

Participating and Enforced Idleness from Covid-19 Mitigation Has Created Cyclical and Structural Unemployment (IV)

05.15.2021

Cory Newton

On [April 4, 2020](#) and [May 9, 2020](#) I put my thoughts down into short papers. Shutting down the economy in exchange for flattening the curve to prevent the hospital system from being overwhelmed was one hell of a tradeoff.

My idea was that this wasn't textbook frictional, seasonal, cyclical, or structural unemployment. I grabbed Hutt's *The Theory of Idle Resources* off of the bookcase and refreshed my memory on the subject of idleness. Hutt identified participating idleness in chapter 8 and enforced idleness in chapter 9. The definitions he gave of each were accurately applicable to the Unemployment Insurance component of the CARES ACT (participating idleness) and the business loan component of the CARES ACT (enforced idleness).

"When participating idleness and enforced idleness due to the Covid-19 pandemic are lifted, there is a real danger that the adjustment period associated with such idleness, will have reallocated and transformed resources in a way that structural and cyclical unemployment are chronic.

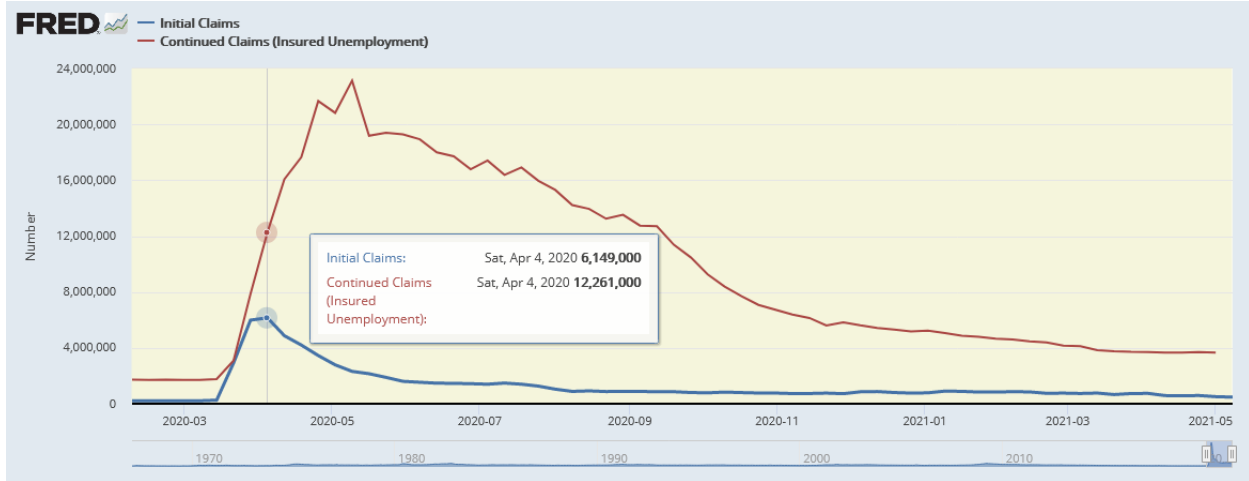
Structural unemployment occurs when workers do not have the skills employers require and their specific skills are no longer in demand.

Cyclical unemployment occurs when there are not enough jobs to go around due to an "inadequate demand for goods and services and thus for labor."

In my mind the week ending April 4, 2020 was the turning point where the enormous shock to the economy from the idleness of millions of people began to create cyclical unemployment from the lack of demand.

"I think all of the unemployment claims from the weeks ending 3.21 & 3.28 are all the result of participating and enforced idleness. I think half of the claims from the week ending 4.4 are due to participating and enforced idleness (3,307,500) and the other half of the week ending 4.4 are due to cyclical unemployment (lack of demand 3,307,500). I base this assumption on the timing of State Executive orders, the CARES ACT, and other anecdotal economic slowdown observations."

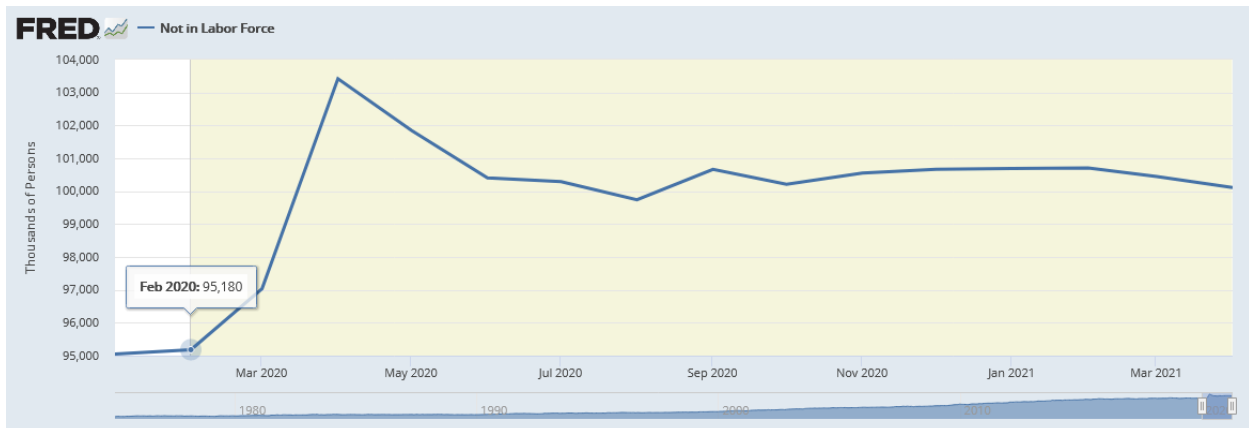
The charts below are for the week ending April 4, 2020



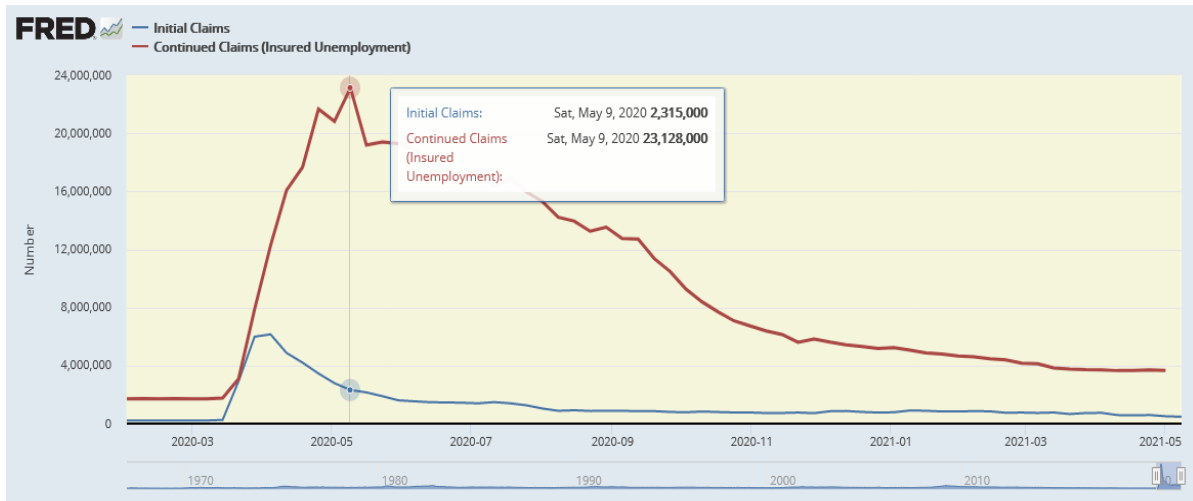
PERSONS CLAIMING UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)

WEEK ENDING	April 4	March 28	Change	Prior Year ¹
Regular State	12,442,955	8,158,014	+4,284,941	1,727,352
Federal Employees	11,562	11,027	+535	9,120
Newly Discharged Veterans	7,068	6,341	+727	5,837
Extended Benefits ³	138	0	+138	0
State Additional Benefits ⁴	5,406	5,657	-251	6,088
STC / Workshare ⁵	39,864	25,938	+13,926	9,467
TOTAL	12,506,993	8,206,977	+4,300,016	1,757,864

This was when I supposed these levels of participating and enforced idleness were large enough to begin creating unemployment due to the lack of demand which is identified as cyclical unemployment. I supposed those engaging in participating and enforced idleness combined with people being laid off and furloughed due to lack demand, would create the potential for structural unemployment. There were also 8.3 million less people in the labor force in April 2020, than were in February 2020.



The charts below are for the week ending May 9, 2020



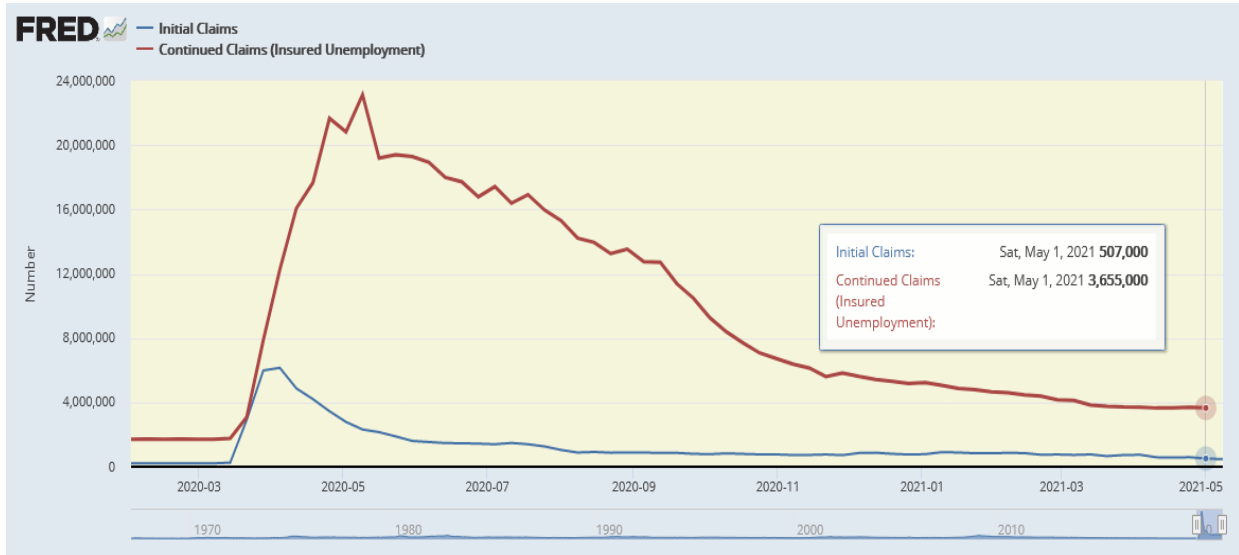
PERSONS CLAIMING UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)

WEEK ENDING	May 9	May 2	Change	Prior Year ¹
Regular State	22,725,217	20,823,294	+1,901,923	1,540,485
Federal Employees	16,612	15,405	+1,207	7,474
Newly Discharged Veterans	14,289	10,930	+3,359	5,675
Pandemic Unemployment Assistance ³	7,793,066	6,120,328	+1,672,738	NA
Pandemic Emergency UC ⁴	222,300	162,727	+59,573	NA
Extended Benefits ⁵	931	426	+505	0
State Additional Benefits ⁶	5,823	5,803	+20	6,214
STC / Workshare ⁷	178,884	142,725	+36,159	9,364
TOTAL⁸	30,957,122	27,281,638	+3,675,484	1,569,212

I came to the conclusion:

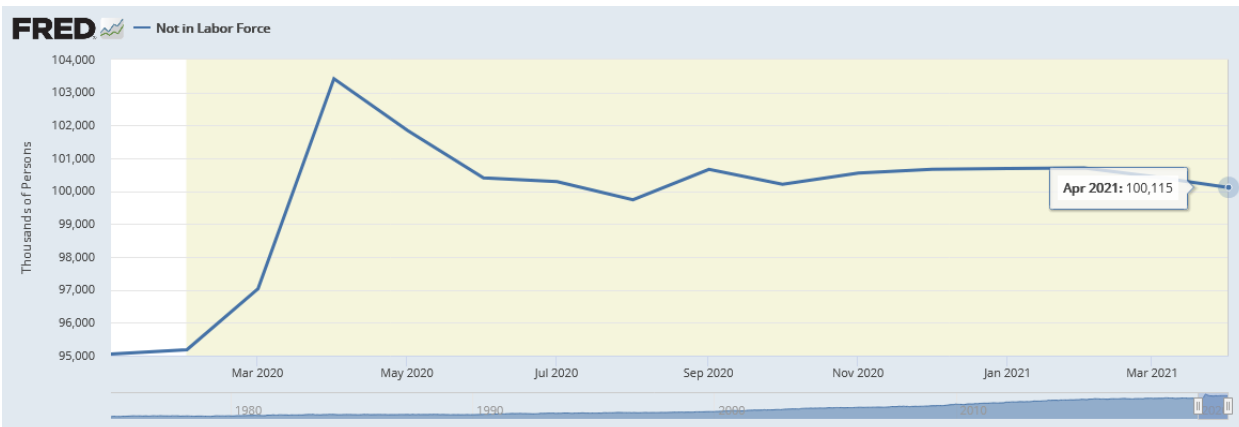
“Out of the 33,483,000 filing initial unemployment claims since 3.21 and the 8,330,000 million dropping out of the civilian labor force since February there will be two things occurring. First, this will lead to a significant drop in demand which will in turn reduce the number of those who return from temporary layoffs who will become cyclically unemployed. Secondly, the adjustment period in which firms adjust to operating in the new environment may damage those who are unemployed through participating and enforced idleness, and for cyclical reasons because they may no longer possess the skills employers require operating in this new environment. In that case there will be structural unemployment!”

The charts below are the latest available for this writing of May 15, 2020



CONTINUED WEEKS CLAIMED FILED FOR UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)

WEEK ENDING	April 24	April 17	Change	Prior Year ¹
Regular State	3,767,444	3,756,019	+11,425	21,704,813
Federal Employees	14,544	14,681	-137	16,851
Newly Discharged Veterans	7,287	7,602	-315	11,756
Pandemic Unemployment Assistance ³	7,283,703	6,863,451	+420,252	NA
Pandemic Emergency UC ⁴	5,265,193	4,973,804	+291,389	NA
Extended Benefits ⁵	433,209	453,666	-20,457	434
State Additional Benefits ⁶	1,665	1,667	-2	6,527
STC / Workshare ⁷	82,210	88,222	-6,003	122,675
TOTAL⁸	16,855,264	16,159,112	+696,152	21,863,056



As of today, we know many people were knocked out of work due to lack of demand and are cyclically unemployed. Within the last month we also know:

Cory Newton @corynewton78 · Apr 14

The 4.2 million not working due to fear of getting or spreading coronavirus might be "structurally unemployed" in terms of not having the skills to function in the **covid** environment. The other 4.2 million might be cyclically unemployed due to lack of demand (service industry).

WSJ Real Time Economics @WSJecon · Apr 14
 Fear of catching Covid-19 keeps millions out of the workforce, hampering the economy and adding an unpredictable factor to any recovery.
on.wsj.com/3aaYwOg

The pandemic is a major dynamic for those currently structurally unemployed (lack of skills).

Cory Newton @corynewton78 · May 10, 2020

I think this was the point at the week ending 4.4.20 where I think 1/2 of initial claims were due to participating and enforced idleness & the other half due to cyclical unemployment. I think all the claims since 4.11 are cyclical.
corynewton.com/Covid-19%20Ind...

Cory Newton @corynewton78 · May 10, 2020

Unfortunately, we'll begin to see claims that can be classified as structural as things begin to reopen. Possibly the week ending 5.9 and/or 5.16 may have structural claims in them as people may not have the **skills** employers who re-open require to function in Covid-19 environment

Cory Newton @corynewton78 · May 7, 2020

Replying to @corynewton78
 & that # may grow as only a fraction of the 13 million engaged in participating & enforced idleness are called back due to lack of demand.

Weekly Initial Claims	Enforced Idleness	Participating & Enforced Idleness	Cyclical Unemployment	Structural Unemployment
2020-03-14	262,000			
2020-03-21	3,367,000			
2020-03-28	4,887,000	10,174,000		
2020-04-04	6,195,000	3,367,000	13,881,000	
2020-04-11	8,237,000			
2020-04-18	4,142,000			
2020-04-25	3,948,000			
2020-05-02	3,158,000	26,361,500		
	19,493,000	32,483,000		
				26,488,000

Cory Newton @corynewton78 · May 23, 2020

The week ending 4.4 was the diving line between those losing jobs through participating & enforced idleness and those losing jobs due to lack of demand (cyclical unemployment)

Frequency: Weeks Ending Saturday	Initial Claims, Number, Weeks, Seasonally Adjusted	Participating & Enforced Cyclical	Total
2020-03-14	282900		
2020-03-21	3,307,000		
2020-03-28	6,887,000		
2020-04-04	6,616,000	3,307,500	10,114,500
2020-04-11	5,237,000		13,461,500
2020-04-18	4,442,000		
2020-04-25	3,867,000		
2020-05-02	3,176,000		
2020-05-09	2,887,000		26,154,500
2020-05-16	2,438,000		38,516,000
	38,636,000		

Lisa Abramowicz @lisaabramowicz1 · May 23, 2020

Economists estimate that of the more than 21 million workers laid off in March and April, only about half may be able to return to their old jobs. The Fed expects the pandemic to generate three new jobs for every 10 lost, but that transition will take time [wsj.com/articles/the-j...](https://www.wsj.com/articles/the-j...)

Cory Newton @corynewton78 · May 23, 2020

We may begin to see **structural** unemployment in the next few weeks (lack of skills)

fred.stlouisfed.org/series/ICSA

Entities that continued to operate throughout the entire pandemic reallocated their resources and transformed the way they operated in order to adapt to the new environment. Workers of such entities who did not engage in participating and enforced idleness, and did not lose their jobs due to lack of demand, may have lost their jobs because they did not have the skills to be successful in the new Covid paradigm with reallocated resources and transformed operations. On the other side of the coin, those who engaged in participating and enforced idleness, or lost jobs from the lack of demand, may not have the skills to return to a situation, or enter a new situation where reallocated resources and transformed operations exist.

The Department of Labor measurements of unemployment do provide some insight into the numbers of those seasonally and frictionally unemployed. There is not as much light shed on the numbers of, or distinction between the cyclically and structurally unemployed. There are no numbers or measurements associated with participating and enforced idleness. No one is going to tell you participating and enforced idleness from Covid-19 mitigation has created cyclical and structural unemployment.