The U.S. Bureau of Labor Statistics (BLS) recently reported that 20.5 million workers were dropped from employers’ April payrolls and that the nation’s official unemployment rate shot up to 14.7% from 4.4% the previous month. The numbers are truly staggering, reflecting the significant impact that the COVID-19 pandemic has had on the economy due to measures to contain the spread of the virus. In one month, more wage earners lost their jobs than the population of Florida…or the population of New York. In one month, the unemployment rate increased by 10.3 percentage points. This is the largest one-month jump in the history of the series. Moreover, the over-the-month rate increase exceeded the official unemployment rate in every month since the beginning of the series in 1948, except for two months in late 1982 when the rate hit 10.8%.

And yet, while it seems like these figures could not be worse, both surveys used to report the monthly employment situation do not tell the entire story. First, the establishment survey?used to measure nonfarm payroll employment, hours worked, and earnings by industry?counts workers as employed if they were paid for any part of the month, including when the survey period ended on April 12. Second, workers who were absent from their jobs and not paid are not counted as employed, even if they are continuing to receive benefits.

Similarly, the household survey?used to measure labor force status, including to calculate the unemployment rate?was conducted from April 12 to April 18. The BLS notes that there was an extremely large increase in both the number of unemployed on temporary layoff and the number of workers classified as employed but absent from work. And that if those counted as employed but absent from work had instead (and
probably more correctly) been classified as unemployed on temporary layoff, the reported unemployment rate would have been about 5 percentage points higher.

Both surveys suffer from a timing bias in that they reflect responses only at mid-month, as well as potential misclassification errors. And because the lockdown procedures implemented since the pandemic that started in March continue to result in more layoffs and business closures, the last two monthly BLS reports have likely understated the depth of job losses across the nation.

For a more high-frequency accounting of unemployed workers, the U.S. Department of Labor (DOL) reports weekly unemployment insurance claims. However, it is important to note that the DOL figures are gross job losses, not net job losses as reported in the BLS establishment survey, and that seasonal factors are likely over-emphasizing the current number of unemployed workers. Even so, the weekly DOL reports have clearly shown that the U.S. labor market has taken a stunning, historic and horrific hit. Over the past seven weeks, the DOL has reported that more than 33 million American workers—roughly 22% of the February 2020 labor force—have filed for initial unemployment insurance benefits.

To put that figure in perspective, the nearby bar chart compares both April 2020 job losses reported by the BLS and the last seven weeks of initial claims reported by the DOL with the net jobs lost over all of the post-World War II recessions. In less than two months, more workers joined the ranks of the unemployed than the sum of all the net jobs lost over the past twelve economic downturns.
Moreover, the nearby pie chart compares the percentage of jobs lost to the February 2020 percentage of employment by industry. Again, more jobs were lost in the last seven weeks than were employed in any of these individual industry sectors.

While the federal government has gone to extreme measures to cushion the economic impact to many affected workers and businesses, the way forward must come from businesses committed to reopening, workers dedicated to providing value-added products and services, and consumers willing to spend, interact and engage with others. Certainly, a vaccine or treatment would help everyone feel more comfortable intermingling in shops, at work, in theatres and concert halls, at sporting events, and in other ways. But to get these workers back on the job, we will need to learn how to reopen the economy with the risk of the virus still in our midst.

In many areas, we are already seeing the ingenuity of business leaders and workers lead to a big readjustment in the way transactions are completed. The way out is through the creative genius and unwavering, resilient spirit of the American people. I remain confident that together we will overcome both the virus and the aftereffects from the Great Lockdown. Remain hopeful, my friends.