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Why Were Pennsylvania's Initial UI Claims so High?

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As initial unemployment insurance (UI) claims exploded across the country early in the COVID-19 crisis, one fact stood out: Pennsylvania's initial UI claims were exceptionally high. For the week ending March 21, Pennsylvania led all states with 378,908 initial UI claims. For the week ending March 28, Pennsylvania reported 405,880 initial claims, second only to California's 878,727 claims.¹ Between mid-March and early May, over 25 percent of Pennsylvanian workers filed initial claims.

This brief explores why Pennsylvania's number of initial claims stood out, especially relative to the two other states—Delaware and New Jersey—that make up the Federal Reserve's Third District (Figure 1). We consider three explanations in detail: Pennsylvania's decision to shut down businesses in more industries and earlier than in other states; Pennsylvania's prompt reporting of filings, compared to other states; and Pennsylvania's large union presence. We find that although union presence likely did not play a large role in Pennsylvania's high number of claims, the other two explanations likely did.

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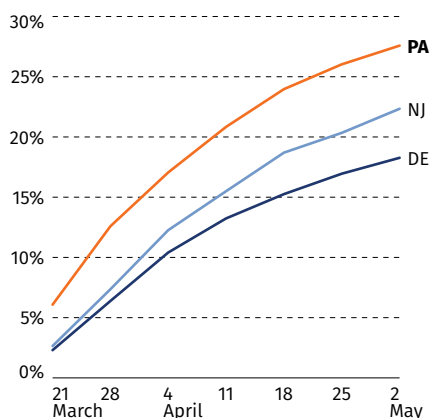
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FIGURE 1

Cumulative Increase in Initial Claims Rate

Cumulative initial UI claims as share of pre-COVID employment.



Sources: Employment and Training Administration; Local Area Unemployment Statistics; authors' calculations.

Total Claims vs. Claims Rate

To understand the true extent of earlier unemployment claims in Pennsylvania, it helps to differentiate between total claims and the initial claims rate. "Total claims" refers to the raw number of initial claims submitted by

¹ These numbers are not seasonally adjusted and not revised.

out-of-work people, whereas “initial claims rate” refers to the number of claims as a percentage of employment. The claims rate is crucial for comparing states: Two states with roughly equal populations and claims could have very different numbers of residents in the workforce, and the state with fewer residents in the workforce would thus have a higher claims rate.

Figure 2 lists states with the highest initial claims rates in the weeks ending March 21 and March 28.² Pennsylvania ranks third and second, respectively, in the weeks ending March 21 and March 28. In these weeks, Pennsylvania’s initial claims rate really was well above those in other states. In the week ending March 28, for instance, its claims rate was 1.5 percentage points higher than that of the seventh-ranked state, Ohio.

However, Figure 3 lists the states with the highest cumulative initial claims rates over the period March 21 through May 2. This shows that several other states have overtaken Pennsylvania, which ranks eighth by this metric.

An Earlier and More Restrictive Shutdown

Pennsylvania’s shutdown of nonessential businesses occurred earlier and was more restrictive than in other states. The timing and scope of Pennsylvania’s lockdown are natural candidates for exploring its relatively high UI claims rate.

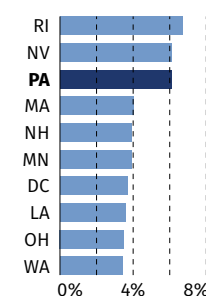
Pennsylvania rolled out a series of mitigation measures starting March 13 that initially targeted individual counties before being applied statewide on March 17. Daycares and schools closed, dine-in services were suspended, and nonessential businesses were strongly urged to shut down. Daily UI claims soared beginning Monday, March 16, and averaged almost 60,000 for each of the next few days. On March 19, Pennsylvania became the first state in the Federal Reserve’s Third District (and one of the first in the U.S.) to mandate a broad closure of “non-life-sustaining,” or nonessential, businesses. In the days after the statewide order, daily UI claims increased by more than 15,000.

The timing of Pennsylvania’s statewide order probably accounts for some of the initial difference in claims with respect to its neighboring states. New Jersey didn’t close its nonessential businesses until March 21, and Delaware’s order didn’t take effect until March 24. However, the differences in the timing of the closure orders are not overwhelming and are unlikely to fully account for the variation in the path of UI claims across the three states.

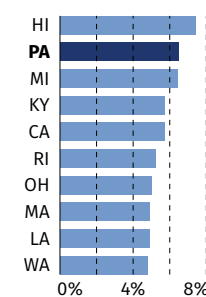
However, the scope of the closure orders did vary more noticeably across the states. Pennsylvania and Delaware were among the few states to publish a list of essential businesses according to standard industry classification codes used throughout U.S. statistical agencies. New Jersey did not specify this level of detail, but it is still fairly straightforward to link the descriptions

FIGURE 2

Week Ending March 21
Initial claims rate



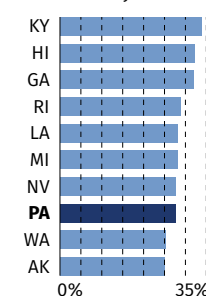
Week Ending March 28
Initial claims rate



Sources: Employment and Training Administration; Local Area Unemployment Statistics; authors’ calculations.

FIGURE 3

Cumulative Initial Claims Rate
March 21–May 2



Sources: Employment and Training Administration; Local Area Unemployment Statistics; authors’ calculations.

² The employment data are taken from BLS Local Area Unemployment Statistics (LAUS) Program, averaged over the period from December 2019 to February 2020. Unlike other sources of employment data that report estimates of the number of jobs in a state, LAUS estimates the number of employed state residents. The place-of-residence concept is consistent with the tabulation of state initial claims. Also, consistent with the initial claims data, the employment data are seasonally unadjusted.

of essential and nonessential businesses in the governor's order to the industry codes. Thus, we can calculate the nonessential share of employment subject to closure in each state.

The lists reveal a number of critical differences in the scope of the business closures. Delaware and New Jersey exempted virtually all of the manufacturing sector as well as construction. (Later, in April, New Jersey halted most commercial construction and prohibited starting new home-building projects.) In Pennsylvania, almost all residential and commercial construction fell under the March closure order. Area contacts confirmed that the order immediately brought construction activity to a near standstill, with Philadelphia commercial building down 70 percent in the week ending March 28. The order also applied to several thousand manufacturing plants across multiple industries, including cutlery, hand tools, and hardware; transportation equipment; and appliances.

Within the services sector, certain nonessential industries, such as legal services, had to shutter their physical locations but likely continued operations remotely. We treat these industries as if they were essential because they are able to operate, even if operations are somewhat disrupted. Unfortunately, neither Pennsylvania nor New Jersey included explicit exemptions for remote working. Still, we can gauge the importance of such allowances by considering Delaware's teleworking exemptions as well as a broader set of remote-working exemptions issued by Vermont (another state that published business closures by industry classification).

Our analysis confirms that a higher share of employment in Pennsylvania was subject to the closure order. Assuming no teleworking exemptions, we find that 45 percent of Pennsylvania employment was in nonessential industries. Applying a broad set of remote-working exemptions based on both Delaware's and Vermont's orders lowers this share considerably to 28 percent. In contrast, again allowing for teleworking, 23 percent of Delaware's workforce was subject to closure. (For Delaware, it turns out to make no difference whether we use only its or Vermont's teleworking exemptions.)³ Finally, New Jersey permitted the most business activity within the Third District, designating only 13.5 percent of the workforce as nonessential.

These estimates can help make sense of the UI claims shown in Figure 1, but they do not account for all of the differences, even across these three states. For starters, consider that the UI claims rate in Pennsylvania is a little over 9 percentage points higher than in Delaware. The higher rate of nonessential designations in Pennsylvania could account for a little more than half of this. In addition, although New Jersey published the narrowest list of essential industries, it experienced noticeably more UI claims than Delaware.

³ The employment data are taken from Quarterly Census of Employment and Wages (QCEW) 2019q3, which is the most recent quarter for which data are available. We use the QCEW rather than the more timely LAUS data because the QCEW offers the most accurate measurement of employment by very detailed (four- and five-digit NAICS) industries at the state level.

When and How Claims Are Reported

There's another potentially important source for the relatively rapid climb in Pennsylvania's initial claims: how it reports claims data to the U.S. Department of Labor (which publishes data for all 50 states). Before transmitting a count of initial claims to Washington, D.C., the Pennsylvania Department of Labor and Industry (DLI) has typically verified each claimant's Social Security number (SSN) by matching it against a database maintained by the Social Security Administration. However, at the outset of the COVID-19 outbreak, DLI suspended this protocol in order to avoid delays in reporting claims. This appears to have significantly increased the volume of reported claims in the latter half of March relative to what Pennsylvania would have reported under the original protocol.

Still, we should be cautious in how we interpret the effects of differences across states in claims-reporting policies. Although the change in Pennsylvania reporting elevated its own claims, we cannot be certain that SSN verification, or other steps in processing initial claims, resulted in delays in other states. In other words, it could be that the change in Pennsylvania's protocols merely put Pennsylvania claim reporting on the same footing as other states that did not face such delays.

Consider states whose initial claims rates were lower than Pennsylvania's at first but whose cumulative increase overtook Pennsylvania's. The build-up of cumulative claims in some of these states is more drawn-out than in Pennsylvania, which might suggest that claims filed early in the COVID-19 outbreak in those states were not reported until later. In other states, though, the weekly pattern of reported claims looks very similar to Pennsylvania's once we account for differences in the timing of shutdowns.

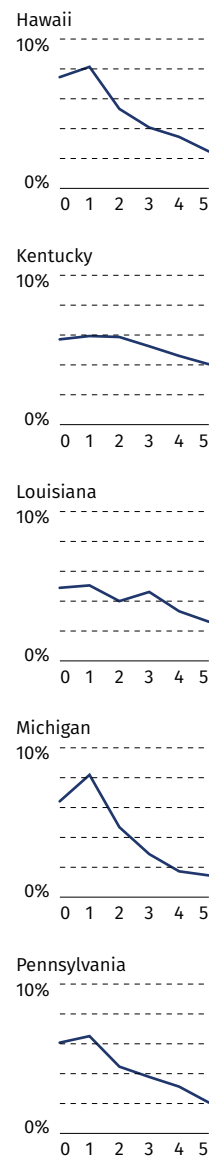
To illustrate this, Figure 4 displays initial claims rates for Pennsylvania and four other states: Kentucky, Hawaii, Louisiana, and Michigan. Each of the latter four mandated the closure of nonessential businesses during the week ending March 28, roughly one week after Pennsylvania issued its order. Not surprisingly, their reported March 21 claims rates were lower than Pennsylvania's. However, their cumulative increases now exceed Pennsylvania's. Kentucky is a good example of a state where the weekly claims rate has been persistently high, resulting in a more drawn-out build-up of cumulative claims. Of course, this may reflect the underlying spread of layoffs, but it is also consistent with delayed reporting of claims. But other states, such as Hawaii and Michigan, reported weekly claims patterns more in line with Pennsylvania's: a burst of initial claims after the shutdown orders, followed by a sharp descent in reported claims. We are not aware of any change in reporting protocols in Hawaii or Michigan.

Union Membership

Some analysts have conjectured that differences in unionization could help account for some of the differences in claims. Union employees tend to be

FIGURE 4
Weekly Initial UI Claims

Initial UI claims as share of pre-COVID employment.



Note: If a state closed nonessential businesses during the week ending March 28, then this week is "week 0" in the figure above. The following week (ending April 4) is "week 1," and so on.

Sources: Employment and Training Administration; Local Area Unemployment Statistics; authors' calculations

better informed about UI options, and unions help members navigate the application process. As a result, these workers may have been more likely to apply for UI immediately if their employer was closed under state order.

We test this hypothesis by examining data from the Census' Current Population Survey (CPS). In each month, 15,000 CPS households are asked questions about union membership. For each state in the Third District, we can then calculate union membership rates among sectors deemed nonessential. We find that Pennsylvania has a higher membership rate than Delaware and New Jersey. However, the union presence in nonessential categories is very limited in all three states, casting doubt on the importance of unionization in explaining the claims rate in Pennsylvania.⁴

Allowing for broad teleworking exemptions, the union membership rate in the nonessential category in Pennsylvania is just around 9 percent. The latter is actually somewhat below the statewide average, even though certain non-essential industries, notably construction, have relatively high membership rates. The union presence in construction is more than offset by very low membership rates elsewhere, such as in child care, auto dealers, recreation activities, and restaurants/bars. (The latter is treated as nonessential even though take-out and delivery are permitted.) The union membership rate in Delaware's and New Jersey's nonessential categories is lower still, lying between 2 and 4 percent. These rates are far below their statewide averages, especially for New Jersey. A big reason for this is that the New Jersey public sector is heavily unionized but public-sector workers are uniformly regarded as essential.

Conclusion

The surge in initial UI claims from mid-March to early May was unprecedented, both nationally and in Pennsylvania. We conclude that Pennsylvania's relatively high number of claims likely stems in part from its decision to adopt a more expansive shutdown earlier than other states. Changes in Pennsylvania's reporting of claims may also have made a difference.

We close by calling attention to three other possible explanations that we have not yet examined in detail.

First, Pennsylvania has a better benefits package than most states—the maximum payout last year was \$569, more than in 36 other states. This might have driven more Pennsylvanians to apply for UI.

Second, Pennsylvania workers are more likely to be aware of their UI benefits, because they can see the contributions directly on their pay statements. Only Alaska and New Jersey do the same.

⁴ The CPS uses somewhat broader industry codes than the NAICS classification system used in the QCEW (and surveys of businesses). As a result, there are cases in which a CPS industry encompasses multiple NAICS industries, some of which are essential and others nonessential. Accordingly, we calculate union membership rates two ways: (i) we treat the CPS industry in such cases as fully essential; and (ii) we treat it as fully nonessential. The range for Delaware and New Jersey reflects the difference between (i) and (ii). The range between (i) and (ii) for Pennsylvania is more limited, so we simply say the membership rate is "around 9 percent."

Third, Pennsylvania also made a concerted and collaborative (public-private) effort to encourage workers to file, although we have yet to collect evidence on whether other states did the same.

Further research will likely help us identify more precisely the causes of Pennsylvania's historic number of initial UI claims in the early weeks of the COVID-19 crisis. [RB](#)