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1. MODEST JOB GROWTH WITH NO SIGNS OF EASING LABOR SHORTAGES

Our colleague Gad Levanon of The Conference Board Labor Markets Institute offers the following [analysis](#) of today's monthly Employment Situation report, covering the month of December, 2021:

Employment growth remained modest in today's jobs report, reflecting the ongoing toll of the pandemic on in-person services. As of December, there are no signs that severe labor shortages in the US are easing.

Nonfarm payroll employment increased by 199,000 in December, after gains of 249,000 (upwardly revised) in November and 648,000 in October. Job growth in in-person services—including restaurants, hotels, and retail—remains depressed by the rapid spread of the pandemic. The number of jobs in the US economy is still 3.6 million below its pre-pandemic level.

Nevertheless, December saw the unemployment rate decline further—from 4.2 to 3.9 percent. In June 2021, six months ago, the unemployment rate was two full percentage points higher, at 5.9 percent. In the preceding six months (December 2020–June 2021), the unemployment rate declined by just 0.8 percentage points, despite similar job growth during these two six-month periods. The large drop in the unemployment rate in the past six months reflects a higher

proportion of unemployed people landing a job, which may be related to the expiration of the enhanced unemployment benefits.

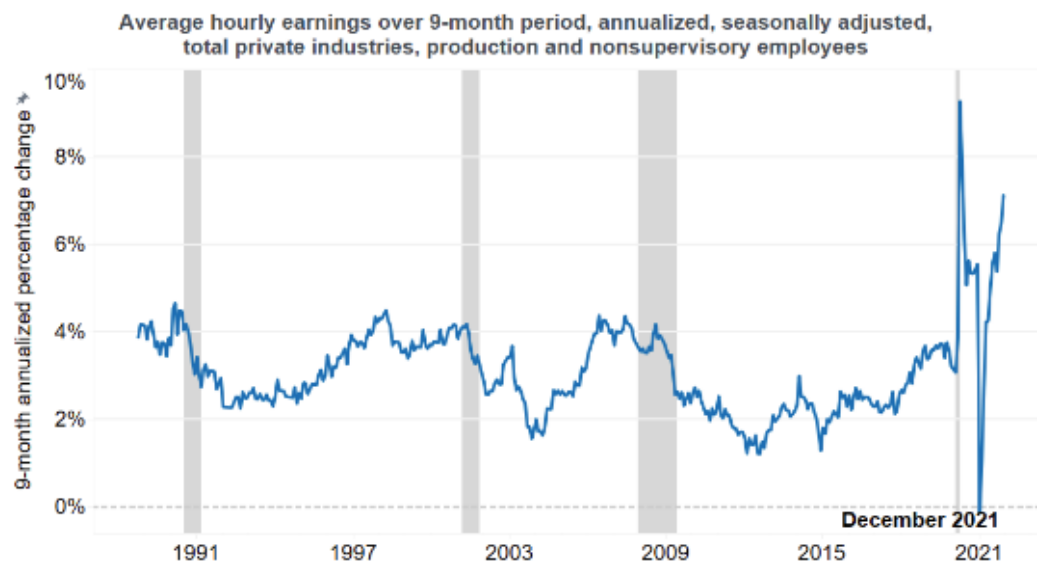
Rapid wage inflation in December suggests that the US labor market is still experiencing severe labor shortages. In the past nine months, average hourly earnings for production and nonsupervisory employees increased by over 7 percent (annual rate). For comparison, in no other nine-month period in the 35 years prior to the pandemic did this measure exceed 5 percent. Such strong wage growth is putting upward pressure on inflation.

At 61.9 percent, labor force participation remains low compared with the pre-pandemic rate of 63.4 percent. But it is gradually improving, especially among women. Some people are delaying a return to the labor market because they still fear the virus. In addition, older Americans' labor participation rate declined significantly during the pandemic—and there are no signs of it recovering.

In the near term, the exponential spread of the Omicron variant is likely to temporarily lower the supply of labor, as many workers will be sick or quarantined. Employers may resort to temporary help agencies to fill the gaps.

By March or April, we expect strong job growth to resume. Employment in many of the in-person services industries is still well below pre-pandemic levels and is likely to grow rapidly in 2022. The US unemployment rate may well reach 3 percent this year, marking a 70-year low. Severe labor shortages will continue.

While today's payroll gains missed market expectations, the continued improvement in jobs data more generally suggests that the US economy has either achieved or is close to full employment. Against this backdrop, the Fed is likely to continue its plans to accelerate quantitative-easing taper and implement at least three 25-basis point interest rate hikes this year.



Note: Shaded areas represent recessions.
Source: US Bureau of Labor Statistics

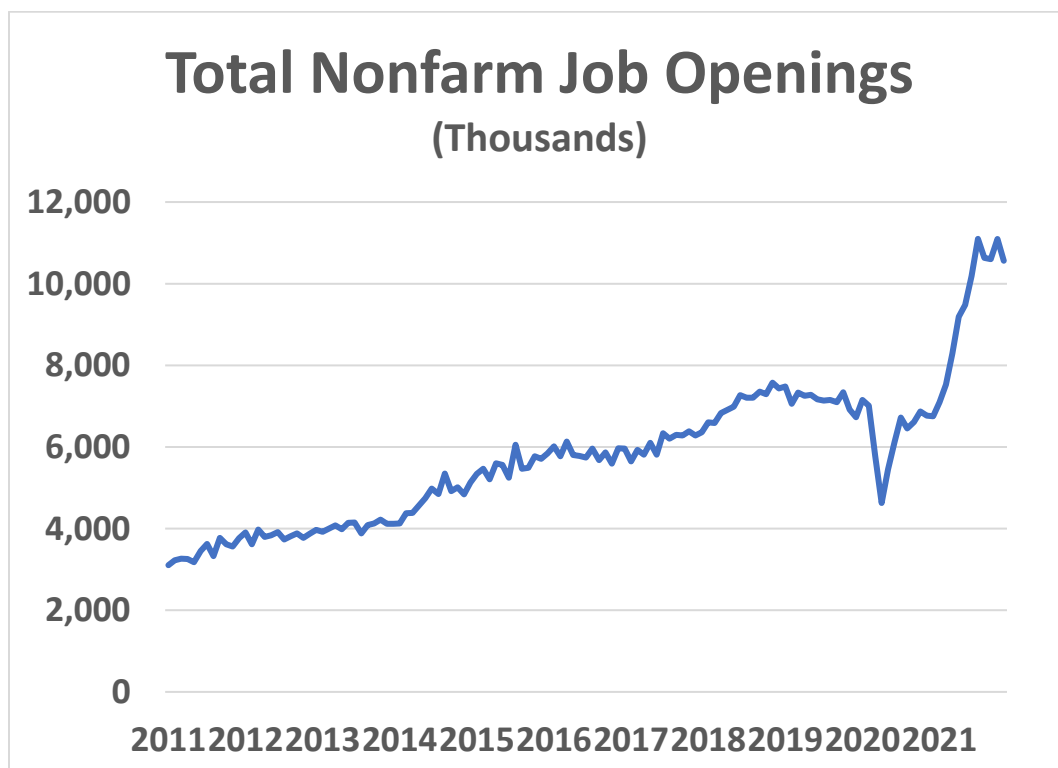
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2. NEW WEEKLY UNEMPLOYMENT INSURANCE CLAIMS UPTICK BUT REMAIN LOW

After a plunge to levels unseen since October of 1969 (and despite all of the population growth since then), new Unemployment Insurance claims for the week ending January 1 increased by a modest 7,000, to 207,000 (the previous week's number was revised up by 2,000). Numbers are always jumbled in the holiday season, with seasonal adjustment methods struggling to adjust for the inevitable issues (employers are reluctant to hand out pink slips in their Christmas cards, but there are questions about the characterization of the end of temporary jobs) plus the vagaries of on which day in the holiday week the specific holiday actually falls. There was a small increase in the number of continuing claims as well, but overall, the still-low levels confirmed the gradual improvement in the labor market after the genuine trauma of the pandemic.

3. A *JOLTS* IN THE JOB MARKET—JOB OPENINGS, AND RETIREMENTS

The monthly Job Openings and Labor Turnover Survey (JOLTS), covering data for December, showed a slight decline in unfilled jobs—down 529,000, to 10.6 million. The job openings rate—the ratio of job openings to employment plus the number of job openings—also fell, to 6.6 percent. This is a small decline in the elevated number of unfilled jobs that has followed upon the pandemic. It signals steady but slow progress in jetting the job market, and the US employment machine, back to normal. In the chart below, you can see the number of job openings plunge with business closures at the onset of the pandemic, and then rise with the reopening of the economy—to an enormous level when businesses rushed to rehire. The number of job openings has not changed much since mid-2021, but at least it has stopped rising.



But arguably the biggest news of the last few months reflected in the release has to do with job separations. JOLTS classifies separations into three categories: quits; layoffs; and “other.” Quits are undertaken at the discretion of the employee. Layoffs are the decision of the employer. “Other” is an agglomeration of deaths, disabilities, transfers to other locations of the same firm, and retirements.

The news is the composition of total separations. It has been well understood of late that the number of quits has been going up, and the number of layoffs has been going down. Workers have become more confident about their options in the job market, to the extent that they are willing to leave their current jobs to find better ones. Employers have become so desperate for workers that they have been reluctant to lay people off, fearing that they will not be able to find suitable replacements in the exceedingly tight market for labor.

The perhaps overlooked news is in the nature of the quits. There has been a presumption that many typical workers of the pre-pandemic period have been induced to quit because of fear of COVID, the loss of child care (including schools going to remote education), and temporarily increased levels of public benefits (including but not limited to unemployment compensation). All of those factors are clearly relevant. However, accumulating data have shown that another factor has been perhaps more important than all of the above, that being accelerated retirements by older former workers—as noted in The Conference Board’s analysis of the December Employment Situation reports (which was presented above). One economist [calculated](#) that between November 2019 (before the pandemic) and November 2021, there was a 3.6 million person increase in the number who had left the labor force and did not want a job. Of that increase, 90 percent were accounted for by persons of age 55 and over. People in that age bracket are of course more vulnerable to COVID, but they also have benefited disproportionately from the increase in stock market values, which has made retirement more feasible and attractive. (Note that persons who are classified as not in the labor force and therefore are not looking for work are not eligible for any unemployment benefits, and so benefit levels are of limited importance to this phenomenon.) These data suggest that younger workers have been returning to the labor force (whether they could find jobs or not) more aggressively than had been thought. And [calculations](#) by a member of the president’s Council of Economic Advisers seem to confirm that; at the worst of the pandemic, the labor force participation rate of persons of ages 25 to 54 had dropped by about three percentage points, but by November of 2021 it had recovered about two percentage points of that.

4. FEDERAL RESERVE MEETING MINUTES HINT AT FASTER INCREASE IN INTEREST RATES

The Federal Reserve has [released the minutes](#) of the Federal Open Market Committee meeting held on December 14-15. FOMC members considered the economic recovery to be on track, and inflation to be above earlier expectations. The minutes interpreted the discussion as indicating that

Participants generally noted that, given their individual outlooks for the economy, the labor market, and inflation, it may become warranted to increase the federal funds rate sooner or at a faster pace than participants had earlier anticipated. Some participants also noted that it could be appropriate to begin to reduce the size of the Federal Reserve's balance sheet relatively soon after beginning to raise the federal funds rate. Some participants judged that a less accommodative future stance of policy would likely be warranted and that the Committee should convey a strong commitment to address elevated inflation pressures. These participants noted, however, that a measured approach to tightening policy would help enable the Committee to assess incoming data and be in position to react to the full range of plausible economic outcomes.

5. BUILD BACK BETTER RECONCILIATION BILL STALLED

After stern rebukes from Senator Joe Manchin (D-WV), the Build Back Better reconciliation bill appears totally stalled. At this point, the path forward appears to divide among Plans C through F, with no clear opening in sight. One possibility that has been suggested to us would be a reconciliation bill trimmed back far enough to satisfy Senator Manchin, which would apparently rule out any extension of the contentious and expensive Child Tax Credit. Such a bill could include subsidies for clean energy, prescription drug bargaining, pre-K and child care. Then, the Child Tax Credit could be put forward in a separate bill under the regular order (i.e., at risk of a filibuster), but with its cost fully offset and with some Republican support (Senator Marco Rubio of Florida, for one, has supported the CTC). However, there is nothing more than speculation to support this idea.

Meanwhile, the Senate leadership has turned some of its attention to voting rights, although again there is no indication of solid bipartisan support to surmount the 60-vote hurdle.

6. PANDEMIC NEWS

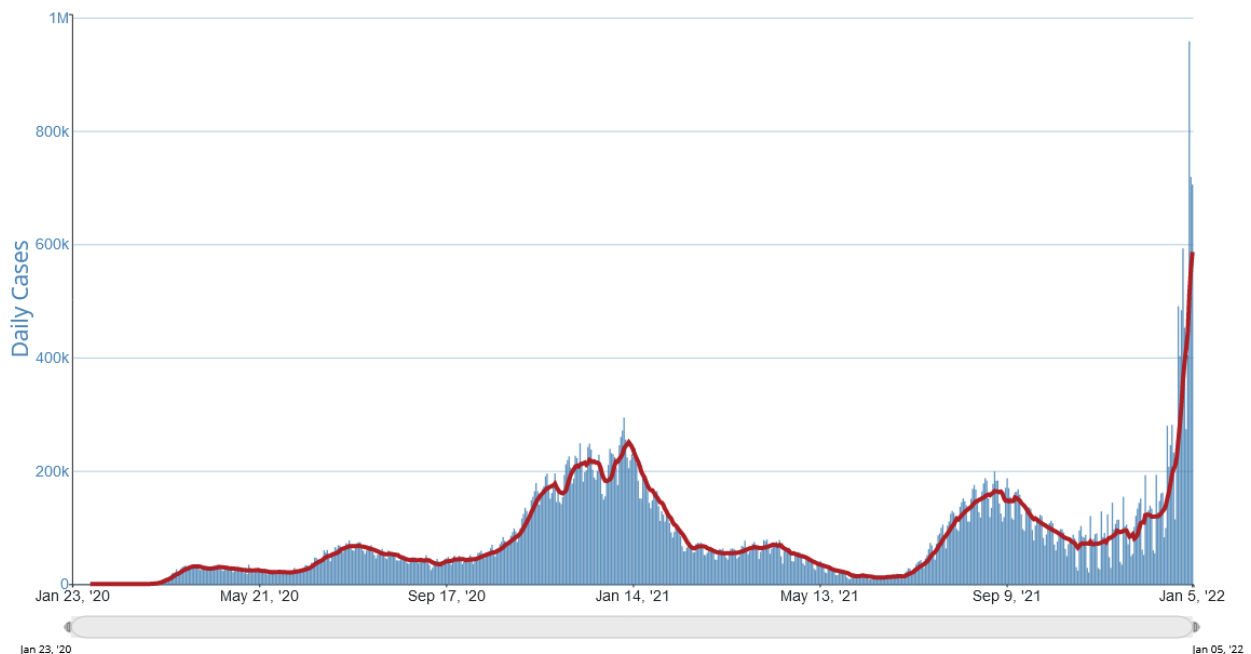
You already know that the Omicron variant of the coronavirus has totally shaken public health efforts around the entire world. Its highly worrisome feature is that it is remarkably transmissible. It became dominant in a matter of days in South Africa, then in the United Kingdom, and now in the United States. The danger in its rapid replication is its potential to spin off a new variant, with heaven knows what properties. The good side is that it does appear to be less virulent—though the full history is not yet written—and that it seems ready to burn itself out in its earliest homes in South Africa and the UK. The same could be true in the United States. However, the United States is a big and diverse country, and while Omicron shows signs of consuming all of the available fuel in the Northeast and the Midwest, it has barely begun to burn the South. Given the relatively very low vaccination rates there, Omicron's presence in the United States could continue for some time.

How Omicron will treat the highly vulnerable who have evaded infection with other variants thus far through complete inoculation, we do not know. We also don't yet know the extent to which

an Omicron infection will provide subsequent immunity; we do know that infections with previous strains have afforded highly unpredictable levels of immunity, and that persons with infections plus vaccination have had much higher levels of protection. We also do not yet know whether Omicron will cause long-haul maladies among its infected. It does appear that Omicron does not seem as likely to invade the lungs as do other strains, and so that may narrow the scope for long-haul symptoms. But only time will tell.

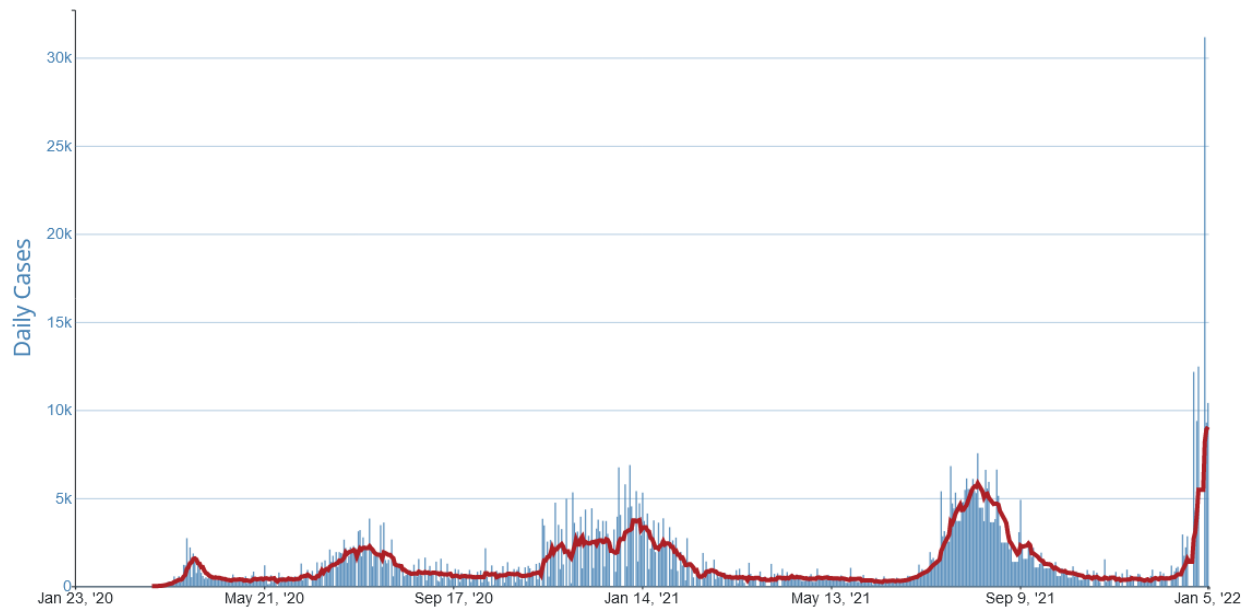
In raw numbers of infections, Omicron is monumental. Its transmission thus far has extended far beyond prior strains of the disease. Hitherto, lags in the case counts have always suggested the number of infections was beginning to decline; only as the last reports were registered did we see a nascent wave building. However, Omicron's infection numbers are shooting straight up, already far exceeding the Delta wave, and the wave from last winter. And the rapidity of the rise in this number of *confirmed* cases suggests that unreported home tests and unidentified infections must also be far more numerous than they were in the past.

Daily Trends in Number of COVID-19 Cases in The United States Reported to CDC



To provide just a little additional detail, the case count in Louisiana, which post-Delta had hit a lower new case level that just about any time in the history of the pandemic, has just arrived at the party. Its numbers are rising exponentially, but have only just begun to exceed the prior waves (at least in a seven-day moving average), whereas the national average is about six times where it was post-Delta.

Daily Trends in Number of COVID-19 Cases in Louisiana Reported to CDC



However, as you have been told, the astronomical growth of Omicron cases has not resulted in a proportionate increase in hospitalizations or deaths. Although hospitalizations nationwide seem set far to exceed past surges, that is nowhere like the near trebling of cases in the United States as a whole.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States
August 01, 2020 – January 04, 2022

95,250

Current 7-Day Average
Dec 29, 2021 – Jan 04, 2022

67,842

Prior 7-Day Average
Dec 22, 2021 – Dec 28, 2021

124,031

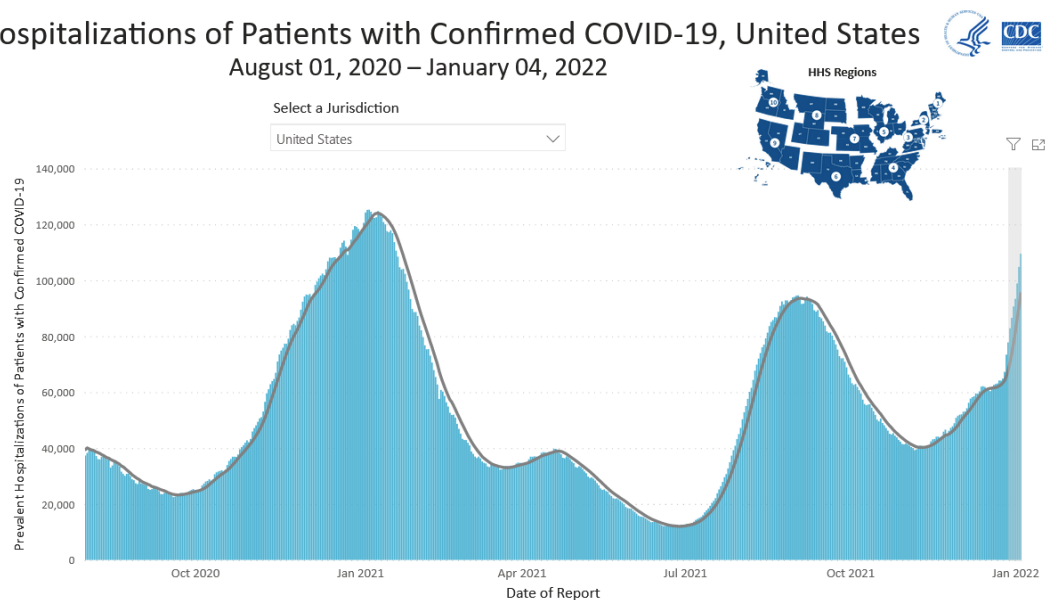
Peak 7-Day Average
Jan 05, 2021 – Jan 11, 2021

+40.4%

Percent change from prior 7-day
avg. of Dec 22, 2021 – Dec 28, 2021

-23.2%

Percent change from peak 7-day
avg. of Jan 03, 2021 – Jan 09, 2021



The Midwest-Great Lakes region (HHS Region 5, from Minnesota to Illinois to Ohio) has led the way on Omicron, and already exceeds its own peak hospitalizations from the Delta and winter surges.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, HHS Region 5 August 01, 2020 – January 04, 2022



21,405

Current 7-Day Average
Dec 29, 2021 – Jan 04, 2022

18,458

Prior 7-Day Average
Dec 22, 2021 – Dec 28, 2021

21,405

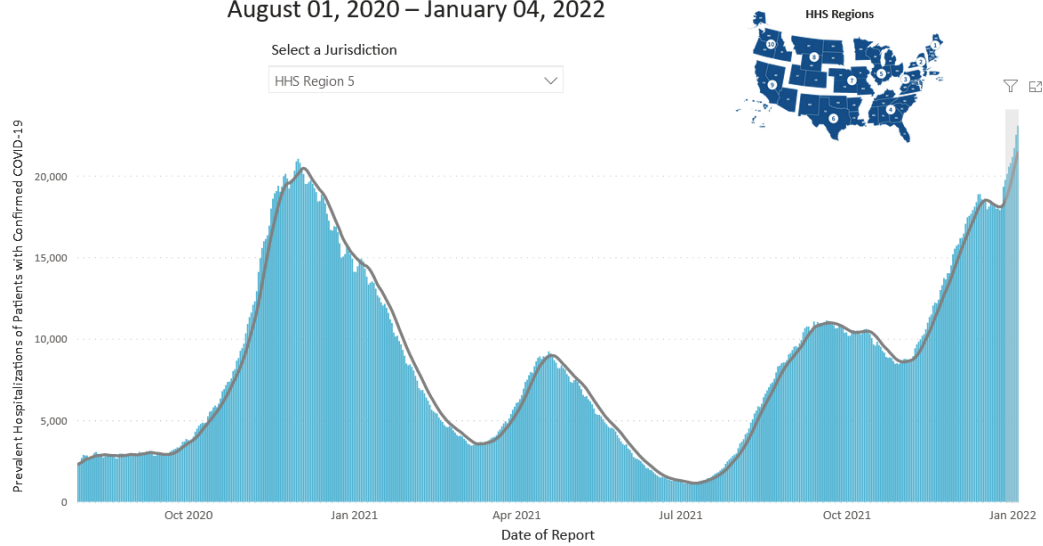
Peak 7-Day Average
Dec 29, 2021 – Jan 04, 2022

+16.0%

Percent change from prior 7-day
avg. of Dec 22, 2021 – Dec 28, 2021

0.0%

Percent change from peak 7-day
avg. of Dec 29, 2021 – Jan 04, 2022



However, even if the Midwest should soon cool down, the South (HHS Region 4, from Kentucky to North Carolina to Florida to Louisiana) has much more room to grow in its hospitalizations, and could keep the national numbers rising for some time.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, HHS Region 4 August 01, 2020 – January 04, 2022



16,757

Current 7-Day Average
Dec 29, 2021 – Jan 04, 2022

9,314

Prior 7-Day Average
Dec 22, 2021 – Dec 28, 2021

35,188

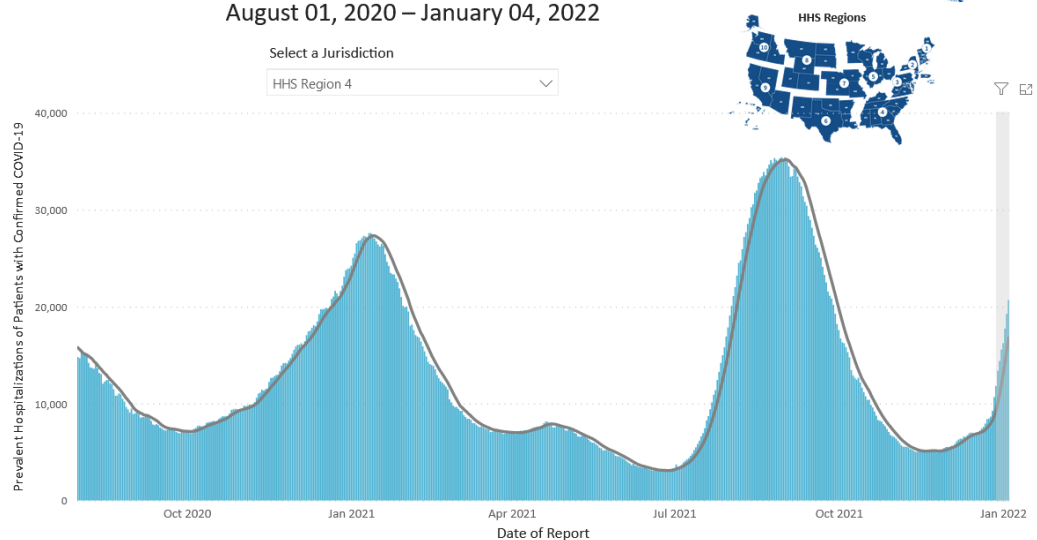
Peak 7-Day Average
Aug 26, 2021 – Sep 01, 2021

+79.9%

Percent change from prior 7-day
avg. of Dec 22, 2021 – Dec 28, 2021

-52.4%

Percent change from peak 7-day
avg. of Aug 20, 2021 – Aug 26, 2021

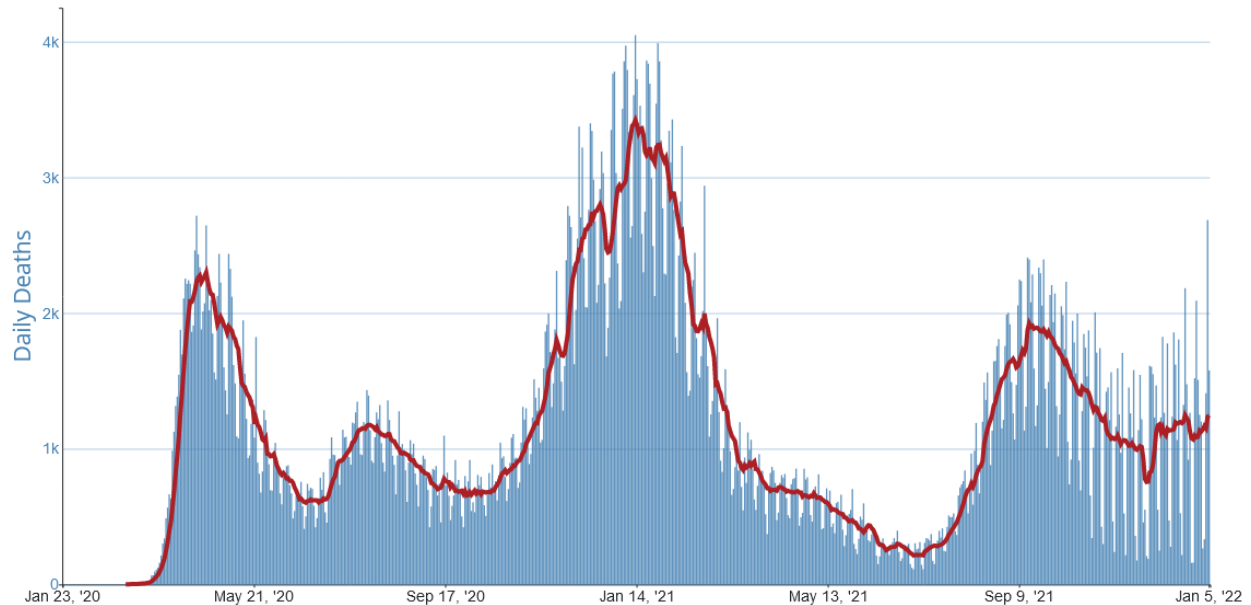


As you understand, it is the localized level of pressure on hospitals that causes the damage. Hospital personnel are exhausted and struggle to deliver care while themselves avoiding infection (lest they be required to leave their posts and quarantine). Hospital facilities are overloaded. People with injuries or other maladies cannot obtain care. And all the while we play variant roulette, hoping that the random mutation does not land on double zero and leave us with a new virus that is as transmissible as Omicron and as virulent as Delta. And the pain can be intense in one location even if the national average appears less threatening. The nightmare

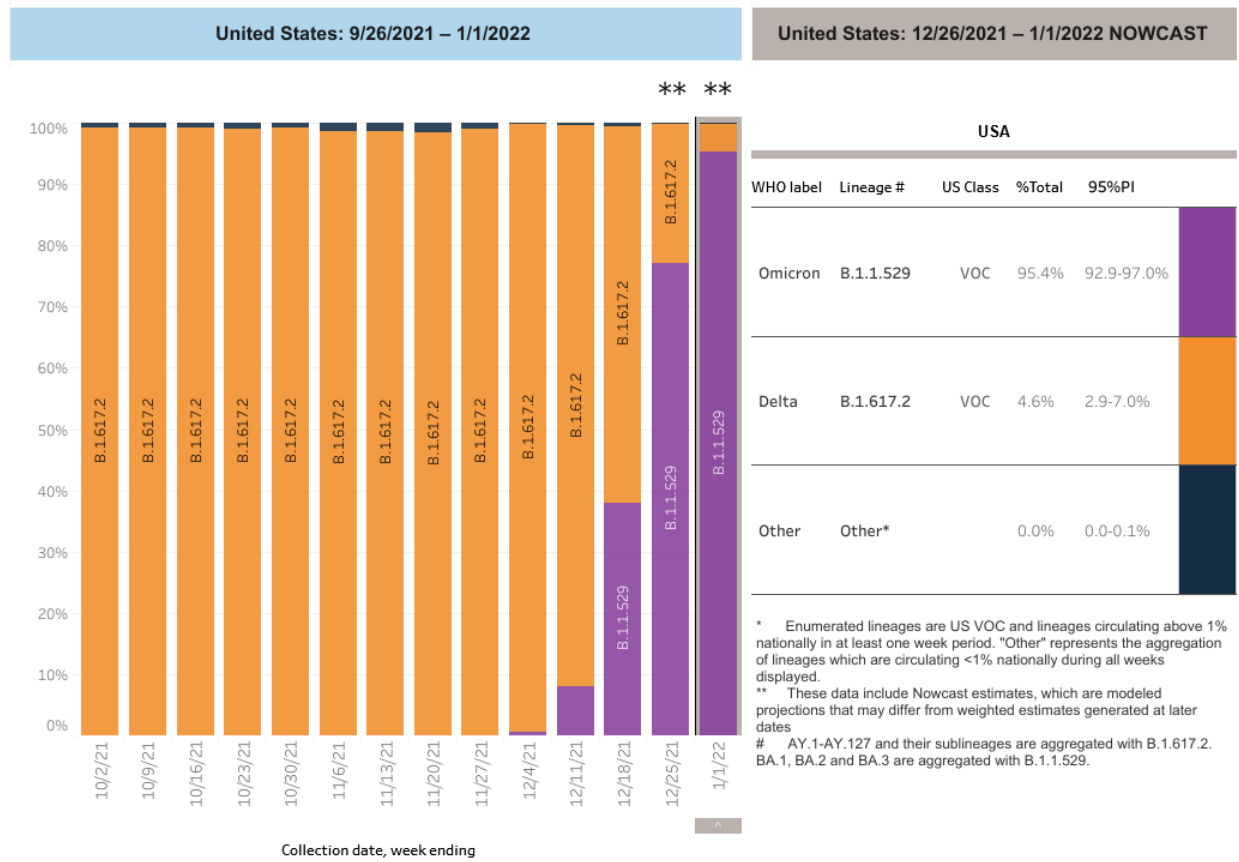
scenario is, once again, the six-foot tall economist who drowned in a stream that was an average of three feet deep.

The bottom line is deaths (plus long-haul disease), and to date Omicron has not delivered mortality to scale with its level of infection.

Daily Trends in Number of COVID-19 Deaths in The United States Reported to CDC



And it is Omicron that we are dealing with, almost exclusively. CDC's extrapolation of the most recent data suggests that somewhere between 93 and 97 percent of current infections are Omicron. Omicron reached that level of dominance in a staggeringly quick two and a half weeks.



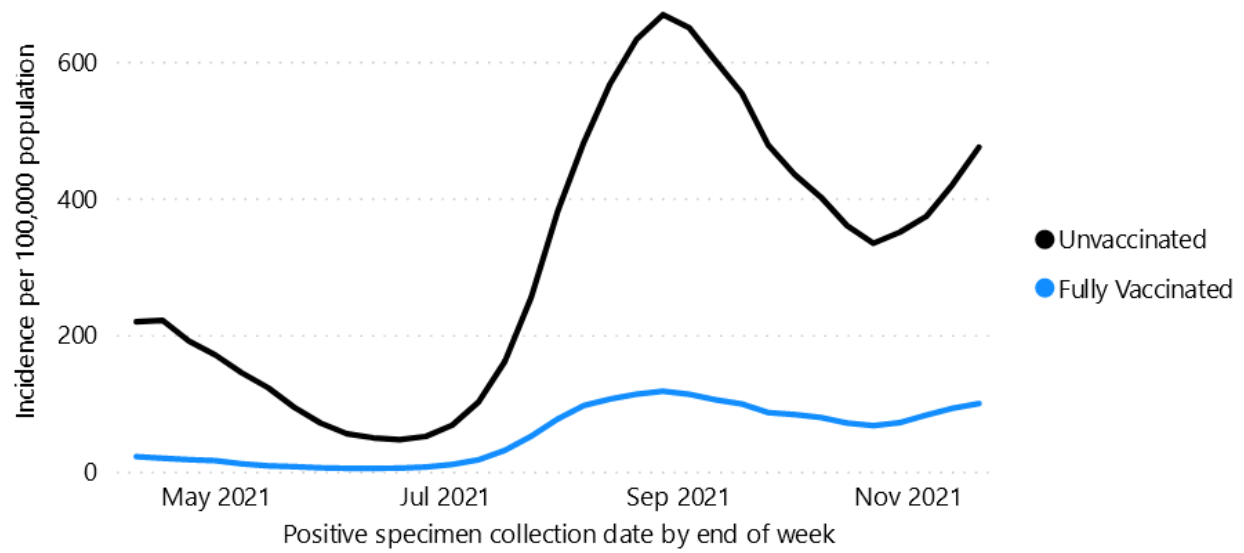
The supersonic speed of Omicron has disrupted school openings. [Chicago](#) teachers have refused to report to work, claiming that the school environment is not sufficiently safe; the mayor disputes that. Other school systems, including [San Francisco](#), have reportedly faced sporadic teacher “sickouts,” although anecdotal evidence suggests the possibility that more-frequent rapid home testing may merely be uncovering a very high number of positives in some locations.

7. VACCINE NEWS

The Omicron variant has come up on us so quickly that the data on vaccine efficacy have yet to catch up. The latest picture, which runs into November, indicates that vaccination provides strong protection against infection, but even stronger protection against serious illness and death.

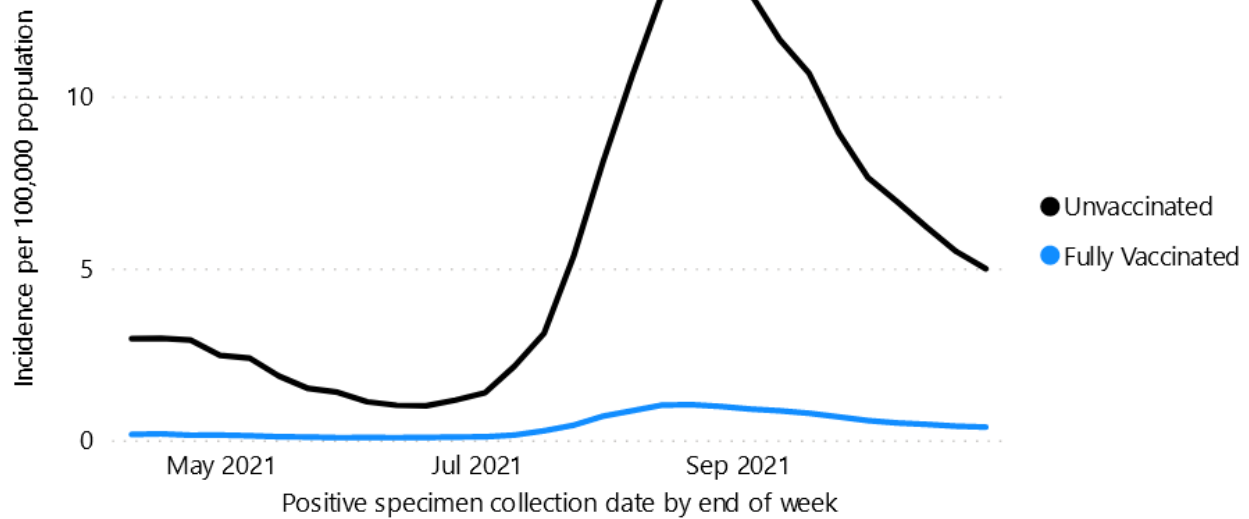
Rates of COVID-19 Cases by Vaccination Status

April 04 - November 20, 2021 (27 U.S. jurisdictions)



Rates of COVID-19 Deaths by Vaccination Status

April 04 - October 30, 2021 (27 U.S. jurisdictions)



In October, unvaccinated persons had:

5X

Risk of Testing Positive for COVID-19

AND

14X

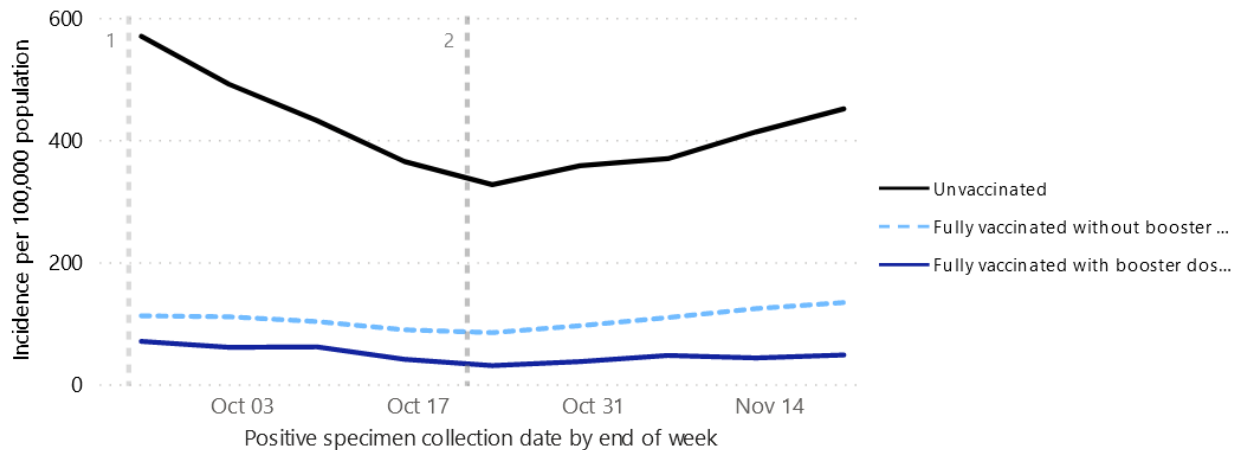
Risk of Dying from COVID-19

compared to fully vaccinated persons

Booster doses provide still more protection.

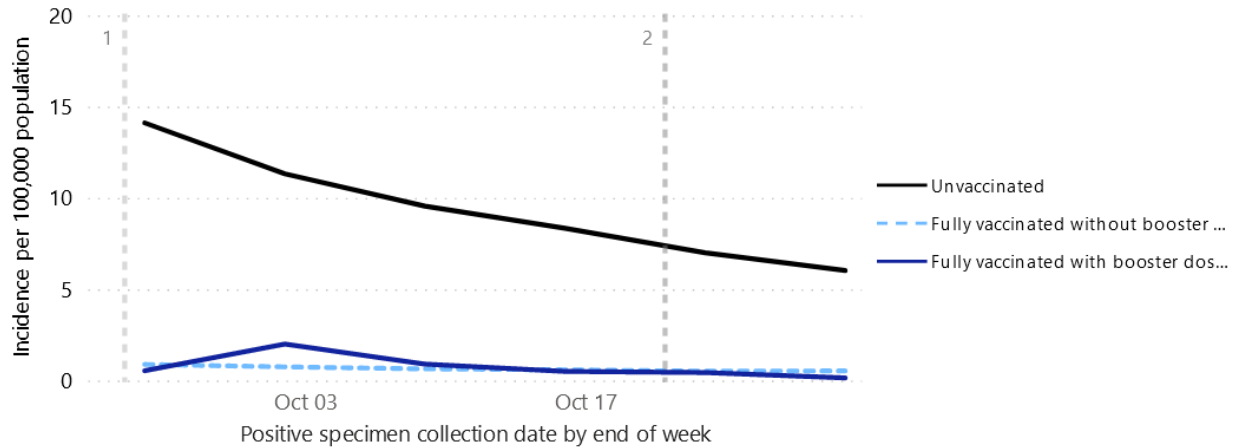
Rates of COVID-19 Cases by Vaccination Status and Booster Dose*

September 19 - November 20, 2021 (17 U.S. jurisdictions)



Rates of COVID-19 Deaths by Vaccination Status and Booster Dose*

September 19 - October 30, 2021 (17 U.S. jurisdictions)



In October, unvaccinated persons had:

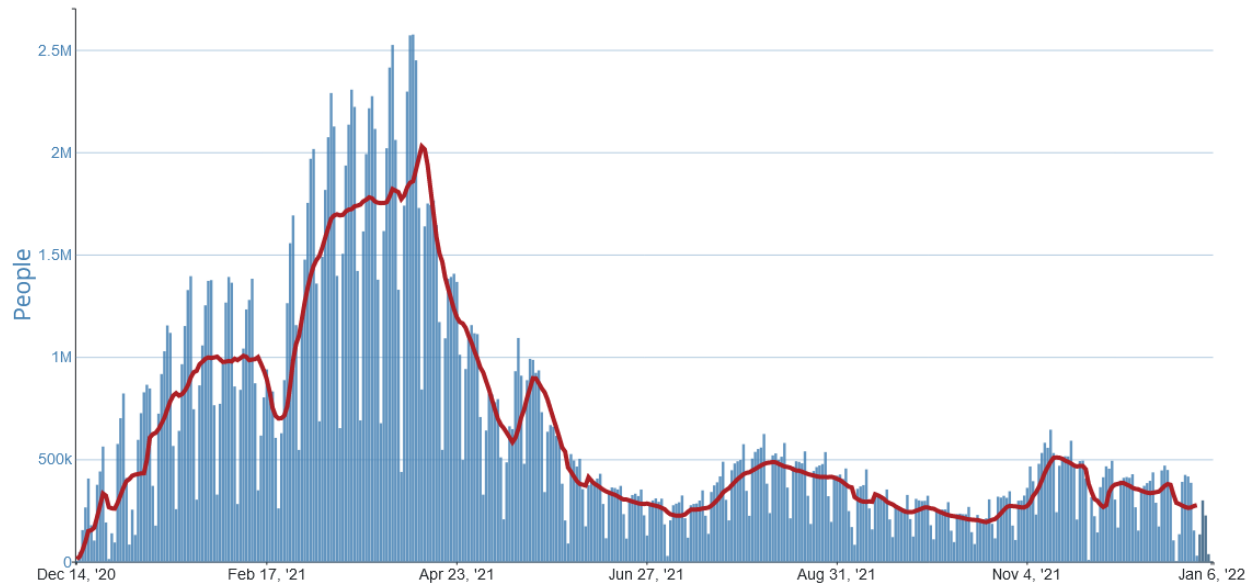


compared to fully vaccinated persons with additional or booster doses

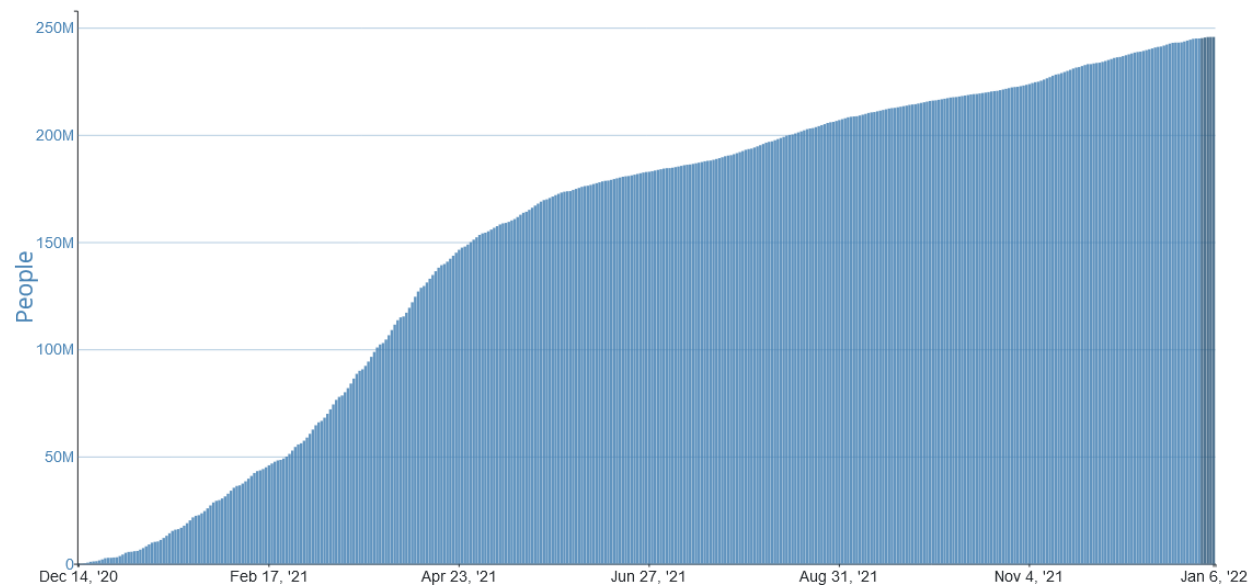
The lack of hard data since Omicron's meteoric rise requires that we follow early laboratory analysis and anecdote while we wait for more-solid information. So far, the numbers, including a recently released preliminary [study](#) from the CDC, [suggest](#) that vaccination provides protection against severe illness resulting from Omicron, even though "breakthrough" infections have occurred with greater frequency than against earlier strains of the virus.

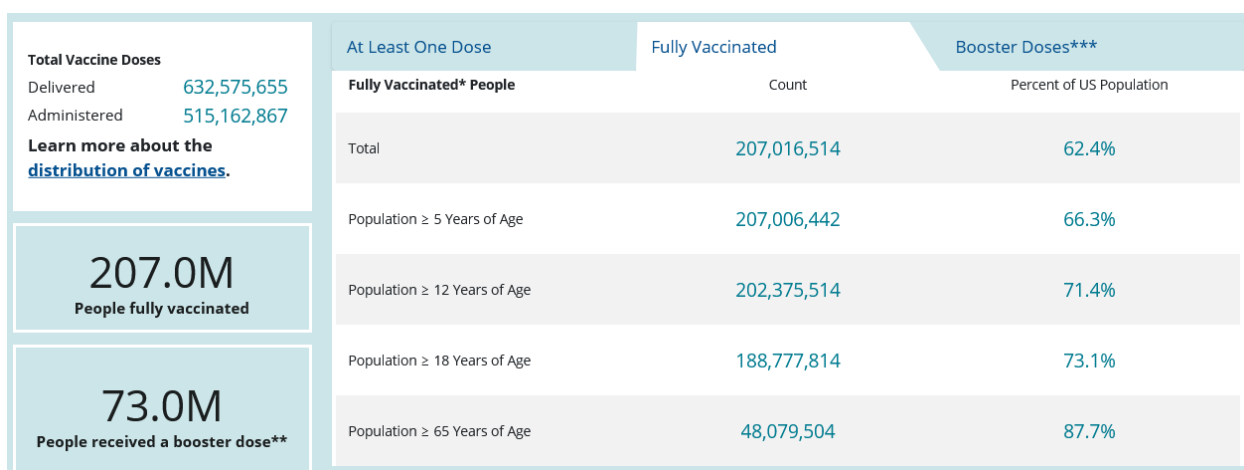
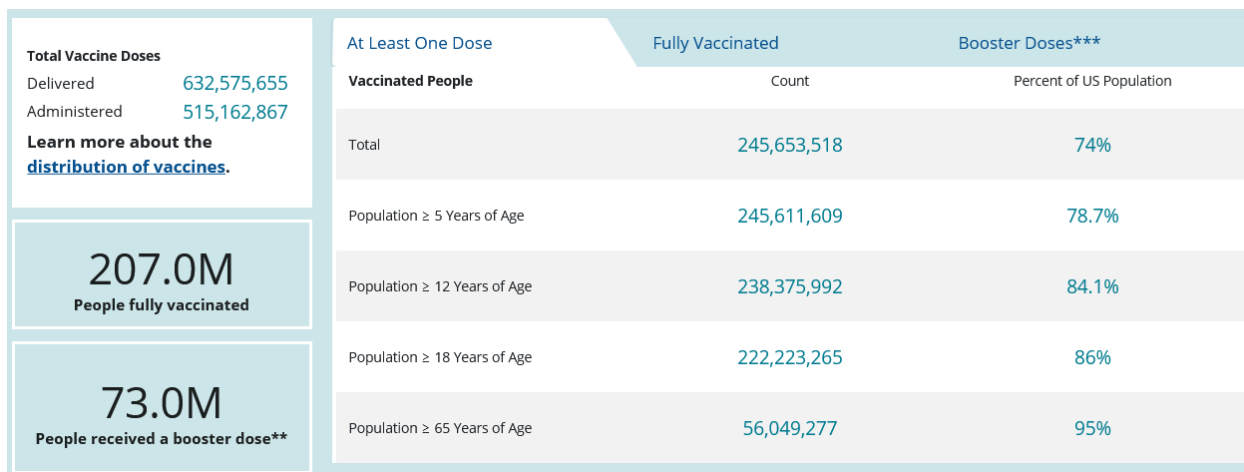
Sadly, this additional protection has not motivated additional vaccination. The delivery of additional first doses remains excruciatingly slow. The share of the population that has received at least one dose is dragging its way toward 75 percent; the share that is "fully vaccinated" (defined as two doses of the mRNA vaccines) has not reached 62.5 percent.

Daily Count of People Receiving Dose 1 Reported to CDC by Date Administered, United States



Cumulative Count of People Receiving at least One Dose Reported to CDC by Date Administered, United States

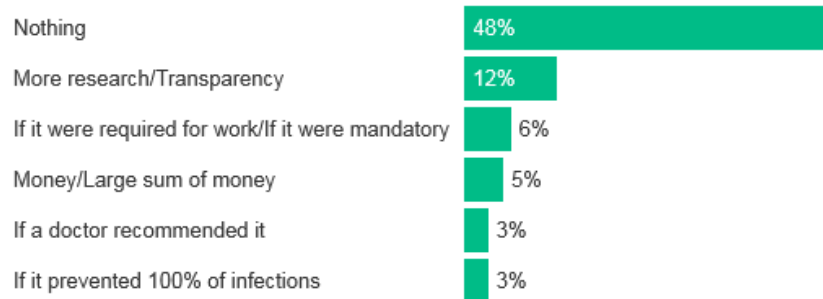




The aggregate data show that the marginal vaccination is much more likely to be a booster for someone who already is “fully vaccinated” than a first dose for someone who is totally unprotected. The Kaiser Family Foundation’s polling similarly [indicates](#) that the rise of Omicron is much more likely to stir a two-shot person to get a booster than it is to motivate a totally unprotected person to begin a regimen of vaccination. Indeed, about half of all unvaccinated adults say that absolutely nothing could convince them to get protection.

About Half Of Unvaccinated Adults Say Nothing Will Convince Them To Get A COVID-19 Vaccine

Among unvaccinated adults: What, if anything, would convince you to get vaccinated for COVID-19?



NOTE: Among adults who have not received a COVID-19 vaccine. Responses over 2% shown. See topline for full question wording.

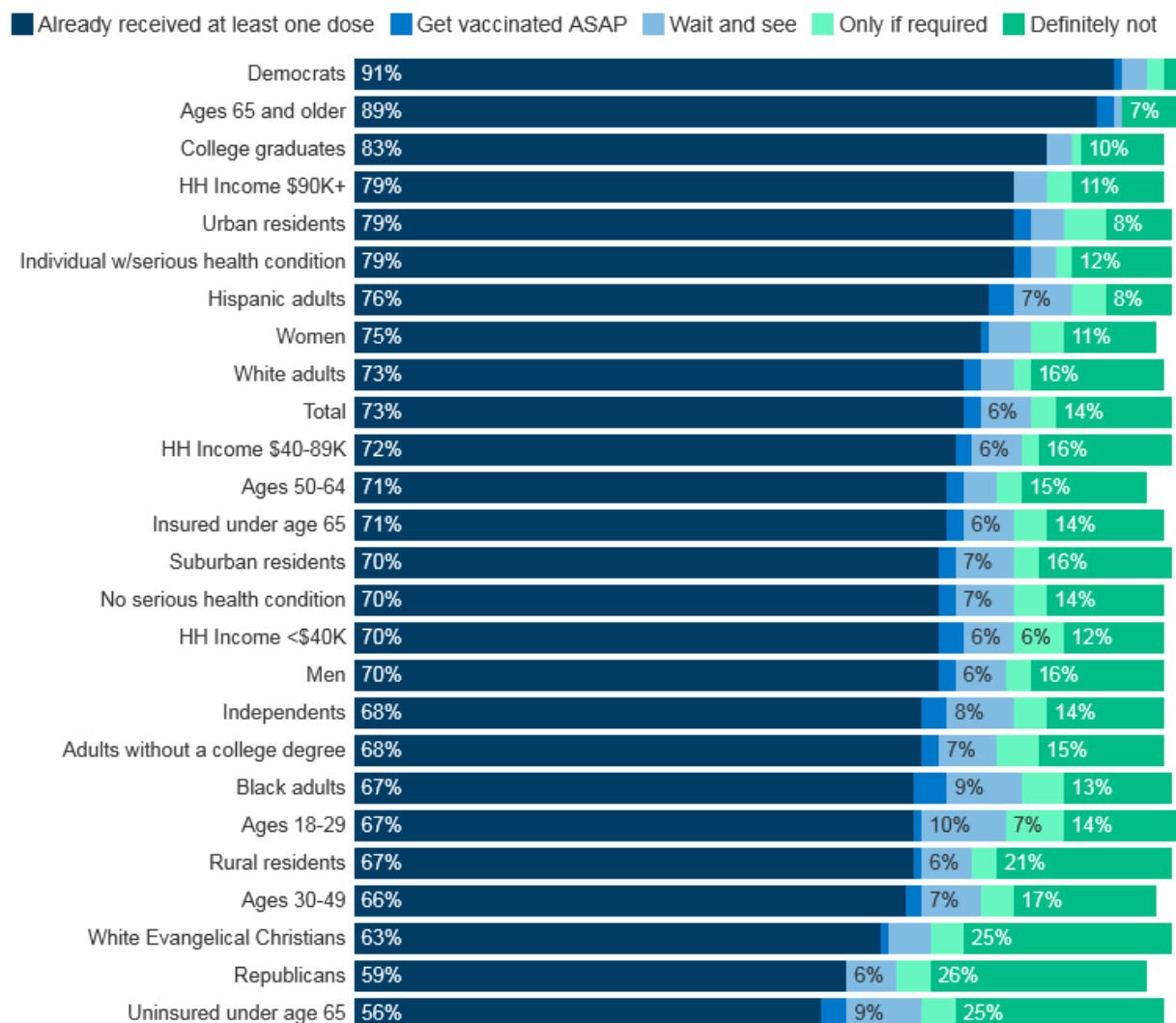
SOURCE: KFF COVID-19 Vaccine Monitor: Early Omicron Update (Dec. 15-20, 2021) • [Download PNG](#)

[KFF COVID-19
Vaccine Monitor](#)

And although the Kaiser Family Foundation's monthly polling cycle is a few days short of a new update, it is worth repeating that the three major influences against vaccination are politics, religion, and low-income uninsured status, in descending order. Some argue that the vaccine resistant are really opposed to compulsion rather than to vaccination, but whether that is true or not, those persons are not vaccinated, are unprotected, and are easy prey for Omicron. And if infected, they are, according to the best evidence, far more likely to become seriously ill or to die. Even if they recover, they run the risk of long-haul disease, and they facilitate the mutation of the disease into potentially more-dangerous variants.

Uninsured Adults, Republicans, White Evangelicals Continue To Lag In Vaccine Uptake With One In Four Saying They Definitely Won't Get The Vaccine

Have you personally received at least one dose of the COVID-19 vaccine, or not? As you may know, an FDA-authorized vaccine for COVID-19 is now available for free to all adults in the U.S. Do you think you will...?



NOTE: See topline for full question wording.

SOURCE: KFF COVID-19 Vaccine Monitor (November 8-22, 2021) • [Download PNG](#)

KFF COVID-19
Vaccine Monitor

Meanwhile, the CDC now [recommends](#) booster doses for 12- to 17-year-olds. And vaccine scientists are [asking](#) whether a strategy of repeated additional booster doses is viable. It is unclear whether the antibodies that are the visible product of vaccination (as opposed to memory cells) are an essential element of protection. Repeated mass vaccination will be both logistically challenging and expensive, especially when considered on a global scale. And there is some risk that the body's own immune response would be challenged by frequent periodic vaccination. However, there is intense interest in at least one additional round of vaccination; read on...

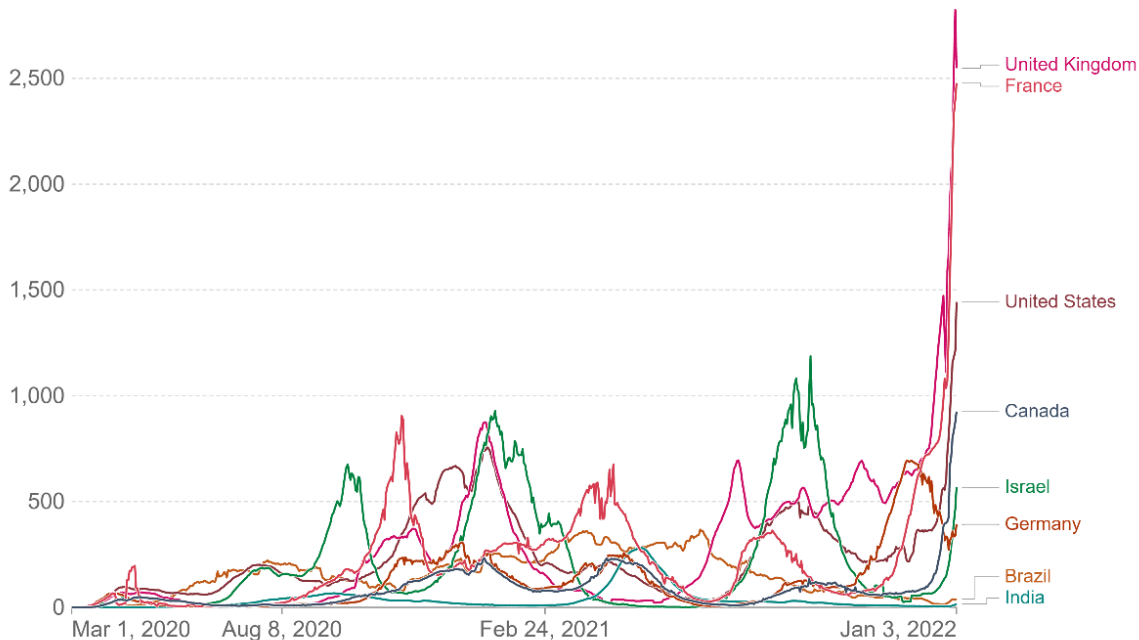
8. SPOTLIGHT ON REOPENING: ISRAEL TRIES A FOURTH DOSE

Israel's vaccination campaigns have been well ahead of the global curve; the nation has been the first to vaccinate the majority of its population and the most aggressive in the administration of booster shots. On Monday, the country took a further step, and began offering residents over age 60 a [fourth dose](#) of a COVID-19 vaccine. This double-booster effort had been exclusively for older residents with compromised immune systems, and for some health care workers. On December 30, Israeli health officials took the further step of approving fourth doses for all high risk individuals – those aged 60 and over and health care workers – more than a week after an [advisory panel](#) of experts recommended a fourth dose for these individuals. The expert panel acknowledged the [uncertainties](#) and lack of data surrounding both the Omicron variant and fourth doses of vaccine. Concerns were raised over the prospect that a fourth shot in less than a year could weaken immunity, while others noted that the government should focus on vaccinating the unvaccinated and stressed the need for third shots to the one-million eligible citizens who have yet to receive one. However, officials were convinced to approve fourth doses after the panel presented data indicating a significant waning of immunity in those aged over 60 who were the first to receive third doses starting in August.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

Our World
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

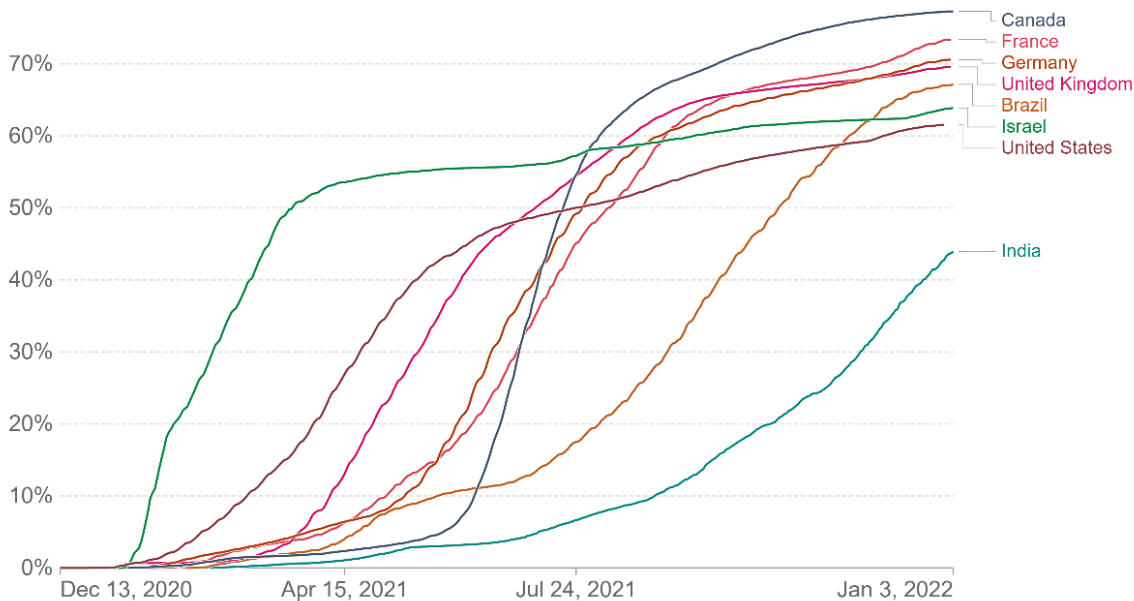
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New daily cases reached 5,000 last week in the country of 9.5 million; cases are expected to quadruple by the end of this week. Prime Minister Naftali Bennett, a strong proponent of the fourth shot, said the caseload could easily reach as many as 50,000 confirmed cases per day. [Critical COVID cases](#) are well below previous records, but have been creeping up over the past couple of weeks. And at the same time, hospitals have been filling up with patients suffering

from the seasonal flu and other respiratory ailments – a surge in COVID-19 hospitalizations would undoubtedly burden Israel's already strained health care system during these winter months. Over half of new cases are said to be caused by Omicron.

Share of the population fully vaccinated against COVID-19

Total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country.



Source: Official data collated by Our World in Data

Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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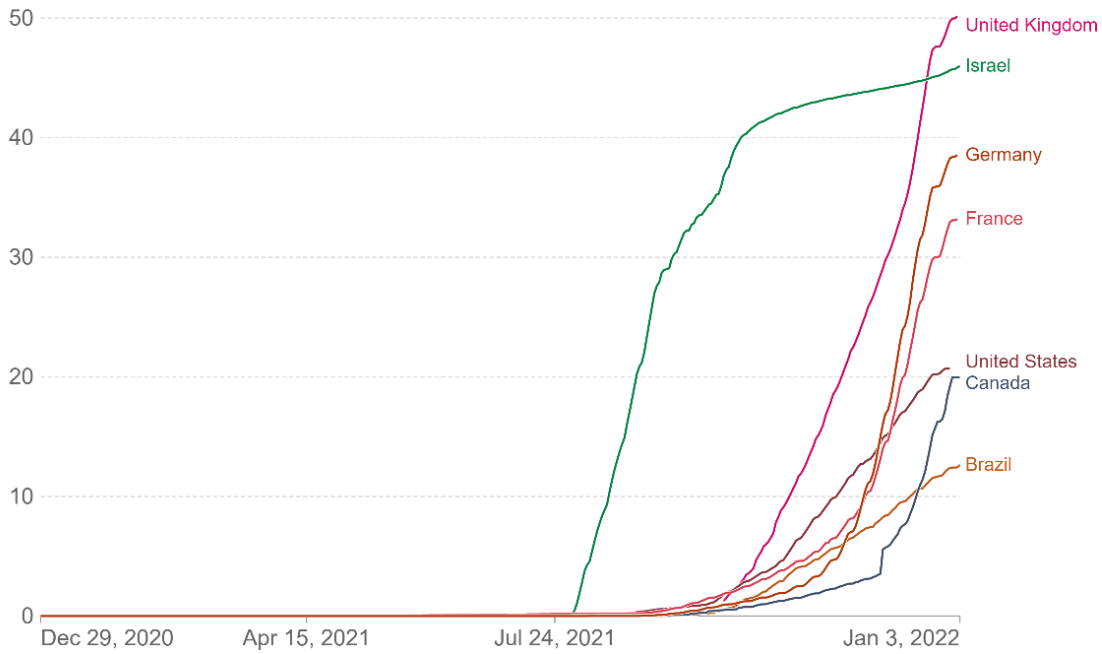
A [new study from the UK](#) found that protection from a booster dose against symptomatic COVID-19 caused by Omicron wanes within ten weeks of vaccination. The data included people who had received AstraZeneca, Pfizer, and Moderna shots, and confirmed that the two-shot series and booster doses were less effective and waned faster against Omicron than against Delta. For individuals who were given three doses of Pfizer, vaccine effectiveness dropped from 70 percent one week after the booster to 45 percent after 10 weeks. Individuals who received Pfizer for their initial two-shot series and had a [booster jab with Moderna](#) fared better; their vaccine regimen remained up to 75 percent effective at nine weeks post-booster.

Israel announced on Tuesday that a fourth dose of the Pfizer vaccine generated a [fivefold boost in antibodies](#) a week after the jab, according to preliminary results of a study made public by the Israeli government. Public health officials said the study added welcome information on the effectiveness of a fourth Pfizer shot, while others cautioned that the strategy was premature. Hagai Levine, an epidemiologist at Hebrew University and chairman of the Israeli Association of Public Health Physicians, applauded the government's decision to offer the booster to those with compromised immune systems. However, for healthy individuals, he said that it was unclear whether the immune effects of the first three Pfizer doses had waned so much that a fourth dose was called for.

COVID-19 vaccine boosters administered per 100 people



Total number of vaccine booster doses administered, divided by the total population of the country. Booster doses are doses administered beyond those prescribed by the original vaccination protocol.



Source: Official data collated by Our World in Data

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