

The U.S. Department of Labor reported that 23 million Americans were unemployed as of April 2020. While these numbers may seem shocking, the official count may exclude up to 8 million more who lost jobs or stopped looking for work between February and April. The rate of undercounting was particularly high for young adults and people with less education. Understanding the full impact of COVID-19 is important for policy decisions regarding support for the unemployed and vulnerable populations.

Official unemployment rates include only people who are actively seeking work or on layoff with a clear expectation of being recalled to a job. This definition could result in a massive undercount during the pandemic due to stay-at-home orders that make it hard to search for work or result in uncertain job prospects.

From mid-February to mid-April, 2020, 8 million people disappeared from the labor force (Figure 1). Most of these people presumably stopped working or looking for work due to the COVID-19 pandemic, but they are not counted as unemployed in the official statistics.

All told, 31.1 million people were unemployed in mid-April or had left the labor force since mid-February. In contrast, the official count of unemployment was 23.1 million. Using February's labor force size as the basis would yield an **adjusted joblessness rate of 18.9%**, 4.2 points above the official unemployment rate of 14.7%.

Increases in the rate of joblessness when factoring in declines in the labor force differed markedly by age and educational attainment (Figure 2). The adjusted rate of joblessness accounting for both unemployment and labor force declines would be 37% for young adults—or 2.7 million more than the official unemployment rate of 27% would indicate. Accounting for pandemic-related labor force declines would also increase rates by 9 points for high school dropouts (30% versus 21%) and 7 points for those who had completed high school but did not attend college (24% versus 17%).

Figure 1. Large Decline in Labor Force Participation Along with Increase in Unemployment from February to April 2020

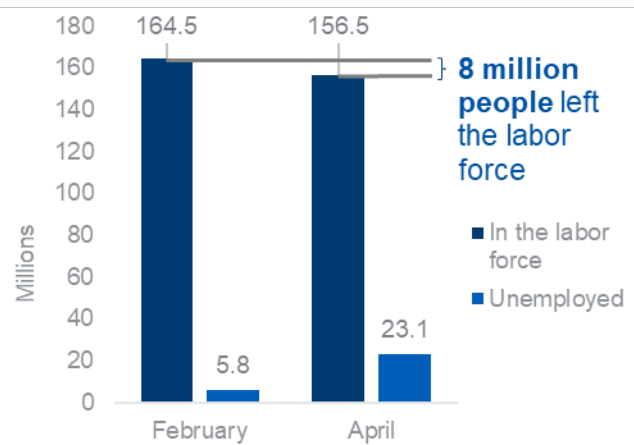


Figure 2. Young Adults and People with Less Education Were Undercounted at the Highest Rates

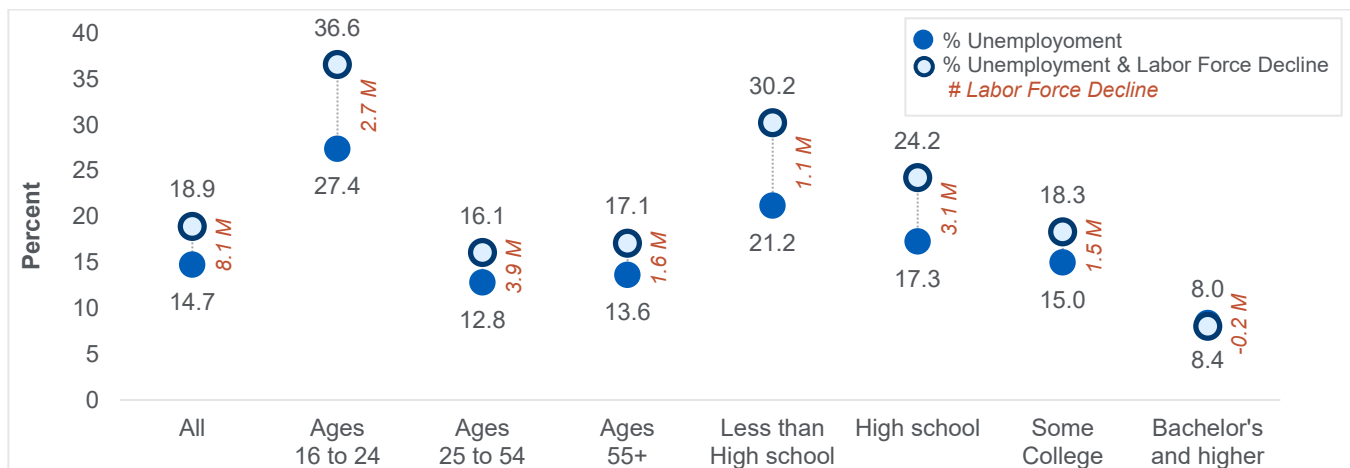
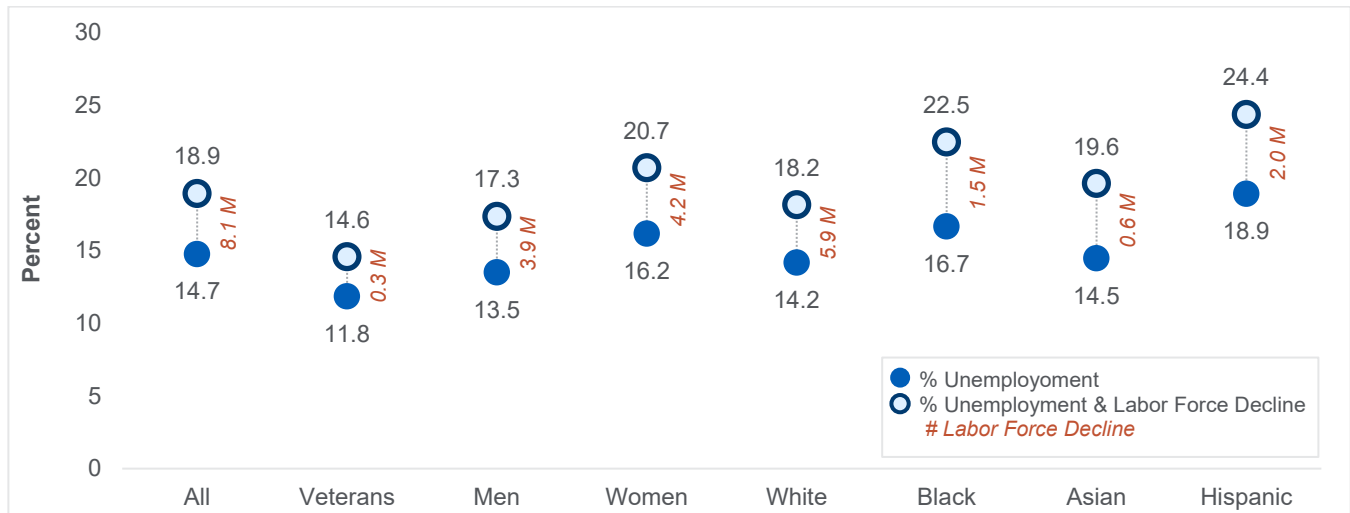


Figure 3. The Rate of Undercounting Was More Consistent Across Other Groups



Gaps between the adjusted joblessness rate and the official unemployment rate did not differ as much for veterans and select demographic groups, ranging between 2.7 and 5.8 points (Figure 3).

Additional Notes

This brief uses monthly, seasonally adjusted data series from the Bureau of Labor Statistics (BLS) retrieved from <https://download.bls.gov/pub/time.series/in/>. Most statistics represent the civilian population ages 16+, but data by educational attainment level are based on those ages 25+, and data on veterans are limited to ages 18+.

BLS provided special data collection guidance to account for how the pandemic might affect the classification of workers using traditional protocols, but implementation was not uniform and BLS did not take any “ad hoc actions” to adjust official reporting (see: <https://www.bls.gov/cps/employment-situation-covid19-faq-april-2020.pdf>). We address this issue based on the sharp, unexpected decline in size of the labor force between mid-February and mid-April 2020. After accounting for seasonal variation, the labor force declined by 8 million between February and April 2020. In contrast, the average change between these months for the prior 15 years was an *increase* of 150,000. Hence, we calculated the adjusted rate of joblessness for 2020 as (# of unemployed in April + # labor force declines from February to April) / (# in labor force in February).

BLS tracks several other changes in work status, including people who were discouraged, marginally attached to the labor force, and not in the labor force but wanting to work. These measures do not appear to capture the full drop in labor force participation over the period of the pandemic. We believe that the approach used in this brief provides a clearer picture of the impact of COVID-19 on joblessness. Our approach does not capture reductions in work hours among the employed or additional job losses that occurred after the week of April 12-18. For example, BLS data indicate that 7.5 million more people had jobs but were not at work compared to recent months, though it is unclear how many of them were still receiving paychecks. It is also possible that joblessness measures might not reflect a portion of the 7 million initial unemployment insurance claims filed between April 19 and May 2 (<https://oui.doleta.gov/unemploy/archive.asp>).



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