



# ***Rodney's Take***

July 13, 2020

## **Unemployment Numbers Conflict, So Who's Right?**

Millions of Americans lost their jobs as we shut down the economy in March and April. The unemployment rate soared from 3.5% in February to 14.7% in April. Those numbers come from the Household Survey, a phone survey of 60,000 American households. Many respondents who were fired because of the pandemic but also believe they'll still have a job when this blows over incorrectly answered the questions. They said they were away from work for other reasons. If those people were correctly classified, then unemployment would've reached more than 19%.

Over the last two months, unemployment seemingly has dropped to 11.5%, but we get numbers on the people out of work from several places, and they don't appear to be matching up.

Because I've pointed to just one data set several times, initial jobless claims, a couple of readers have suggested we dig into this one a bit more, because the differences are striking.

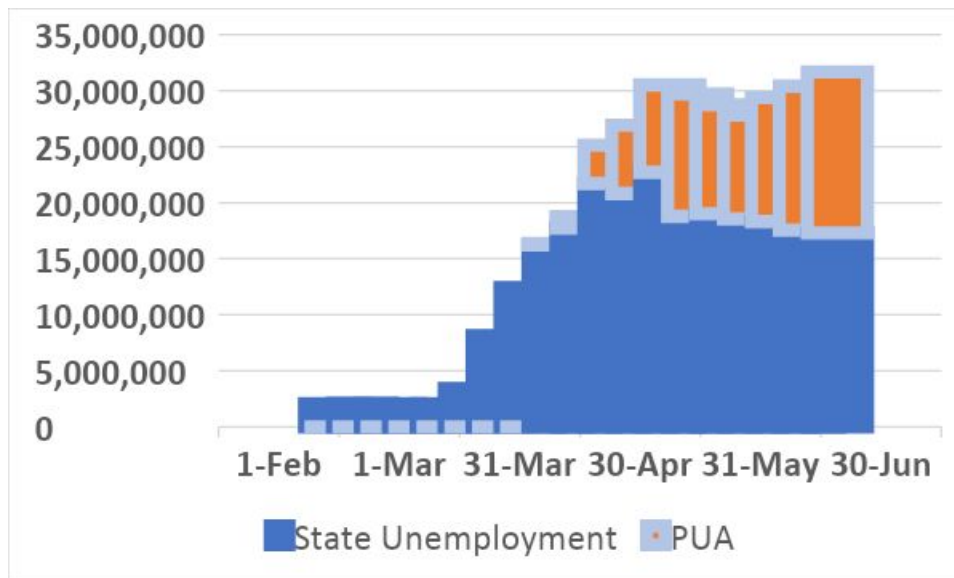
Initial jobless claims come out every week and reflect the latest group of people applying for state unemployment benefits. That number peaked at just under 7 million in April and has since fallen back to just above one million. By this measure, we've recovered quite a bit from the worst hit of the pandemic, but more than one million people per week still are filing new claims for unemployment benefits.

There also are continuing claims, representing the number of people who are already on unemployment and are filing for another week of benefits. The seasonally adjusted total for this group peaked at 24,900,000 for the second week of May and has since dropped to 18,602,000 for the last week in June, which corresponds with unemployment peaking at 15.7% and then dropping to 11.7%.

Those numbers aren't very far off from those of the Household Survey, but they aren't the full picture, either. Continuing claims includes only people who were covered by unemployment insurance. The self-employed, gig workers, and those who don't qualify for state unemployment aren't counted. The first stimulus package created a new category of unemployment for these workers, called Pandemic Unemployment Assistance (PUA).

People started applying for PUA benefits in April. The numbers jumped quickly into the millions. The peak occurred in the latest week for which we have data, June 20, reaching just over 14 million people in the main program.

If we add the workers on traditional unemployment to those on PUA, then the number of unemployed jumps to more than 32 million for late June, or just north of 20%, which is almost double the last Household Survey.



So... who's right?

If we look at the state program, unemployment peaked in late April and early May and has been falling steadily. But if we look at the combined numbers, unemployment has since jumped again and is marching higher, because more people are paid through the stimulus program.

So far, I haven't seen an explanation that makes sense. Some people claim it's just the difference between the snapshot of the survey and the weekly reporting of the claims, but the difference is too big for that to be the case. It could be that the questions on the Household Survey, which include things like asking if an unemployed person looked for work in the past four weeks, aren't designed to cover gig workers and the self-employed. Such workers might not be actively looking for work during the pandemic, which would kick them out of the main unemployment category.

Whatever the reason for the difference, we know that government agencies are sending unemployment benefits to more than 30 million people, which

seems more concrete than asking people questions in a phone survey. It's sort of the old Groucho Marx line, "Who ya gonna believe, me or your own eyes?"

Are you going to believe the money going out of government bank accounts or the person at the other end of the phone?

No matter which set of numbers you like, with states shutting down as infection rates jump, one thing seems likely: all of the numbers will be higher in the weeks ahead.

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*Got a question or comment? You can reach us at [info@hsdent.com](mailto:info@hsdent.com).*