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ODU's Dragas Center for Economic Analysis and Policy Forecasts Unemployment Claims Will Continue to Climb

*Latest data show historic rise in national unemployment claims.
Virginia eclipses record with 46,885 initial claims.*

Norfolk, VA – (March 26, 2020) – Newly released non-seasonally adjusted statistics from the United States Department of Labor show initial unemployment claims jumped in Virginia for the week ending March 21. A total of 46,885 individuals filed claims, an increase of 44,179 from the prior week.

The previous record for initial unemployment claims in Virginia was 25,133 in December 1989. Continued unemployment insurance claims in Virginia increased to 22,291. We expect the record for continued claims to fall in the coming weeks.

These new estimates provide insight into the economic shock to the labor market in the Commonwealth, according to the Dragas Center for Economic Analysis and Policy in the Strome College of Business at Old Dominion University. As consumer and business expectations continue to decline and social distancing measures spread across the United States, unemployment claims will continue to increase in the coming weeks.

Nationally, the seasonally unadjusted number of initial claims totaled 2.899 million for the week ending March 21, an increase of 2.647 million from the prior week. Every state observed increases in initial claims.

Many states are reporting increased layoffs in service-related industries, in particular, the accommodation and food service industries. With restaurants and bars closing and hotels and motels reporting that occupancy rates have fallen below 30%, we project layoffs will continue in these industries over the coming weeks. While some retailers have announced hiring plans, the overall contraction in employment will continue to increase in the short-term.

The CARES Act, which was passed by the Senate on March 25th, should pass the House and be signed into law by this weekend. The CARES Act provides a four-month increase of \$600 a week in unemployment insurance (UI) benefits and extends benefits to self-employed workers, independent contractors, and individuals with a limited work history.

The federal government will also provide temporary full funding of the first week of regular unemployment for states with no waiting period and extend UI benefits for an additional 13 weeks through December 31, 2020.

We believe expanded UI benefits will provide relief to unemployed workers and are necessary as social distancing measures are expected to remain in place for weeks, if not months. It is likely that the expanded UI benefits will provide more immediate relief as direct payments to taxpayers under the CARES act will take weeks to electronically deposit and months to mail if a physical check is required.

Note: Advance claims are not directly comparable to claims reported in prior weeks. Advance claims are reported by the state liable for paying the unemployment compensation, whereas previous weeks reported claims reflect claimants by state of residence. In addition, claims reported as "workshare equivalent" in the previous week are added to the advance claims as a proxy for the current week's "workshare equivalent" activity.

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About the Dragas Center for Economic Analysis and Policy:

The Dragas Center for Economic Analysis and Policy in the Strome College of Business at Old Dominion University undertakes a wide range of economic, demographic, transportation and defense-oriented studies. For two decades, the Center and its predecessors have produced the highly regarded State of the Region Report for Hampton Roads and economic forecasts for the region. If you would like more information about this topic, please contact Robert M. McNab at 831-917-2455 or email at rmcnab@odu.edu.

About Old Dominion University:

Old Dominion University is Virginia's entrepreneurial-minded doctoral research university with more than 24,000 students, rigorous academics, an energetic residential community and initiatives that contribute \$2.6 billion annually to the Commonwealth's economy.