



Initial vs. Continuing Unemployment Claims: A Distinction with the Very Big Difference

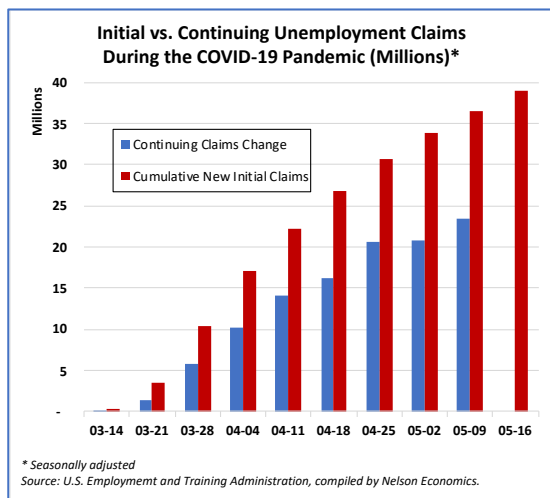
Andrew J. Nelson, CRE

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The employment news is bad enough without reporters and pundits exaggerating the grim trends. Almost 39 million initial claims for unemployment have been filed since mid-March when the COVID-19 pandemic really started taking hold of the economy. It is probably fair to conclude that [“Nearly 39 million have lost jobs in US since virus took hold,”](#) as the AP reported last week. In reality, only a very small number of people might be doubled counted under some rare circumstances.

However, it is emphatically not true that [“About 40 Million Americans Are Now Unemployed”](#) as Forbes reported or that [“US unemployment rises to 39 million”](#) as reported by the Christian Science Monitor, among many other publications. The difference? Even as (too) many Americans are losing their jobs and filing for unemployment, many other workers have been either rehired in their old jobs or have found new jobs. How many? It’s roughly the difference between “initial claims” for unemployment and “continuing claims.”

As their names imply, the “initial claim” is first filed by an unemployed individual after a separation from an employer, while a “continuing claim” covers all subsequent periods of joblessness after the initial claim, whether continuous or not. (For example, when an employee works intermittently after an initial unemployment claim, all subsequent weeks without work are counted as one continuing claim.)



A cumulative total of 38.9 million claims have been filed during the pandemic, including 2.4 million filed the week of May 16, the latest figure available. Continuing claims data lags by one week, so a direct comparison between the two data sets requires going back one week.

There have 36.5 million new initial claims filed during the pandemic through the week of May 9, but the number of continuing claims has risen by “only” 23.4 million. I say “only” in quotes because the figure is surely horrifying as it stands. Total continuing claims now stands at just over 25 million, almost four times the maximum weekly figure prior to the pandemic

since the Department of Labor began compiling this data more than half a century ago.

Still, the salient point here is that the 39 million initial claims figure, widely conflated in the press with joblessness, is 56% greater than the 23 million people who lost their jobs in the pandemic and remain unemployed according to the continuing claims data. In all, some 13 million Americans who initially filed for unemployment in the last two months have already been called back to work or found new jobs.

About 90% of workers who have lost their jobs recently were classified as temporary “furloughs” as opposed to permanent “layoffs,” and thus are more easily and quickly rehired once state and local governments reopen the economy or market demand otherwise justifies the rehiring. Various dormant sectors of the economy from [retail stores](#) to [air travel](#) to [dine-in restaurants](#) are showing at least initial signs of restarting, if not nearly recovering, requiring employees to be back on the job.

In addition, an undertold story of this pandemic is the remarkable number of jobs being created at both new and existing firms even as an unprecedented number of workers are losing their jobs and firms are going bust. As I explained in my [May 13 blog](#), I estimate that about 9.5 million new jobs were added in the last two months, while 31 million were temporarily or forever destroyed, or roughly three new jobs for every ten lost.

Not all of the difference between the initial and continuing claims figures is benign. Some workers no longer have claims because their benefits ran out. But those likely amount to less than two million claims, and probably much less.* Rather, employees going back at work represent the vast majority of the difference between continuing and initial claims.

Of course, perhaps the larger story is that many more people have lost work or income in this pandemic than are counted in the unemployment insurance data or even the official unemployment rate. The Bureau of Labor Statistics counts people as unemployed – regardless of when or even if they lost a job – only if they are actively looking for work. With much of the country locked down with “shelter-in-place” mandates or other restrictions, and many jobless people otherwise either fearful of venturing out of their homes or skeptical of the prospect of finding new work in this environment, job-searching activity is limited, thereby depressing the measured unemployment rate.

In addition, gig workers and contract workers that lost work or income typically are not reflected in the unemployment data. The same goes for salaried workers who have seen their wages cut at least temporarily. In fact, a [Census report](#) released last week shows that almost half of all Americans report earning less employment income in the last two months – far exceeding the official 14.7% unemployment rate.

Thus, official unemployment data does not nearly capture the pandemic’s full devastating impact of the on the labor market. Nonetheless, if we’re interested in counting the number of Americans who lost jobs due to the pandemic and remain out of work, the figure we should focus on is continuing claims, not cumulative initial claims.

* The number of continuing and initial claims is normally extremely consistent. In all of 2019, for example, the number of continuing claims averaged 1.70 million per week, and never exceeded 1.78 million nor fell below 1.66 million, and ended the year almost exactly where it started. At the same time, the number of initial claims averaged 218,000 and never exceeded 237,000 nor fell below 203,000. Thus, the net number of workers maxing out their benefits likely averages around the same as the number of new claims, about 220,000 per week, or 1.96 million during the 9 weeks covered in this analysis.