



Insight

Scoping the Initial Unemployment Insurance Claims Shock

GORDON GRAY | MARCH 18, 2020

Executive Summary

- The public health response to the COVID-19 pandemic will force the closure of a significant share of U.S. firms and induce a surge in unemployment insurance (UI) claims.
- The highest weekly unemployment insurance initial claims figure in history is 695,000.
- Americans' should expect to see this number approached or eclipsed in the coming weeks, if not tomorrow.

On Thursday, the Department of Labor will release data on new unemployment insurance (UI) claims, and they will show a significant increase in new unemployment filings. This spike in claims is evidence of the impact that the COVID-19 pandemic is having in the daily lives of every American.

So far, the federal, state, and municipal response to the COVID-19 pandemic has largely been proportional to the scope of identified infections. This week marked a new turn in those interventions with at least [nine statewide](#) closures of bars, restaurants, and other hospitality and entertainment venues. This public health response has functionally outlawed the hospitality industry in several major population centers, a trend one can reasonably expect to continue. These steps are essential to mitigating the spread of the pandemic but will wreak absolute havoc in the labor market. Travel restrictions continue to mount. Some businesses can continue to offer alternative services, such as delivery service, but other firms have simply been put out of business by direct government action and the precipitous drop in demand for certain services as individuals and firms grapple with the pandemic.

Thursday's initial claims data will be the first insight into the front edge of the labor disruption posed by the COVID-19 pandemic. For historical context, the highest level of initial claims filed in a week is 695,000, which occurred in October of 1982, just before the trough of the recession of the early 80s. According to the Bureau of Labor Statistics, in February there were 12.3 million workers in the food-service industry. There were over 2 million in the accommodations industries. There are over 2 million workers whose jobs are to provide services to buildings and dwellings, such as janitors. These industries are clearly and directly affected. While it is implausible that these jobs would entirely disappear, these industries face direct exposure to the shuttering of gathering spots. Beyond these industries, knock-on effects will cascade throughout the economy. The stoppage of major automakers' assembly lines tomorrow is a key example.

Early indications suggest that these disruptions will show up tomorrow. Ohio will reportedly see upwards of 45,000 new claims – over 6 times the 6,500 initial claims filed in the week prior. Ohio is home to between 3 and 4 percent of national employment. To be sure, the governor of Ohio has been forward-leaning in his public health interventions, which has accelerated the labor disruptions somewhat. But similar disruptions will eventually confront all elements of the U.S. economy. Tomorrow's initial claims data will bear some of this out. If tomorrow is not the highest levels of initial claims on record, it will likely follow in the weeks to come.

In the major crises this century, Americans have faced no real constraints on their behavior – new travel inconveniences notwithstanding. To be sure, 9/11 exposed Americans to the global reach of terrorism in the 21st century, while the Great Recession forced millions into hardship. But you could still walk into a Walmart without restriction or fear. That isn't true anymore.