



Economics Group

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Divergent Trends in Claims and Unemployment: What Gives?

The number of individuals receiving UI far exceeds the change in unemployment and the labor force, and has shown virtually no progress over the crisis. The discrepant figures and trends can be traced to the PUA program.

Mixed Messages: Improving or Stuck at Pandemic Highs?

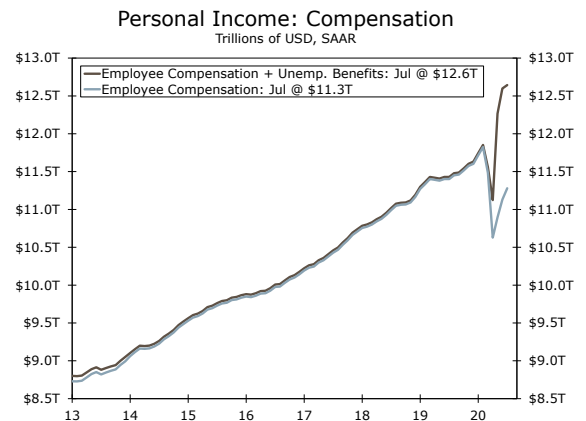
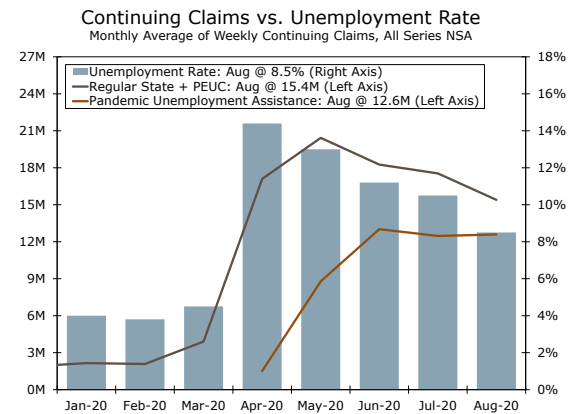
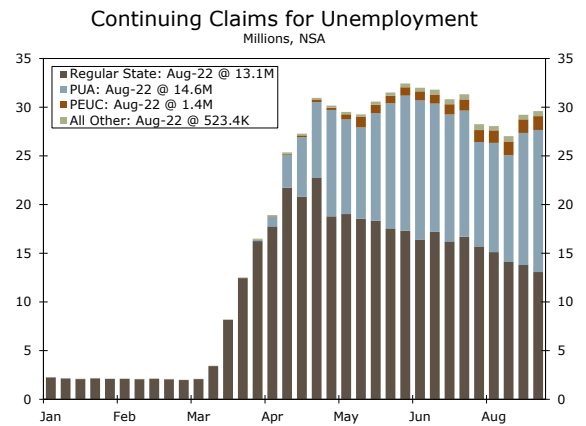
Across a range of measures, the August employment report showed that the labor market has improved since the worst of the COVID crisis last spring. According to the household survey, nearly 14 million more individuals are now employed compared to April. Yet measured differently—by the ranks of the workers continuing to collect unemployment insurance (UI)—there has essentially been no improvement. Nearly 30 million workers are continuing to receive unemployment benefits across all programs, down only marginally since the apex in June (top chart). So why, when compared to the pre-pandemic days of February, are 26.4M more workers receiving benefits when only 10.8M more workers are unemployed or out of the labor force?

UI benefits are generally provided by states. Consistent with the falling unemployment rate, continuing claims under regular state programs have trended lower (middle chart). This holds even when accounting for workers who have moved to the federal Pandemic Emergency Unemployment Compensation program after regular state benefits have run out.

The seemingly intractable level of continuing claims instead can be traced to recipients of the Pandemic Unemployment Assistance (PUA) program. In March, Congress created this program to provide benefits to workers not eligible under existing programs, such as the self-employed, contract or gig workers. Even though those individuals were not previously eligible for regular state unemployment benefits, they should have been counted as employed in the BLS household survey. The household survey is small and prone to sampling error like any survey. While response rates have fallen since the pandemic, the usual relationship between regular state claims and unemployment has persisted, suggesting there is more to the 15M+ gap. Perhaps a higher number of people finding employment are new entrants into the labor force who were not previously collecting unemployment benefits. But that also is unlikely to explain away the gap, as unemployed workers due to reentry into the labor force is actually rising relative to new entrants.

The PUA program encompassed a wide array of situations in order for individuals to potentially qualify. For example, workers can be “partially” unemployed, such as losing one of two jobs held or having hours reduced. The novelty of the program and some delay in workers realizing their eligibility is likely contributing to the sticky level of PUA claims as other labor market measures improve.

While the amount of weekly benefits has garnered most of the attention in the COVID-era unemployment compensation debate, the wide availability of the PUA program has been an important aspect of “labor” income being up 6.7% since February. But the newness of the program and broader qualification criteria appears to make claims for the program a poor gauge of traditional markers of the labor market, like the unemployment rate.



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