PITA: You’re listening to The Current, part of the Brookings Podcast Network. I’m your host, Adrianna Pita.

On Friday, the Department of Labor reported U.S. unemployment rate in April skyrocketed to over 14%, the highest level of unemployment the U.S. has seen since the Great Depression, with 20.5 million jobs lost in the last month.

On the line with us to discuss what these numbers mean is Gary Burtless, a senior fellow in Economic Studies here at Brookings. Gary, thanks for talking to us today.

So, I usually ask my guests to start us off with some context for what it is we’re talking about, but in this case, do we have any context for losing that many jobs in such a short time period?

BURTLESS: We’ve never lost so many this quickly. It took 24 months after the great stock market crash of 1929 for the United States to hit a 14% unemployment rate, so the Great Depression was great in many dimensions, but it wasn’t as sudden as the downturn we’re currently experiencing.

PITA: Who’s represented in those numbers? Whose jobs and which jobs, which industries?

BURTLESS: It’s pretty much across the board. I’m sure there’s some companies, some industries that have had to add to their payrolls, but basically, all of the industries that you can think of, some have been hurt worse than others. So, entertainment industry, lodging industry, airlines, transportation, a lot of these areas have been really severely hurt because customers aren’t showing up at the door. Customers don’t want to buy what these places have to sell. On the other hand, businesses like Amazon, where you can get stuff delivered to your house; grocery stores, because we’re eating a lot more meals at home and many fewer meals in restaurants, hotels, and off on vacations; some places are obviously being hurt much more severely than others. But surprisingly, in the midst of a pandemic, one source of job loss was the health industry, including hospitals, because people are not receiving as much elective care as when it was regarded as much safer to go visit your doctor, go to the hospital.

PITA: That unemployment rate only includes people who are actively looking for work and those on temporary furlough. Are there more comprehensive estimates of the “real” unemployment rate?

BURTLESS: Well, some people have said that instead of the unemployment rate being a little over 14%, it’s in fact a little over 20%, which is plausible if you want to take an expansive view of why people are absent from work. We know the number of people who showed up on the job for at least an
hour during the reference week, but the question is why aren’t you there, if you’re not there? There are some reasons that people could give that would not lead them to be classified as unemployed, they would instead be classified as absent from work, or they might be classified as partially unemployed.

There are several reasons why you might be out of work in a given week. One is that you might be on vacation; clearly, you’re not unemployed if you’re taking a vacation. Another is there might be some other reason, where you’re not very specific about that reason; those people too would be classified as absent from work.

Another question, of course, is, suppose you’ve been dismissed from your job, and you say you’ve been dismissed from your job, but you’re not looking. Well, then you wouldn’t be classified as unemployed, you’d be classified as out of the labor force. Indeed, if we see the total drop in employment in April compared to March was 22 million, and some of that 22 million gets reflected in people being counted as unemployed, and some of it gets reflected as withdrawing from the labor force, no longer searching for work. Jobless, but not looking for work. They’re so discouraged about the prospects of getting job in the current climate that they’re not even looking for work, which is probably the safest thing they can do, both for themselves and for the rest of the community. We don’t want people out there pounding the pavement, knocking on doors to find jobs, exposing themselves to the risk of getting sick, or if they are sick, passing the covid virus along to someone else.

PITA: Absolutely. That gets at the real meat of the episode today, which is why I wanted to have someone on to explain this, which is some of the gap between official economic measures and definitions of how the U.S. economy is doing and people’s lived experiences. Although the economy is not in a depression and not even officially yet in a recession (though that is expected at the end of June), people are living through circumstances for which our closest point of comparison is the Great Depression, which lasted for over a decade. We have people in massive lines at food banks, farmers potentially facing ruin (though for different reasons this time); according to a recent NPR poll, half of all Americans say they or someone in their household has lost a job or working hours. For all these people who don’t have work and don’t expect to be able to get work anytime soon, how should they understand this economic moment we’re in and what it means for what’s to come?

BURTLESS: The Congress and the president have signed a piece of legislation called the CARES Act, which does provide a lot of temporary support to people who have lost their jobs. Instead of the regular unemployment insurance benefit check that Americans were receiving in the beginning of March, they are now eligible for that regular unemployment insurance benefit plus an additional $600 per month. That, too, is a spectacular difference from what has happened in the past. We have never supplied unemployment benefits this generous to average wage and below-average wage workers. If you managed to get signed up to receive unemployment benefits, you should have your previous lost earnings more than replaced by this amount of unemployment benefits, if you are an average wage or below-average wage worker. If you add whatever formerly you would have been eligible for in unemployment benefits, if you add $600 to that, we’re talking about a big enough weekly income that you should be able to pay your grocery bill, your mortgage bill, your rental bill, and so forth. It only lasts until the end of July, but nonetheless it is very exceptional in comparison to what has been offered to people before.

At the beginning of the Great Depression, there was no unemployment insurance system anywhere in the United States. People did not get any of their lost earnings replaced, and that partly
accounts for how long and how severe the Great Depression was. People were in extreme privation. Most of us are not going to be in extreme privation, at least through the end of June. That is a critical difference, and we hope, and expect that that’s going to make the current downturn much less severe, and much less long-lasting than the Great Depression. I can’t make any solid predictions, but I think if we provide this level of relief to families whose breadwinner has lost his or her job, at least we’re keeping people’s standard of living much, much better compared to the standard of living they enjoyed before joblessness, compared to the situation of workers who lost their job in the Great Depression.

PITA: As you said, Congress has enacted the CARES Act and some additional programs of temporary aid and stimulus; the House currently working on another package, though as you say, a lot of these are time-limited. What are some of the additional policies or changes in programs do you think are most important to sustain people through this and continue cushioning the economic downturn?

BURTLESS: In a lot of states, the food stamp program, the SNAP program is going to be expanded in the following sense: people who ordinarily would not be eligible for it because they do not have any children that they are supporting and they’re working age, will not be expected to go back to work in order to become re-eligible for these benefits. That means we’ll be more relaxed about giving benefits to struggling families if they really need the help of public programs to continue feeding themselves. As is famous now, or infamous, Congress did enact a program to try to provide credit to small businesses and medium-sized businesses so they could survive the great downturn and keep their ties with their current workers. The way this was supposed to work, firms could borrow from the federal government, then they would not have to repay all of that loan if they met certain conditions in regard to keeping their payrolls intact. There have been some big rollout problems, because this is a novel type of relief program. We haven’t provided relief on this scale for so many different-sized businesses in so many different industries ever before, but the idea here is if we can keep businesses going until the threat of infection from the COVID-19 virus declines, then we’ll have a faster rebound for us to emerge from our houses, emerge from sheltering in place. But at this stage, we don’t know how successful that’s going to be either, and there have been all kinds of problems. Not surprisingly, given how quickly this program was put together and set up.

PITA: Is there anything either new or different that you’d like to see Congress try for any future aid packages?

BURTLESS: What counts a lot, and I think that most economists I’ve heard have mentioned this, too, we have to listen very carefully to what health experts and especially epidemiologists tell us about the course of the disease and the best strategies for reducing its impact on population health, mortality, and so on. Since we are still uncertain about what the course of this infection is going to be for the population as a whole, it’s a little tough to say. We don’t know whether in August, in September, the risk of infection is going to be high or low, and that really will determine the kind of economic relief package and stimulus package that it’s in our best interest to offer. But I think every economist would agree that we do want to ensure that people have the resources so that they can reduce their social and economic interactions safely but without suffering hunger or risk of being thrown out of their homes or apartments. That is crucial until we’re certain that it’s safe to emerge from our homes and go back to work in a more or less regular way.

PITA: Gary, thanks for talking to us today.
BURTLESS: Thanks for talking with me.