

# Montana Unemployment Claims



*By Barbara Wagner, Chief Economist & Christopher Bradley, Senior Economist*

Over the past two months, Montana's labor market has quickly changed in response to the COVID-19 pandemic. The state underwent a shelter-at-home policy to reduce the spread of the virus. Businesses adjusted operations to protect employees and customers, including controlling in-person traffic and encouraging employees to work at home. Consumers have also changed behaviors to minimize exposure, switching demand towards goods needed at home, such as toilet paper and baking supplies. Many consumers also reduced spending because of lower anticipated income and a lack of opportunities to make in-person purchases.

The long-term growth of the Montana economy depends on a healthy and safe workforce, meaning the shelter-in-place restrictions have improved future growth potential. However, these measures also caused a temporary and large shock to short-term economic performance, resulting in sharp increases in unemployment insurance claims and widespread concern about the fate of Montana's businesses and entrepreneurs. Both a lack of precedence and insufficient data impede our ability to understand the full impacts of this economic shock, or to forecast how quickly Montana's economy will recover. Contrasting with the current scenario of otherwise healthy businesses closing due to health concerns, business closures during prior recessions occurred after months of economic decline. A job lost in a typical recession takes time to return, while a job temporarily stopped by health and safety measures can conceivably come back immediately after restrictions are lifted. Further, economists typically have thousands of economic indicators to help them understand and interpret economic changes, but the speed of the recent changes means that only a handful of data sources have registered changes.

Unemployment Insurance (UI) claims have been one data series that gained attention during the COVID-19 pandemic due to the weekly publication

of the indicator and its ability to measure economic changes quickly. This Economy at a Glance article explores Montana's UI claims to illustrate early impacts of the COVID-19 response on Montana's economy. However, readers should keep in mind one crucial caveat – while the COVID-19-related safety measures have resulted in a spike in unemployment claims,

## Unemployment Claim Types

Workers can file a UI claim after a layoff or hours reduction. Not all workers are eligible for or choose to file a claim, thus UI claims are not a count of total unemployment. UI claim filings are an indicator of the labor market and are an input in the calculation of monthly unemployment rates.

**INITIAL CLAIMS:** A person's first filing of UI following a layoff, reflecting new job losses.

**CONTINUED CLAIMS:** A person's continued filing for weekly benefits, reflecting people still not working after one or more week of unemployment.

**PUA CLAIMS:** Pandemic Unemployment Assistance (PUA) program created under the recently passed stimulus package, or CARES Act. Includes workers who don't normally qualify for UI, such as the self-employed.

the unemployment insurance program has also been dramatically expanded by the economic stimulus legislation. Individuals who previously would not have been eligible for UI benefits (such as the self-employed or those with insufficient wage history) can qualify for benefits for the first time. Benefit amounts are also temporarily increased by \$600 per week on top of the usual benefit. Comparing the current claim levels to previous recessions is not a clear comparison because program changes also account for a portion of the increase in claims. Nevertheless, unemployment insurance claims remain one of the few data sources available to understand the recent economic changes.

## How many people have been impacted?

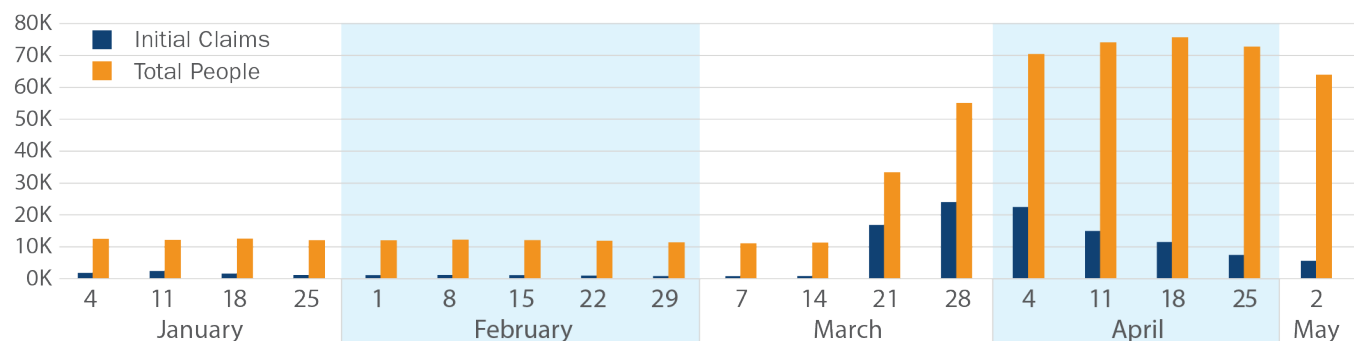
Following Montana's first identified case of COVID-19 during the second week of March, filings for unemployment insurance rapidly grew (**Figure 1**). At the peak level, Montana had 77,200 people filing some type of claim for unemployment during the week ending April 18. During that week, roughly 11,500 Montana workers made an initial UI claim.<sup>1</sup> Since then, the number of people reporting unemployment has fallen, with roughly 59,300 filing a claim for the week ending May 9. In addition, the number of claimants reporting part-time work earnings has increased from 9,880 to 15,060. With Montana entering the first phase of lifting social distancing orders at the end of April, the number of workers submitting claims is expected to continue to decline.

Roughly 115,000 people filed new UI claims in Montana in the eight weeks following the introduction of COVID-19 into the state, representing 20% of the labor force. Initial claims, or the number of people first reporting a layoff, spiked quickly after the stay-at-home measures went into effect. Initial claims have been falling since the first week in April, but remain at relatively high levels.

Not all workers who file for UI are eligible to receive benefits, and not all continue to collect benefits every week. Roughly 73,000 individuals have received at least one benefit payment in the eight weeks after March 14; the remaining workers made an initial inquiry, but did not fully complete a claim, went back to work, did not qualify for benefits, have a claim under review, or had some other reason for not making a claim beyond the first week.

Comparing current UI claim levels to those from previous economic downturns is problematic. Unlike previous recessions where layoffs cumulated slowly over several months of slowing economic activity, the COVID-19-related business closures and layoffs happened quickly. In addition, the large majority of workers making claims are expected to return to work now that the health restrictions are being phased out, unlike the more enduring job losses during prior recessions. The current temporary rules, regulations, and benefit levels of the UI program are also unique, making comparisons to historic data difficult. The

**FIGURE 1:**  
**Number of People Making Montana Unemployment Insurance Claims and Initial Claim Filings by Week**



Source: MTDLI Research and Analysis Bureau analysis of UI Claims

<sup>1</sup> Data as of 5/17/20. Numbers may change as additional workers make claims for unemployment starting before April 18.

**FIGURE 2:**  
**Unemployment Claims by Industry**

Week of April 18, 2020



Source: MTDLI Research  
and Analysis Bureau  
analysis of UI Claims

UI eligibility rules have changed, both due to previous modifications or new provisions implemented as provisions in the CARES stimulus bill, opening UI to more workers.

Individuals with decreased hours, the self-employed, and contract workers are now eligible, but were not during previous downturns. Finally, an added stimulus of \$600 per week was extended to qualifying workers, providing greater incentive to file for UI. These changes, in addition to the effect of restrictions on work activity, contributed to historic UI claim filings both nationally and in Montana.

## What employers have been affected most?

Nearly all of Montana's industries have seen an increase in UI claims following the coronavirus pandemic, but just three industries make up over half of Montana's continued claims. These three industries are accommodations and food services, healthcare, and retail trade. **Figure 2** shows the share continued claims by industry during week ending April 18, 2020 (the peak of claims).

**Figure 3** shows UI claim growth relative to pre-COVID-19 claim rates.<sup>2</sup>

The accommodations and food services industry had the greatest share of claims at 28% of the total, with layoffs resulting from the mandated closure of bars and restaurants and reduced travelers in Montana's hotels and other accommodations. By the end of April, continued claims in the accommodations and food services industry had risen over 2000%.

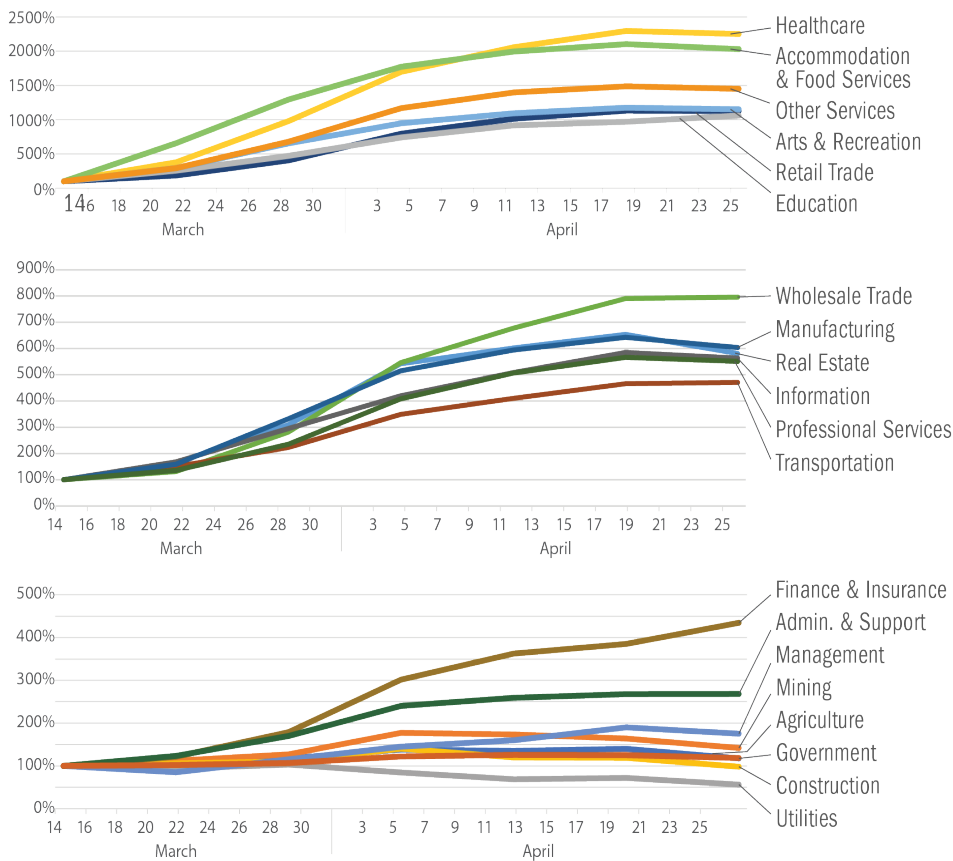
The healthcare industry accounted for the second highest share of continued claims, at 12%. While healthcare providers were considered an essential service under the stay-at-home directive, many hospitals and other care providers chose to suspend or limit services out of precautions. For example, many dentist offices closed to protect staff health, while other providers delayed non-emergency procedures. Healthcare had the largest increase in continued claim volume relative to the start of March with a 2250% increase.

The retail industry had the third highest share of continued claims at 11.5%. Retail saw some establishments labeled as non-essential and forced to close, while others were able to remain open. Reports from retail establishments on their sales volume during the shut-down vary, with most retail stores having reduced sales but other retailers, particularly grocery and home improvement stores, having high sales volumes even during the shutdown. Retail claims rose by about 1200%.

Seven industries each account for less than 1% of continued claims. Utilities, management, finance and insurance, government, agriculture, and mining make up the fewest number of claims. However, these industries also are

<sup>2</sup> The industry and demographic analysis includes paid continued claims, focusing on the peak week ending April 18. These numbers may change as additional claimants file for unemployment that started on or before April 18.

**FIGURE 3:**  
**Continued Claims by Industry over Time**  
 Indexed to March 14, 2020



Source: MTDLI Research and Analysis Bureau analysis of UI Claims

smaller in terms of the number of workers employed, and still had large changes in claims levels in percentage terms (**Figure 3**). For example, the finance and insurance industry has seen a 460% increase in claims, while the information industry increased claims by 635%.

In contrast, the construction industry was able to improve the number of workers making continued claims, adding workers even during the COVID-19 crisis. Although construction still comprises 7.1% of total claims, there are fewer construction workers claiming unemployment at the end of April compared to the beginning of March. Construction was deemed an essential business, and workers who were unemployed seasonally over the winter have been able to return to work as construction season resumes.

As Montana approached the end of April, continued UI claims began to plateau, then started to fall in May. Most industries followed this same pattern, providing positive signs that the employment impacts of COVID-19 will improve quickly as restrictions are lifted. However, two industries have been delayed in their turnaround and continued to have an upward trajectory in claims through the end of April. The finance and insurance industry saw an increase in continued claims at the end of the month. Prospects for this industry depend on the ability of debt-holders to continue to make payments on things like mortgages, auto loans, and credit card balances.

Uncertainty remains about how

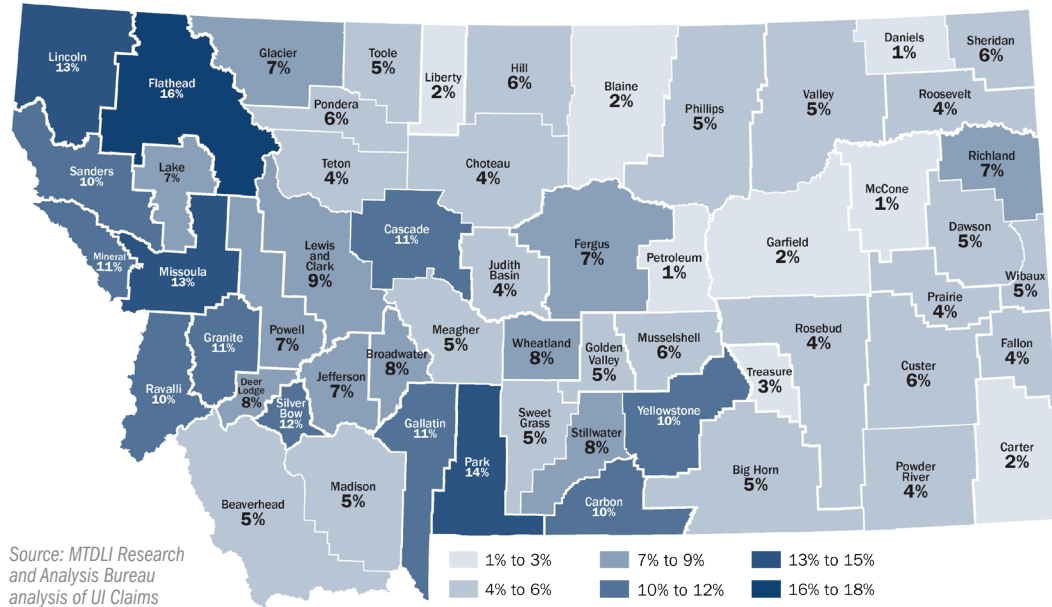
much stimulus checks can help to meet debt payments. The other industry that has not yet plateaued is education, where the data is complicated by the end of the school year and the seasonal layoffs that affect this industry.

## Where are layoffs occurring?

The COVID-19-related safety measures have impacted nearly every county in Montana.<sup>3</sup> Counties with more employment such as Yellowstone, Missoula, Gallatin and Flathead counties had the largest number of layoffs, while the rural counties had fewer claims. Not only do Montana's larger cities have more workers in general, but they also have more employment in the highly impacted industries of accommodations and food service, retail trade, and health care. **Figure 4**

<sup>3</sup> <https://lmi.mt.gov/home/job-tracking> Monthly Unemployment Insurance data as of 5/8/2020

**FIGURE 4:**  
**UI Claims as a Share of March 2020 Labor Force**  
*Week of April 18, 2020*



shows the number of continued claims as a share of 2019 payroll employment, allowing us to compare the impact after adjusting for population size.

The areas with the highest concentration of layoffs stretch from south-central to northwestern Montana, primarily around areas with cities. A few eastern Montana counties have been affected at greater levels as well, perhaps due to the combined effect of COVID-19 restrictions and oil prices dropping to extreme lows in April. The counties with some of the highest levels of UI claims relative to employment are Flathead, Park, Missoula, and Lincoln counties. Flathead and Park counties have strong economic ties to travel and tourism around Glacier and Yellowstone National Parks, and are affected by the limited operations of the parks and the discouragement of out-of-state travel. Industry mix largely explains the variation in claim levels across counties.

## Who is being laid off?

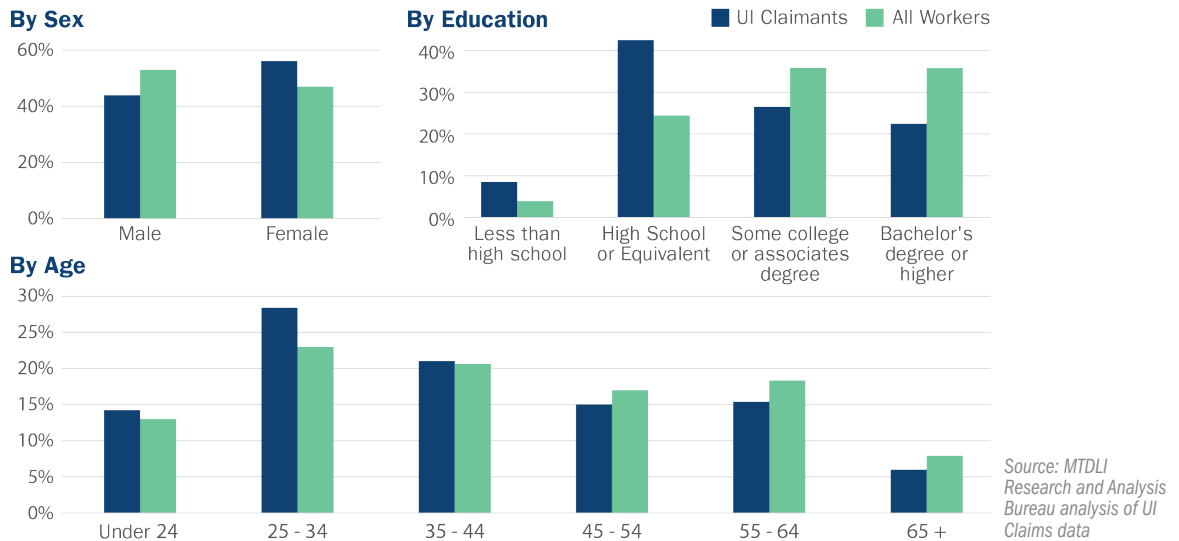
As seen with layoffs across counties and industries, workers across all backgrounds have experienced higher levels of layoffs. The defining trends in the

recent layoffs in Montana are that unemployed workers tend to be younger, have lower educational attainment, and are more likely to be women. **Figure 5** illustrates the demographics of claimants during the peak week of unemployment claims. During the week of April 18, 43% of claimants were under 35 years old, despite that age group making up only 36% of employed workers in 2019. Employment in food service and retail industry jobs leaning towards younger and less experienced workers explains a portion of this difference.

By education, 51% of laid-off workers who filed a UI claim had a high school education or less. The impacted industries of retail and accommodations and food service hire many entry-level workers. Even outside these industries, customer-facing positions tend to require less education. In contrast, professional positions with high educational requirements can be transitioned to remote work arrangements. This dichotomy has created a discrepancy in outcomes based on education level. If employment does not resume at the levels seen before COVID-19, training opportunities will be necessary to assist displaced workers into new jobs.



**FIGURE 5:**  
**Montana Continued Claims by Age, Education, and Sex**  
 Week of April 18, 2020



Finally, UI claims have been more likely to occur among women, 56% of claims, despite women comprising only 47% of employed workers, largely because the workforce in the highly impacted industries is more likely to be female. The male-dominated industry of construction did not see a large increase in UI claims, while the female-dominated healthcare and education had the 3rd highest level of claims. The closure of schools and daycares also resulted in a higher concentration of claims among female workers.

## Looking forward

Montana's residents have had an eventful few months, and our economy has reflected those unusual circumstances. Our long-term growth has been protected by the restrictions on business activities, helping to keep our workforce healthy and safe. Montana's well-trained workforce is our most valuable economic asset. Although necessary, the business restrictions to prevent the spread of coronavirus were not without consequences, with all Montana counties posting a temporary increase in unemployment insurance claims. The unemployment benefits paid out

will help to stabilize the Montana economy and keep layoffs from spreading to different industries, helping to reduce the economic impact.

The outlook moving forward is highly contingent on whether future COVID-19 outbreaks require another round of business closures. The speed of recovery also depends on whether the stimulus efforts by Congress are successful in replacing lost income. If the lost wages and income is fully replaced through other means, consumers will be able to quickly resume spending at Montana's businesses after reopening.

Monitoring unemployment claims and other economic data in the next few months will add to our understanding of the economic impacts. Readers are encouraged to join us in monitoring these economic indicators using the economic tracking dashboard at [lmi.mt.gov/home/job-tracking](https://lmi.mt.gov/home/job-tracking). Montana's quick shutdown initially, then being one of the first states to resume business activity, have placed the state in a position to emerge from the pandemic stronger than other states. We look forward to improved economic reports in future months.