



HELPING THE UNEMPLOYED MILLIONS NOT ON FURLOUGH

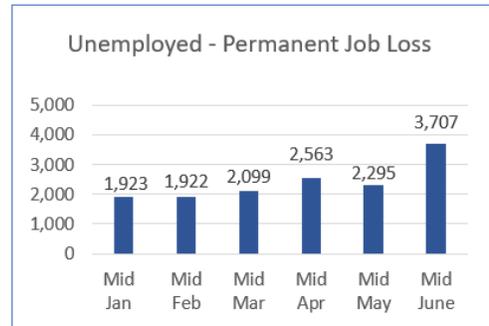
Examining the Impact of Continued Work Search Waivers

August 5, 2020
By John Courtney, President

In September, workers laid off at the pandemic’s start will begin reaching long-term unemployment—six months unemployed. Though a majority of those unemployed say they have a job waiting for them, the number who don’t has increased 77% to 3.7 million from March to June and will likely continue to grow.ⁱ

As of mid-June, a full 26% of workers who lost or completed a temporary job said it was not due to a temporary layoff.

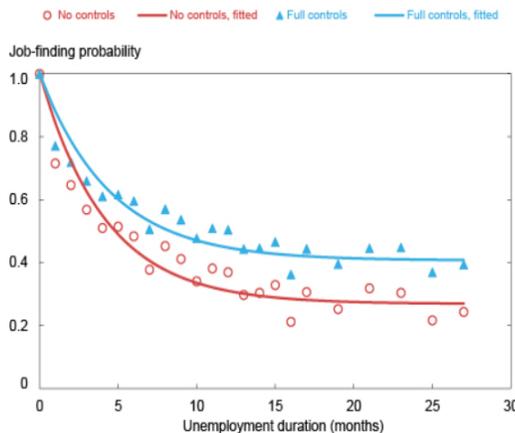
As Congress, the press and think tanks debate the next stimulus package, work search waivers should be reviewed. Though well-intentioned, they could prove harmful to those suffering a permanent job loss and fearful of their job prospects.



US Bureau of Labor Statistics (BLS) unempl. Survey
Includes "permanent job losers" & temporary job completers

In the March stimulus bill, Congress encouraged states to waive work search requirements for unemployment insurance (UI) claimants. For furloughed workers, the emergency measure was sensible. However, it may not have been as wise for those with a permanent job loss.

Monthly Job-Finding Probability by Unemployment Duration



Source & Image: Liberty Street Economics, authors' calculations using the Current Population Survey
Note: The job-finding probability is expressed relative to the job-finding probability of new unemployed workers

Discouraging Unemployed Workers

According to a 2016-published study funded by the US Department of Labor: “For permanent job losers, eliminating the WSR [work search requirement] resulted in clearly worse employment outcomes: greater earnings losses in the year following job loss, a longer spell of nonemployment, and shorter tenure with the first post-claim employer.”ⁱⁱ

One reason work search waivers can negatively impact permanent job losers in today’s environment is that they send a clear yet false message to UI claimants that job search is hopeless.

That morale-sapping message has been reinforced by misleading headlines. Some outlets erroneously equate total unemployment claims paid each week to the number of people unemployed, when in fact US DOL has noted that backlogged weeks of claims are now being paid to individuals in multiples in many states in any given week.ⁱⁱⁱ Other writers imply that all unemployed workers—even those with jobs waiting—are competing for open jobs.

Unfortunately, this can create long-lasting discouragement for the millions who do need a new job. **And those who delay a job search are worse off: Data shows the probability of landing a new job decreases in each of the first six months of unemployment.**^{iv}

Reason for Hope

Fortunately, job openings are at roughly the same level seen five years after the Great Recession. In May, job openings were holding steady at 5.3 million and had dropped a relatively modest 22% since the end of February.^v

This number compares with June's 7.2 million true "job seekers" (those who permanently lost jobs, quit or entered or reentered the workforce).

More recently, July 27th [data](#) from online job site Glassdoor shows online postings are just 18% below their pre-pandemic level. Compared to a dip of 26% at the start of June, this suggests a positive trendline.^{vi}



Job openings remained steady in May
[BLS JOLT Survey](#)



Total "Job Seekers" grew in June

[BLS unempl. Survey: "Other" includes job Leavers, Reentrants & New Entrants](#)

Encouraging Work Search: Avoiding Long-Term Unemployment

While New York, Florida and many other states have ended work search waivers, some have continued them. California, for example, explicitly [tells](#) all claimants that "You are not required to look for work each week to be eligible for benefits."

Even if claim volume has outstripped states' capacity to enforce work search requirements, sending the message that work search is important and expected provides an essential nudge for those struggling with hope. And for states

concerned with the impact on work search driven improper payments rate due to reinstating work search requirements, US DOL should provide leniency in its oversight.

As we look ahead to autumn, **it may be time for all states to reinstate required work search activities for those not on furlough.** Doing so will provide needed encouragement and a dose of well-justified optimism to the millions of unemployment claimants who don't expect to return to their employer.

John Courtney is President of the American Institute for Full Employment. Its team of consultants has worked with more than 25 states and Congress to develop evidence-based reemployment solutions in unemployment insurance, welfare and workforce programs for the past 25 years. States seeking assistance in reemployment or evidence-based RESEA programs can reach the Institute at info@fullemployment.org or visit fullemployment.org.

ⁱ US Department of Labor Current Population Survey, Table A-11. Unemployed persons by reason for unemployment, seasonally adjusted <https://www.bls.gov/web/empsit/cpseea11.htm>

ⁱⁱ "Effects of the unemployment insurance work test on long-term employment outcomes," Labour Economics, Volume 41, August 2016, Pages 246-265, Marta Lachowska, Merve Meral, Stephen Woodbury; https://www.dol.gov/asp/evaluation/completed-studies/2013-2014-scholar-programs/2013-2014_DOL_Scholars_Paper_Series_Lachowska_Chapter.pdf

ⁱⁱⁱ DOL's [UI Weekly Claims Report](#) for August 6, 2020 gives this disclaimer on page 7: "Backdated claims data may be included in these figures."

^{iv} New York Federal Reserve study using US Department of Labor Current Population Survey data.

^v US Department of Labor Current Population Survey, Table A-11. Unemployed persons by reason for unemployment, seasonally adjusted <https://www.bls.gov/web/empsit/cpseea11.htm>

^{vi} March 13, 2020 is used here as the start of the Pandemic's impacts on this data.