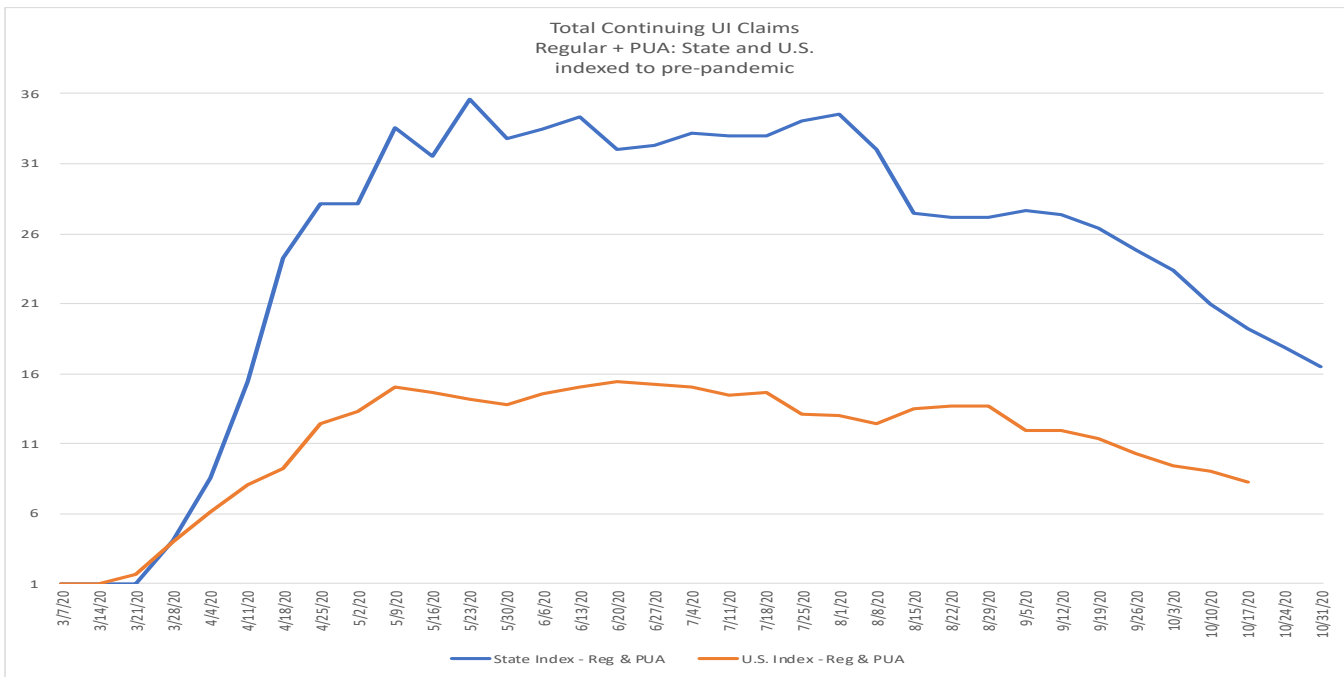
payments retroactive to August 1. This represented about a \$500 million per month dropdown in support, and expired by early September. Some renewal of support is still being debated at the federal level, but seems unlikely to materialize in any near-term time-frame. It should be noted here that there has been evidence reported in some states of PUA claims counts, in particular, being overstated due to double-counting and fraudulent claims. The rapid ramp up of the federal support program and the extraordinary influx of regular claims overwhelmed unemployment insurance systems across the country. As those issues are addressed, claims counts should fall off somewhat and become more accurate.

Concern has been expressed that the \$600/week supplemental support of the federal policy response, by itself and/or in combination with regular state benefits, provided an incentive for workers to stay unemployed rather than take employment opportunities that come available as the economy struggles through the pandemic event. While anecdotal instances of this can surely be found, a widespread effect would require aggregate demand in the economy to be sufficient to employ these workers, and that level of demand has yet to be exhibited. In addition, this level of federal income support was available only through July, although continuation of this support at a diminished level of one-half was continued through early September. It does not appear that a substantial drop in continuing claims occurred with the expiration of the \$600 per week supplemental benefits, although continuing claims have substantially declined with the expiration of regular state benefits for claimants receiving benefits from the early weeks of the pandemic. The economy is still struggling through the recovery, and rapid re-employment of these workers is not likely to have occurred. The high frequency weekly assessment of the state of the labor market and economy in general that claims data provides will have to be supplemented with the monthly assessment of establishment and household employment surveys. In fact, monthly employment data indicates material add-back during the months of May through August of employment losses in March and April, even in the severely impacted sectors of food & accommodation and retail trade. This data is difficult to reconcile with continuing unemployment claims data which showed stability at very elevated levels over the same May through August months, even with regard to the regular claims category, and the employment addbacks are not consistent with the idea that unemployment benefits keep workers from taking employment when it is available. However, as continuing claims have declined substantially in recent weeks, monthly employment counts have risen at a diminishing pace after the month of June. The easy add-backs may have occurred in the early-summer, and much slower add-back appears to be settling in, even as unemployment benefits expire for more workers.



# Current State of the Economy: Weekly Unemployment Claims Week-Ending October 31, 2020

## Continuing Claims: Regular + Expanded Eligibility, La and U.S. – Graph 6



Finally, graph 6 above depicts weekly regular continuing claims and claims attributable to expanded eligibility for both the state and the nation as a whole. Both series have been indexed to their pre-pandemic periods such that the value at each week reflects how many multiples of the pre-pandemic level is each week’s claims count. For example, for the week ending October 31, total continuing claims in Louisiana were 16.5 times larger than pre-pandemic claims. For the latest available U.S. week (week ending October 17), total continuing claims in the U.S. as a whole were 8.3 times larger than pre-pandemic claims. In terms of total continuing unemployment insurance claims, this graph makes clear the disproportionate impact of the coronavirus event on Louisiana relative to the impact on the U.S. as a whole, as to both the speed at which unemployment occurred and the level of unemployment. The concentration of tourism, trade, and oil & gas related industries and occupations in the state has resulted in a significantly more severe impact on the state than on the U.S. as a whole. In rankings of claims as a percentage of the labor force, Louisiana has ranked among the worst affected states, namely Nevada, New York, California, the District of Columbia, and Hawaii.