Few precedents for grim US jobless numbers

Economists look back to the Great Depression for clues on the scale of the economic crisis

The US unemployment rate has not been as high as it is currently since collection of the data began in 1948 © AP

Brooke Fox in New York and **Steven Bernard** in London 3 HOURS AGO

Behind Friday's grim unemployment rate of 14.7 per cent is an even crueler number: there were 42.9m people who were unemployed or underemployed in the US in April, versus 14.8m at the same time last year.

The larger number includes not only the 22m additional people designated as officially unemployed that month, but also the 10.7m working part time for economic reasons and the 9.7m who want a job but have not actively searched for one in the past four weeks. The cumulative number of people officially designated as unemployed since lockdowns began in mid-March is 33.5m.

The unemployment rate has not been this high since collection of the data began in 1948. But more telling is the employment to population ratio, which posted a record decline from 59.7 per cent to 51.3 per cent. While the unemployment rate only captures workers actively seeking a job, the employment to population ratio measures the proportion of the working-age population that is employed.

"All labour market data is just orders of magnitude different than anything we've seen before," said Robert Shimer, Alvin H Baum Professor in economics at the University of Chicago.

April employment to population ratio highlights Covid-19 impact

Employment to population ratio

Source: FRED
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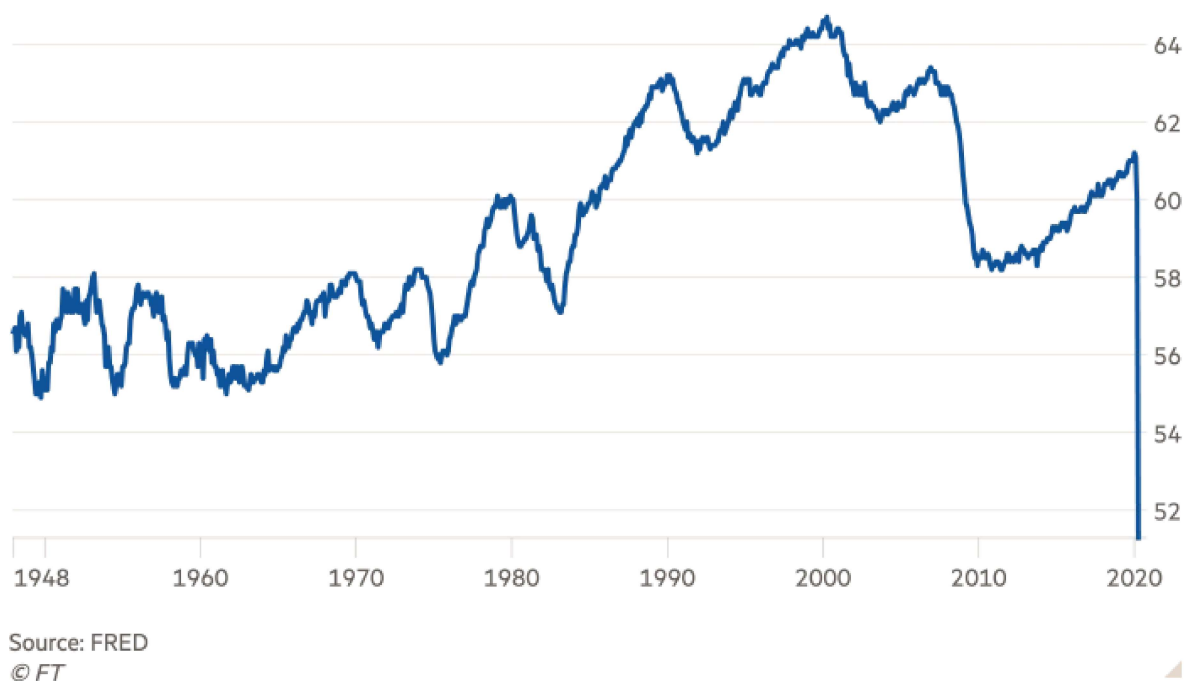
The lowest official observation for the statistic was 54.9 per cent in 1949, when women comprised less than a third of the labour force. The fact that they now make up half makes the drop even more shocking, said Richard Freeman, Herbert Ascherman Chair in Economics at Harvard University.

These national statistics are some of the earliest indications we have of what may come, but they give little detail of how unemployment will vary across the country. Though regional data lags, estimates from Applied Geographical Solutions, a provider of demographic and marketing databases, based on unemployment insurance claims and occupation data provide an early picture of how the coronavirus lockdowns have swept through the country.
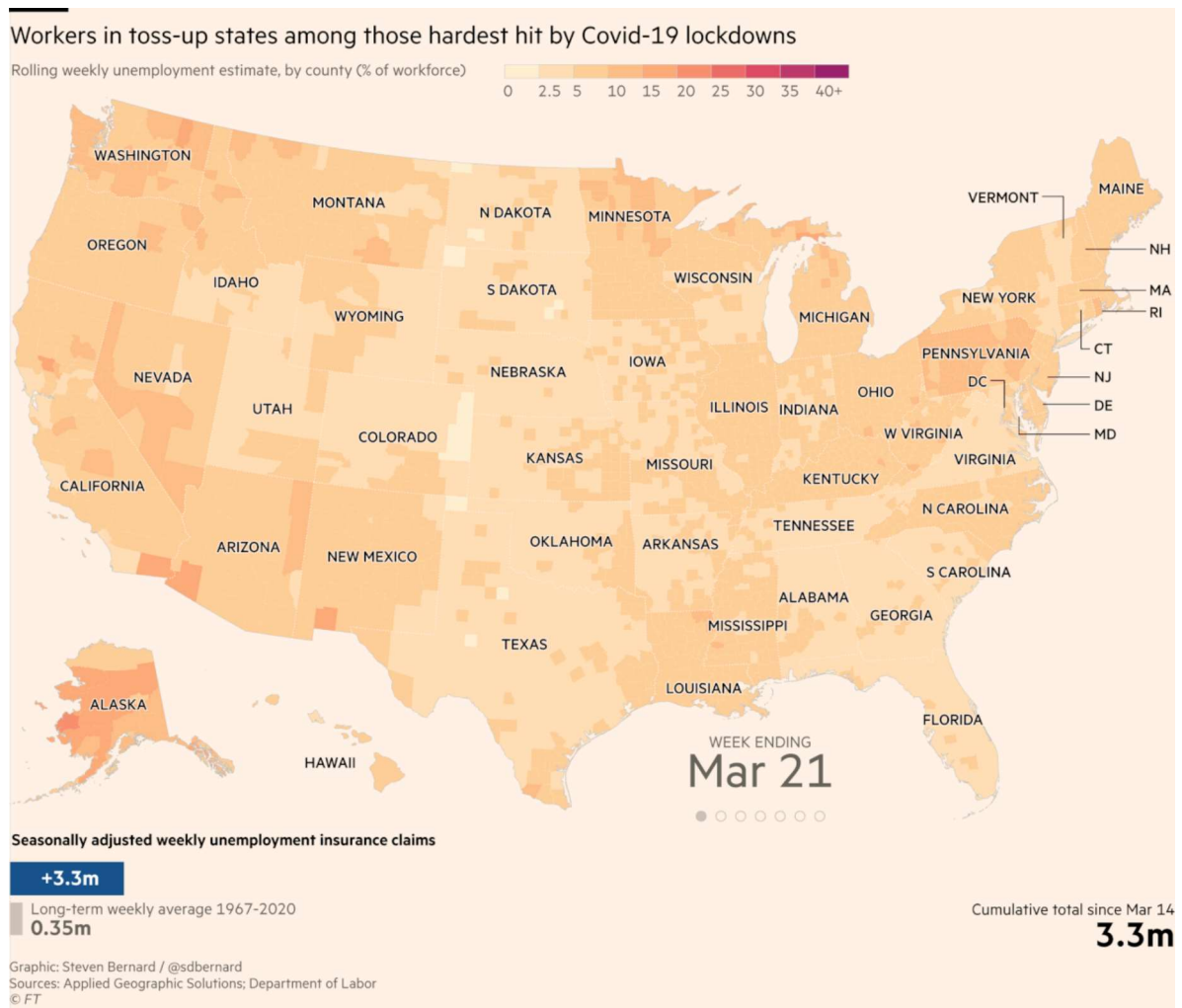
"There are some major differences that are occurring at the state level," said Gary Menger, a data scientist at AGS.

"Early on, Pennsylvania was showing incredibly high rates of new filings, with New York and New Jersey seemingly being spared. We still are not sure why Pennsylvania was so high, but both New York and New Jersey had serious issues with their web services," he said, referring to the state unemployment insurance websites which have been deluged by applications.

The insurance may not be enough to sway voters, however, in states where the forthcoming presidential election could be decided. Michigan, Pennsylvania and Nevada are considered key battleground states that candidates Donald Trump and Joe Biden, presumptive Democratic party nominee, need to secure in order to win the presidency — and they have been among the hardest hit.

To find statistics that can compare with April's numbers, economists are looking to estimates of employment and recovery that America faced during the Great Depression. Recently, Lu Zhang, Ohio State professor, and Nicolas Petrosky-Nadeau, San Francisco Federal Reserve economist, published a paper estimating monthly unemployment numbers going all the way back to 1890.

New estimates puts April unemployment rate in historical context

Unemployment rate, %
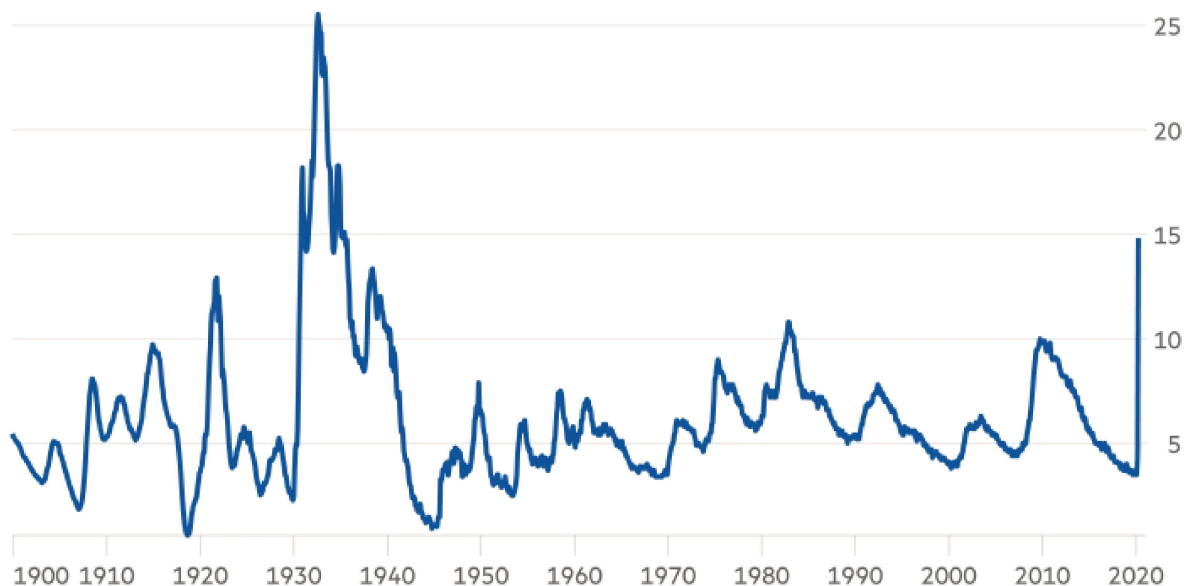
Sources: Lu Zhang and Nicolas Petrosky-Nadeau, US Bureau of Labor Statistics
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The paper's monthly estimates puts April's unemployment rate into context as the highest in the US since September 1935.

The collection of employment surveys did not begin until the late 1940s, but the Bureau of Labor Statistics has used estimates based on data collected in the 1930 and 1940 decennial census.

Prof Freeman has been trying to collect economic statistics from that era as well, and says that the estimates are probably reliable indicators. Prof Freeman's friend Joesph Blasi, an economic sociologist and director of the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University, recently bought 20 books on the Great Depression so that he could be prepared to study the recovery.

The current situation differs in many ways from the Great Depression. The unemployment rate has not approached the Depression-era peak of 25 per cent and it is unlikely there will be consecutive years of job losses. In fact most unemployed workers believe they will return to work when the economy reopens.

Prof Freeman believes that an important parallel between the Great Depression and the pandemic is that the US will be worse off than other areas in the world as it was slower to respond with testing and lockdowns.

Either way, without a near-term solution to the disease, a full employment recovery is still a long way off.

Map data provided by Applied Geographic Solutions