

# US jobless disaster intensifies as 1.5 million filed for unemployment last week

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19 June 2020

New claims for unemployment insurance continue at historically unprecedented high levels despite the lifting of lockdown orders all across the United States.

According to the US Labor Department, there were 1.51 million claims filed for the week ending June 13. Forty-six states reported another 760,526 initial claims for Pandemic Unemployment Assistance (PUA), which has been made available to the self-employed, traditionally ineligible for unemployment aid.

The number of unemployment claims last week was a drop of just 58,000 from the revised level of the previous week. The four-week average stands at 1.77 million weekly claims, far in excess of the previous record set back in 1982 of 695,000.

There have been 45 million new unemployment claims filed since the start of the pandemic. While some of those may represent duplicate filings by workers seeking assistance in more than one program, it is still an astronomical number that indicates deep economic distress across the country.

Through the week ending June 6, continuing claims for unemployment benefits stood at 20.5 million, only a slight decrease from the previous week. In addition, there were 9.3 million self-employed and gig-economy workers receiving benefits under the federal PUA program and another 1 million receiving a continuation of benefits under the Pandemic Emergency Unemployment Compensation program.

According to the Bureau of Labor Statistics, only about 1 in 10 jobs cut in April were restored in May, and even that number is in dispute, as is the claim that the official unemployment rate declined last month to 13.3 percent. In fact, the real rate stood at 16.3 percent due to an undercounting error. Prior to the pandemic the highest weekly number of those receiving unemployment benefits was 6.6 million, in 2009.

The persistence of such shocking numbers despite the

reopening of the auto industry and the recall of millions of workers from temporary layoff due to the coronavirus pandemic points to a general collapse of the economy and the start of a deep, perhaps prolonged depression, one to rival the Great Depression of the 1930s.

Layoffs have spread well beyond the industries initially impacted by the pandemic, and others have been made permanent. Hilton Worldwide said it is eliminating 2,100 corporate jobs worldwide while AT&T plans to eliminate 3,400 technician and clerical jobs in the US and will permanently close more than 250 stores. In another casualty, the gym chain 24 Hour Fitness filed for bankruptcy and is permanently closing more than 100 locations.

After losing 1.4 million jobs in April the healthcare industry is seeing further cuts, with Tower Health in the Philadelphia area cutting 1,000 jobs after suffering \$212 million in losses.

A report Thursday in the *New York Times* quoted several economic experts who predicted a surge in bankruptcies this year, eclipsing any previous period. The *Times* cited Edward Altman, who developed the Z-score formula for predicting bankruptcies, who projects 2020 will set a record for filings by companies with \$1 billion or more in debt.

Altman also expects to see a record number of bankruptcies by companies with less than \$100 million in debt. Fueling the surge is an “explosion” of corporate debt that reached a record \$10.5 trillion by the end of March. Another expert predicted a “Covid cliff” of bankruptcy filings when federal subsidies end.

Compounding the distress, many workers who have filed for unemployment benefits are still waiting for payments due to delays in processing claims, bureaucratic snafus or “fraud prevention” efforts. On Wednesday hundreds of frustrated claimants lined up outside the Kentucky state capitol in Frankfort for an 8-hour wait for

help with their benefit claims. Tens of thousands in the state have had trouble with their filings.

On Friday the state of Michigan said that it was restoring unemployment payments to 140,000 workers who had been falsely suspected of fraud. In a case of guilty until proven innocent the state has held up payments to 340,000 claimants while it investigates fraud allegations, a significant portion of the 2.2 million who have filed.

Nearly 24,000 Ohioans have been told to pay back unemployment benefits which they have received, as a result of “overpayment” by the state.

In Wisconsin 651,463 people applied for unemployment benefits between March 15 and June 13. Another 850,000 weekly claims were either rejected or are still pending. More than 15 percent of claims are still awaiting resolution.

Similar stories are playing out across the US, as understaffed state agencies relying on outmoded technology try to deal with record numbers of claims week after week.

Heidi Shierholz, director of policy at the Economic Policy Institute, told the *New York Times*, “It’s a sustained hemorrhaging of jobs unlike anything we’ve seen before.”

Martha Gimbel, Senior Manager of Economic Research at Schmidt Futures, told the *Times*, “What you’re seeing right now is economic scarring starting to happen.” She continued, “Layoffs that happened at the beginning of this likely were intended as temporary. But if you’re laying off people now, that’s probably a long-term business decision.”

The full impact of the recession has been mitigated to some degree by the expansion of unemployment benefits, including the \$600 weekly federal supplement. But those payments are set to expire at the end of July and the Trump administration is opposed to their renewal. When those payments end, the economy could see a further jolt.

Facing the possibility of a tidal wave of home foreclosures next month, on Wednesday the Federal Housing Administration (FHA) announced it would extend foreclosure and eviction moratoriums through August 31. The decision affects borrowers with FHA single-family home mortgages. The current moratorium was set to expire on June 30.

Moratoriums on evictions have ended in a number of states, including Texas, where the courts ruled that landlords could start eviction proceedings May 26. One attorney who handles evictions told a local media outlet

that the court dockets in Texas were “packed.” In many cases moves against tenants have been delayed due to the closure of courts where eviction hearings are held, but proceedings will likely begin later this month.

With lockdowns ended, new COVID-19 infections are rising in at least 20 states. Customers fearful of contracting the virus are staying away from restaurants and other businesses that have newly reopened.

According to a study by Jed Kolko, chief economist at the Indeed Hiring Lab, job postings were down 34 percent from 2019. Hiring for white-collar jobs, such as software development postings, were down 36.3 percent, and banking and financing job postings are down 51.3 percent.

Pay cuts are hitting many managerial and professional employees as companies seek to use the pandemic and the threat of layoffs to leverage cost-cutting. A similar process is likely to follow in manufacturing and other production-related jobs.

About 60 percent of workers at Northern Arizona University will take a pay cut starting July 1 to cover a budget shortfall. Scores of hospitals and healthcare providers have implemented pay reductions and pay freezes, the latest being Mass General Brigham, formerly Partners HealthCare, the largest healthcare provider in Massachusetts.

The persistence of unprecedented levels of new unemployment filings three months after the beginning of mass lockdowns points to a deeper systemic crisis of the capitalist system, for which the spread of COVID-19 was only the trigger. The response of all factions of the ruling elite has been to shovel unlimited amounts of cash into the financial markets while stoking up trade war and preparing for world war. Capitalism offers no progressive way out of this impasse. This fraught situation poses the necessity for the independent intervention of the working class based on a socialist and internationalist program.



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