

State responses, not federal, influenced rise in unemployment claims early in the pandemic

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Early in the U.S. COVID-19 pandemic, unemployment claims were largely driven by state shutdown orders and the nature of a state's economy and not by the virus, according a new article by Georgia State University economists.

David Sjoquist and Laura Wheeler found no evidence the Payroll

Protection Program (PPP) affected the number of initial claims during the first six weeks of the pandemic.

Their research explores state differences in the magnitude of weekly [unemployment](#) insurance claims for the weeks ending March 14 through April 25 by focusing on three factors: the impact of COVID-19, the effects of state economic structures and state orders closing non-essential businesses and the impact of the Coronavirus Aid, Relief and Economic Security Act (CARES) legislation.

During the first week studied, unemployment claims appeared to be driven by consumer reactions to the coronavirus as they adjusted their behavior prior to government shutdown orders. States with greater employment in the industries most affected by the virus and those with a larger share of workers making less than weekly unemployment benefits saw higher shares of new unemployment insurance claims.

By March 21, 31 states had issued orders prohibiting in-restaurant dining. Those that closed nonessential businesses experienced larger numbers of unemployment insurance claims per covered worker. Those that had larger numbers of employees able to work from home did not have a lower increase in new claims. This finding is contrary to what other research has suggested, the co-authors said.

"Earlier studies exploring the effects of COVID cases and [school closures](#) on state job markets suggest the reduction in employment was mainly a nationwide response to COVID, and that specific state policies to the disease had a comparatively moderate effect," Sjoquist said. "By considering various state responses, including stay-at-home orders and those closing schools and non-essential businesses, our research provides insight into the effect of a state's industry and employment mix on its unemployment claims during a pandemic."

More information: David Sjoquist et al, Unemployment insurance claims and COVID-19, *Journal of Economics and Business* (2020). [DOI: 10.1016/j.jeconbus.2020.105967](https://doi.org/10.1016/j.jeconbus.2020.105967)

Provided by Georgia State University

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