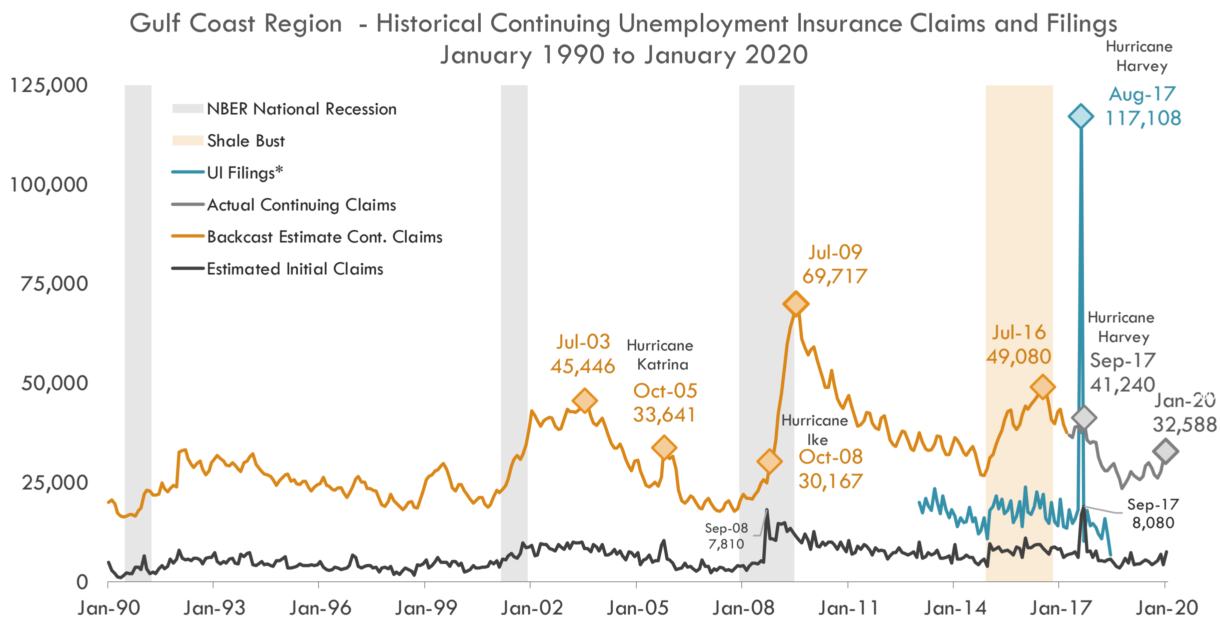
Workforce Solutions

Parker Harvey, Principal Economist
Gulf Coast Workforce Board -- Houston, Texas
713.993.2462
parker.harvey@wrksolutions.com
www.wrksolutions.com/localstats

The Gulf Coast Region and COVID-19 in 2020:
Unemployment Insurance Claims in Historical Context



*Data reflects filings for unemployment insurance including Disaster Unemployment Assistance (DUA) and do not equate to approved claims. Estimates of initial claims (not shown here) corresponding to Hurricane Harvey spike suggest ~6% of claims were approved given the brevity of the disruption. Note the negligible impact on continuing claims in the months immediately after the storm.

Published by Parker Harvey March 27, 2020

In anticipation of ongoing adverse impacts to the Gulf Coast Greater-Houston labor market due to the spread of COVID-19, a look at the effects of recent economic downturns and natural disasters provides context for the potential scale of disruption now unfolding in real time. The data in this brief takes on additional importance given the scarcity of timely labor market information sought after by many. At the time of writing, the region's most current unemployment rate as of February 2020, sits at 3.9 percent (not-seasonally-adjusted). However neither the unemployment rate nor the latest payroll employment figures reflect COVID-19 impacts on the labor market. This is due to the fact that the two surveys that comprise the local 'employment situation' measure payroll counts and work status as of the 12th of the month. According to Johns Hopkins University corona virus resource center, the first confirmed case of COVID-19 in Texas, specifically in Fort Bend County located in the Houston area, took place on March 5, 2020 with full-blown shelter-in-place orders for Harris County not issued until March 24th. As a result, even the March jobs report to be released in late-April may only serve as a prologue to the full range of labor market disruption to come.

Workforce Solutions

Parker Harvey, Principal Economist
Gulf Coast Workforce Board -- Houston, Texas
713.993.2462
parker.harvey@wrksolutions.com
www.wrksolutions.com/localstats

Given the shortcomings of the monthly jobs figures, we first turn to local data on applications for unemployment insurance, albeit fragmentary, related to Hurricane Harvey. Applications, which do not equate to approved claims, reached nearly 117,000 in the 13-county Gulf Coast Region in the immediate aftermath of the storm. However, due to the brevity of that event compared to COVID-19, which is now entering its third month as a global concern, the impact on rough estimates of initial claims, suggests only six top seven percent of applications were ultimately approved. The impact on continuing claims in the Houston area was even more ephemeral in the months immediately after the storm and virtually undetectable in subsequent months.

Nonetheless, a spike in applications related to COVID-19 of a similar magnitude to that of Hurricane Harvey was anticipated and confirmed by a March 25th article in the Houston Chronicle citing a statement by executive director of the Texas Workforce Commission Ed Serna that "*more than 150,000 unemployment insurance claims were filed in Texas [during the week of March 16, 2020]…[with] claims for unemployment benefits…nearing 30,000 per day*." According to the executive director during a Facebook Live Q&A session, a typical day sees roughly 3,000 applications indicating a 900 percent increase. This surge was mirrored if not exceeded by a jump in initial claims at the national level of 3 million, or a nearly 1,500-percent increase over the previous week according to a March 26, 2020 press release by the U.S. Department of Labor. An obvious difference between the current surges in UI applications compared to Hurricane Harvey or other one-off events is that the former is likely to be remain elevated at unprecedented levels for some time even as initial claims evolve into continuing claims.

It is here that we reach the limitations of the truncated applications data and now turn to continuing claims prior to Hurricane Harvey for additional insights. A look back at the data in the chart above indicates that continuing claims reached a record high of nearly 70,000 in July 2009, which marked one month after the official end of the Great Recession per the National Bureau of Economic Research. From there, claims steadily fell over the next five years reaching a cycle low of roughly 27,000 in November 2014. That date also marked the start of falling oil prices that sent Houston into a two-year economic downturn eventually driving claims up to a second-place record high of 50,000 in July 2016. Admittedly, the three most extreme and coincidentally recent disruptions to the Gulf Coast labor market serve as only a rudimentary baseline for what UI claims, and unemployment generally, could look like going forward, but nonetheless provide a frame of reference on at least one aspect of COVID-19's potential impact on economic activity.

Where does this leave us for the remainder of 2020? The answer is unclear and will depend on the severity and duration of the virus. However given the sheer scale of disruption affecting nearly all forms of work across all industries, the effects on the job market are already being characterized by a host of superlatives that would have been inconceivable just a few short months ago. Regardless, how, where, and when we work will be fundamentally transformed for the foreseeable future.