

CED Public Policy Watch

01.08.2021

- 1. NUMBER OF THE WEEK: -140,000 (NONFARM PAYROLL EMPLOYMENT CHANGE IN DECEMBER 2020)**
- 2. UNEMPLOYMENT BENEFIT RECEIPT REMAINED HISTORICALLY ELEVATED AS NEW UNEMPLOYMENT BENEFITS TAKE EFFECT**
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- 1. NUMBER OF THE WEEK: -140,000 (NONFARM PAYROLL EMPLOYMENT CHANGE IN DECEMBER 2020)**

No, it is not the required temperature (Fahrenheit or Centigrade) for storage of a COVID-19 vaccine. It is the change in payroll employment between November and December of last year (based on a monthly survey that is conducted in the week that includes the 12th day of each month). Economists had feared that the economy was losing momentum because of the acceleration of pandemic infections (see below; and both government and personal responses to it), dragged down further by the extended delay in re-enacting important relief provisions (such as enhanced Unemployment Compensation) from the CARES Act.

This is the first monthly drop in employment since the depths of the initial pandemic wave in April 2020, and comes even while employment remains roughly 10 million below its pre-pandemic peak. The unemployment rate remains unchanged at 6.7 percent, or still more than 3 percentage points above (or almost twice) the pre-pandemic low. The labor force participation rate remains more than 2 percentage points below its pre-pandemic level. In other words, this is by no means an indicator of an economy that has regained its altitude and is leveling off; this is a renewed drop, admittedly a small one, but a drop nonetheless.

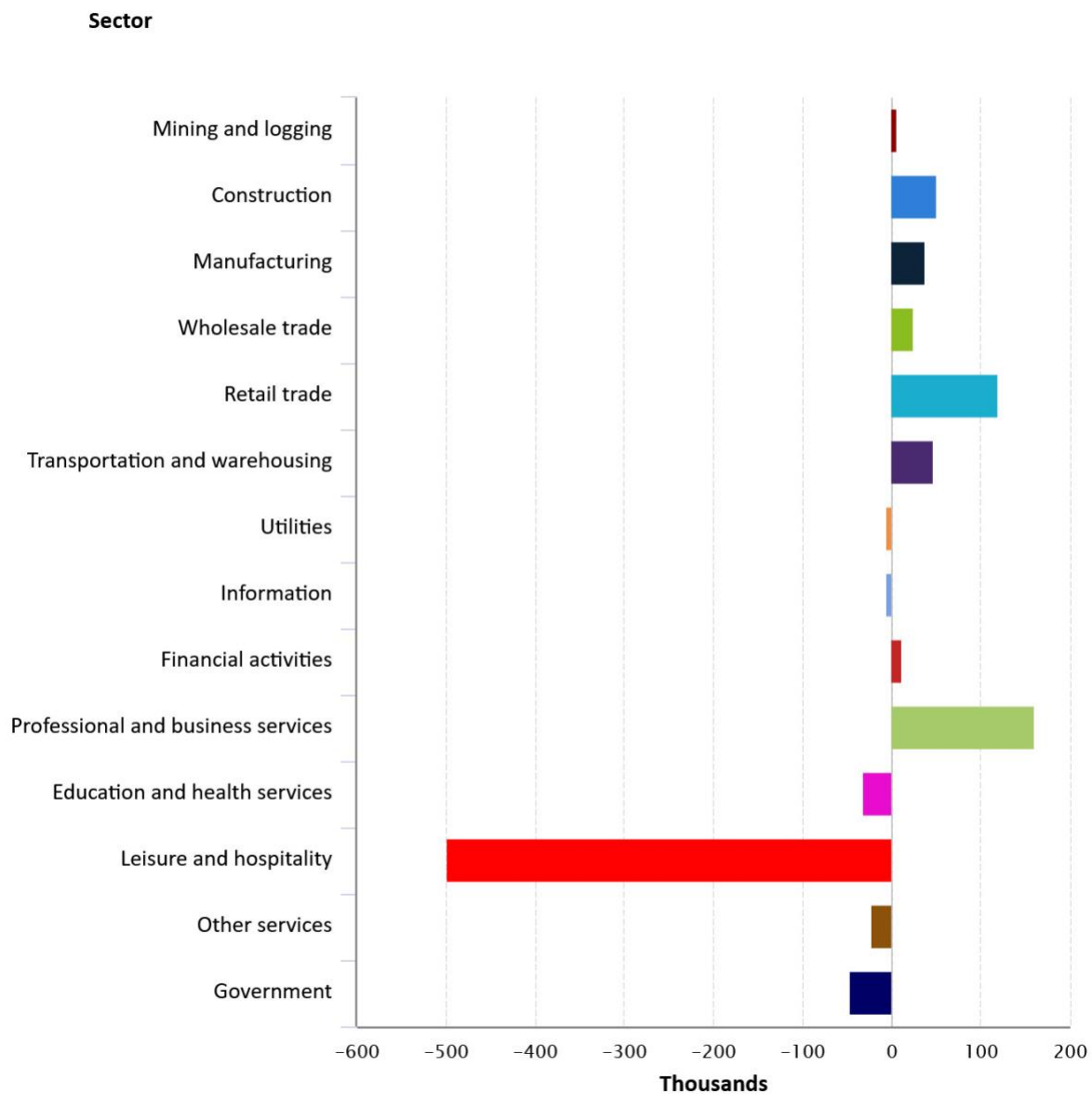
The decline in employment was concentrated in leisure and hospitality, private education, and government (primarily local public education)—all industrial categories that were already hard-hit by the pandemic, and that were (or were requested to be) helped by the just-enacted pandemic-relief legislation. Policymakers will be likely to consider whether further action is necessary; apart from increasing the benefits included in the December law, it is virtually certain that the extensions of

Unemployment Compensation enhancements to mid-March will need to be extended to later in the year.

[The following chart, from the Bureau of Labor Statistics website, does NOT have internet functionality.]

Employment change by industry, December 2020, seasonally adjusted, 1-month net change

Click on bars to drill down

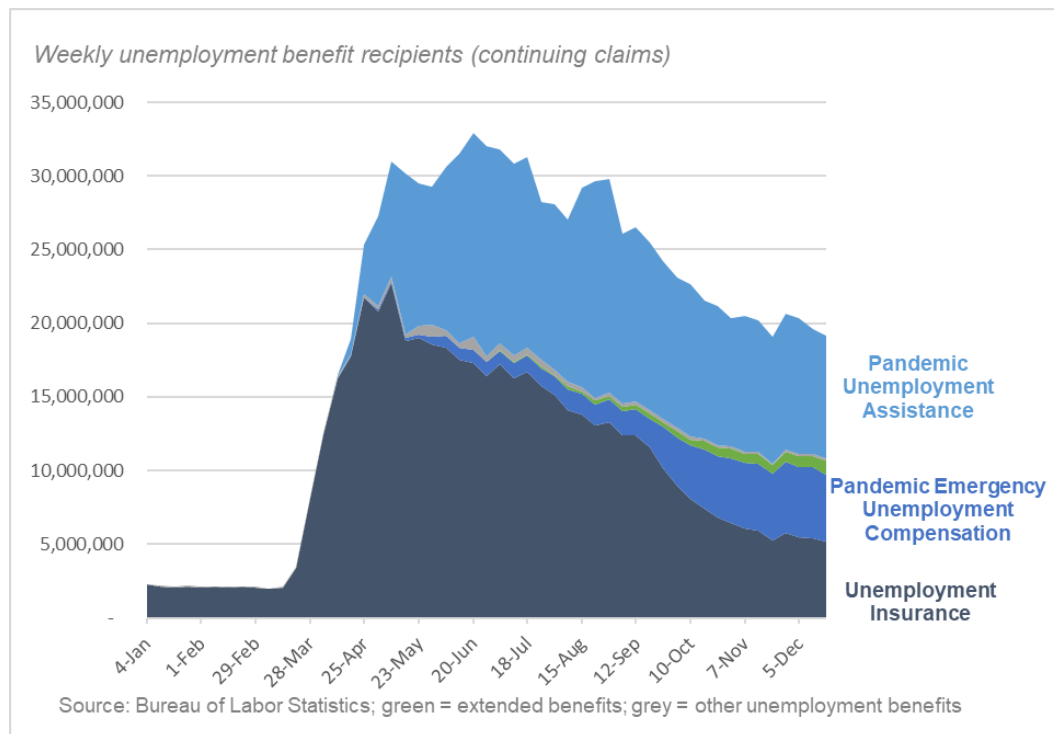


Source: U.S. Bureau of Labor Statistics.



2. UNEMPLOYMENT BENEFIT RECEIPT REMAINED HISTORICALLY ELEVATED AS NEW UNEMPLOYMENT BENEFITS TAKE EFFECT

Weekly unemployment insurance claims have painted—and for several weeks to come will continue to paint—a confusing picture because of erratic changes in the law. Receipt of unemployment benefits declined by only roughly 6 percent between the end of October and the third week of December. With the apparent temporary expiration of Pandemic Unemployment Assistance (PUA) as the President weighed signing the end-of-year COVID relief bill containing an extension of the program, initially reported new claims for PUA benefits dropped 48 percent in the last week of 2020. However, after 42 weeks, new claims for traditional unemployment insurance claims (UI)—922,000 in the week ending January 2—remained close to the highest weekly level recorded at any point during the Great Recession.



Legislation enacted by Congress at the end of December will resume a Federal Pandemic Unemployment Compensation payment providing an additional \$300 per week to all recipients of benefits through mid-March. Also, through March, Congress added an additional up to 9 weeks of unemployment benefits for recipients who have exhausted traditional UI through the Pandemic Emergency Unemployment Compensation program (on top of the 13 weeks of PEUC initially provided by the CARES Act). PUA, which provides benefits to unemployed workers not eligible for traditional UI or who have exhausted other benefits, was also expanded to allow for up to 50 weeks of benefits (up from 39 weeks in the CARES Act) through early April.

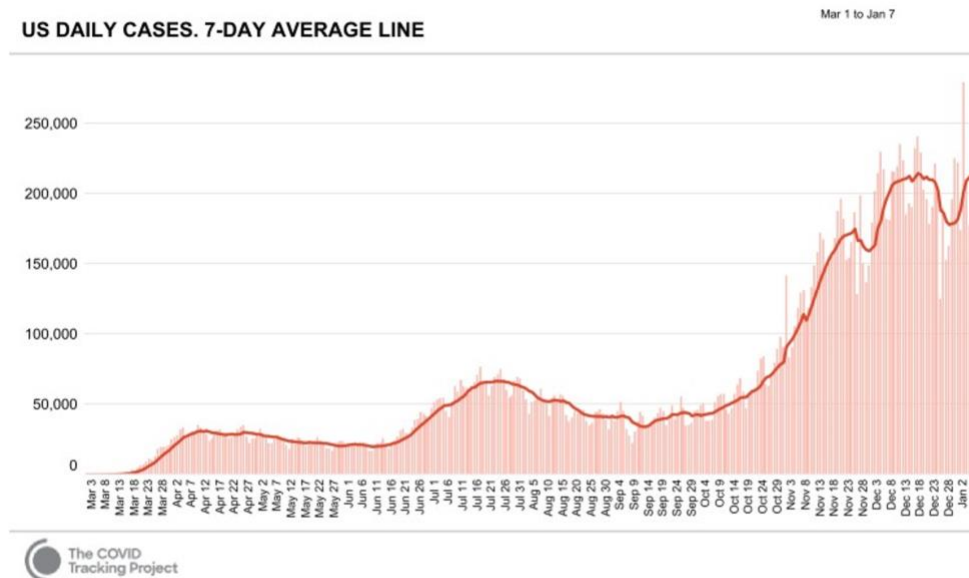
3. SECOND ROUND OF “ECONOMIC IMPACT PAYMENTS” STARTS WHILE ROUND TWO “PAYCHECK PROTECTION PROGRAM” FORGIVABLE LOAN RULES ISSUED

The IRS [estimates](#) that nearly 70 percent of payments (by dollars) from the means-tested \$600 per person relief check authorized in December’s year-end relief bill have already been issued. However, an estimated 20 million recipients may need to wait until after filing 2020 taxes sometime between late January and mid-April to receive payments. On Wednesday, the Small Business Administration [issued](#)

rules for the second round of up to \$2 million Paycheck Protection Program (PPP) forgivable loans Congress authorized in December. To be eligible for a second PPP loan, recipients must have spent all of their (up to \$10 million) original PPP loan funds, have fewer than 300 employees, and must show that they suffered a quarterly revenue loss of at least 25 percent sometime in 2020. A timeline for applying for the additional PPP loans is expected soon.

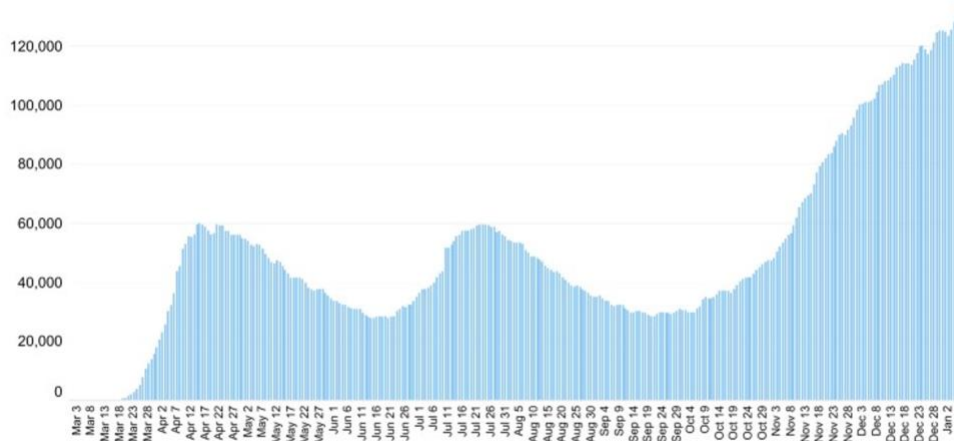
4. US CONTINUES TO SET NEW HIGHS FOR IDENTIFIED COVID-19 CASES WHILE DAILY DEATHS REMAIN CLOSE TO RECORD HIGHS

In the first week of January, the US confirmed an average of 230,000 new daily COVID-19 cases, its highest level of new case growth since the start of the pandemic. The seven-day average of confirmed COVID-19, at a bit under 2,700 per day, is just below the previous high set prior to Christmas. The total number of people hospitalized for COVID-19 has also steadily climbed, consistently setting new records since mid-November. The CDC [estimates](#) that the US suffered a total of between 316,000 and 432,000 “excess” deaths—compared to the demographic-adjusted average rate of death in recent years—over the course of 2020, reflecting the pandemic’s direct and indirect mortality impact to date. Clinically identified deaths (a different concept) have also reached new highs. Thursday, January 7, saw the highest daily death count yet at more than 4,000 (according to the Johns Hopkins University data), as new and more highly transmissible strains of the virus (see below), the number of new cases and the weight that the caseload has placed on already overburdened health care personnel has overwhelmed the improved knowledge of the health care system as to how to treat the virus. [Reports](#) from Los Angeles have indicated that ambulance crews have been instructed not to transport COVID-19 sufferers who show little chance of survival, and also to limit their use of oxygen to conserve that limited resource.



US CURRENTLY HOSPITALIZED WITH COVID-19

Mar 1 to Jan 7

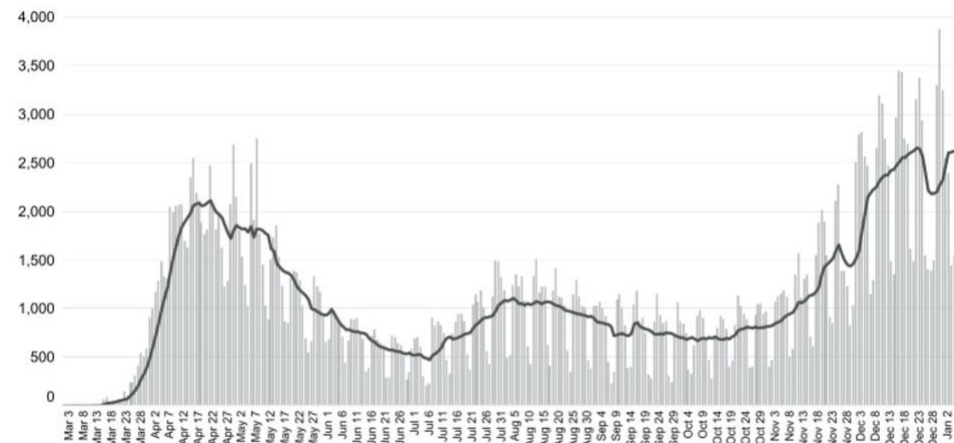


The COVID Tracking Project

Note: Florida began reporting this figure on July 10.

US DAILY DEATHS. 7-DAY AVERAGE LINE

Mar 1 to Jan 7



The COVID Tracking Project

5. VACCINE NEWS

The good news is that the United States has two safe and highly effective COVID-19 vaccines. The bad news is that actually vaccinating the entire population is really, really hard.

The target was for the nation to have vaccinated 20 million people by the turn of the year. As of the beginning of this week, only 17 million doses have been delivered to the states, and only 4.8 million have been [administered](#).

The knee-jerk reaction to those numbers is that the problem must be not availability, but only program administration—after all, there have been many fewer vaccinations than there have been vaccine deliveries. And there are administrative problems, to be sure. But that bald conclusion misses some important subtleties. Having a limited supply makes program administration much more complicated. To state the extreme example, if the nation had 600 million doses—two for each of our 300 million people—program administration would be simple; line all the people up and give each one an injection (and see me again in three to four weeks for the second dose). It is the lack of supply that requires prioritization, and that is a major administrative hangup. (And again to state the obvious, because future supply is uncertain, the states are holding back one dose for every one they inject, to ensure that they can administer a timely second dose. Therefore, with 17 million doses available, the maximum possible number of injections would be only 8.5 million, not 17 million. Thus, the administration gap is smaller than it might appear—not to mention alleged lags in the reporting of vaccinations.)

Prioritization is complicated. At the top of the list in the federal guidelines is nursing home residents. Prior to the vaccine campaign, the states had no real directories of persons in nursing homes (though there were records of nursing homes themselves, because of regulation). To inoculate a nursing home resident requires [consent](#). Is the nursing home resident competent to give consent? If not, how quickly can a responsible relative be found? Also high on the list are front-line medical personnel. There was no directory of such people. And where in the health care institution is the line drawn between those most at risk and those not? Next on the list are frontline workers such as those in the food supply chain. There is absolutely no census of those persons. How does the state summon them? And when people on the priority list do not show up, vaccine goes unused. The federal authorities first issued guidelines, and later, when vaccinations lagged, told the states to work around them. The messaging was not clear.

The states have followed different paths. Different states have used different interpretations of the priority guidelines. Florida has prioritized all residents 65 and over (rather than 75 or nursing home residents), and offered vaccination on a first-come, first-served basis. That has delivered a lot of vaccinations, but at the expense of the spectacle of the elderly queuing up overnight for the vaccine (and sometimes even then going home disappointed when the supply has run out).

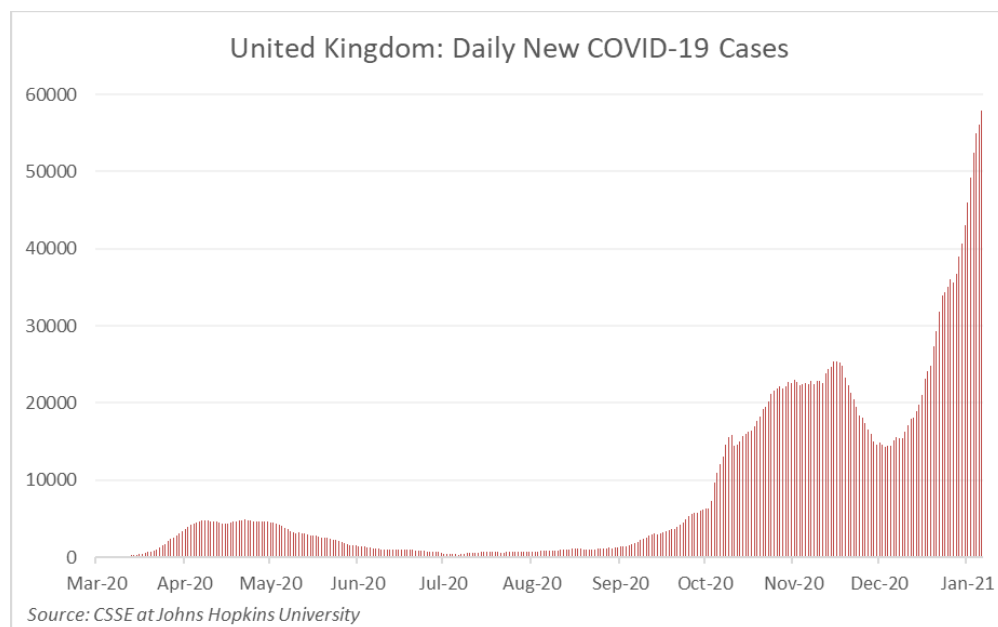
States complain that they have received limited resources to meet this totally new and urgent challenge. To them, it is as if federal authorities wanted to bask in the romance and adventure of the development of the vaccines, and claim success for work that was really the accomplishment of the (often derided) scientists in government labs or the private sector. Then, for the administration of the vaccine, which really is the work of government, the federal authorities [dumped](#) the task on the states—with the cynical interpretation being that the states would get the blame when the really difficult task was not accomplished.

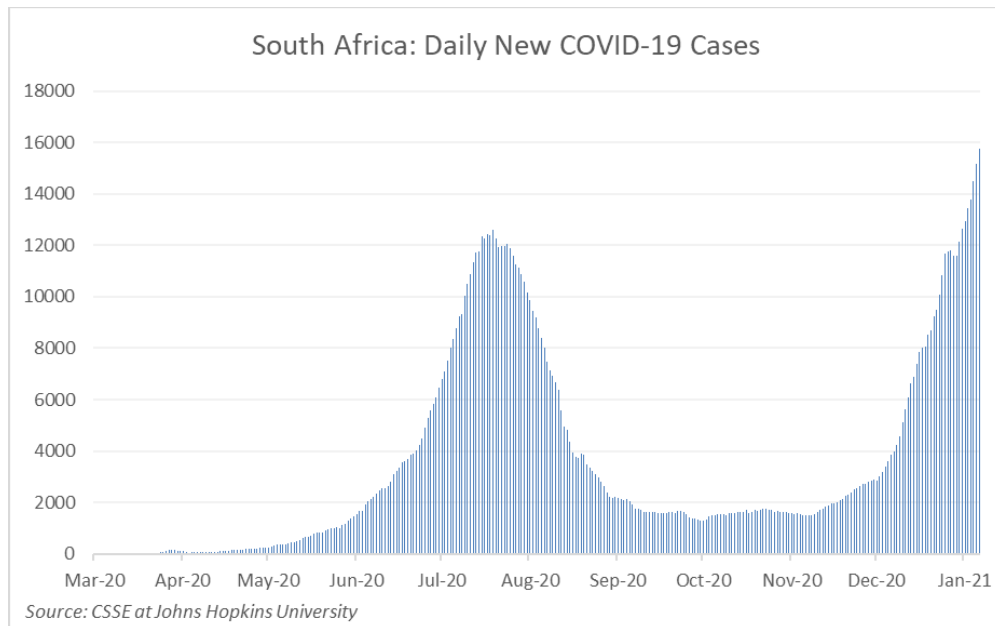
The United Kingdom has directed that it will cease holding back a second dose for each first dose administered, and then quite likely delay the second dose for as much as 12 weeks, rather than the three weeks recommended by Pfizer (and four weeks for Moderna); or that it will rely on only one dose, or cut the first dose in half, or give one vaccine for the first dose and the other vaccine for the booster. The British tend to take a more [casual](#) attitude toward drug clearance than does the United States, but even in the UK medical personnel have expressed considerable unease, saying that this practice will

stretch the range of statistical confidence afforded by the Phase 3 trial design. The US Food and Drug Administration has [rejected](#) that recommendation for the time being, although noting that it might reconsider if vaccination shortfalls should continue and grow. The Biden transition team has [promised](#) 100 million vaccinations in the first 100 days of the new Administration, but has not really explained how it plans to step up the pace quite that much (although gradually faster vaccine production and learning-by-doing should help). There has been some mention of invoking the Defense Production Act, but it is not quite clear what businesses other than the original suppliers (which are producing flat out already) would be called upon, given the complexity of producing these new and novel vaccines.

6. FOCUS ON REOPENING: NEW COVID-19 VARIANTS – UNITED KINGDOM AND SOUTH AFRICA

The world had begun to anticipate the beginning of the end of the devastating COVID-19 global health pandemic towards December 2020 as countries (such as the United States and United Kingdom) began to roll out approved COVID-19 vaccinations. However, the discovery of two new strains of the virus in the UK and in South Africa are now causing [worry](#) about the effectiveness of the existing vaccines on the new mutations although vaccine developers have [indicated](#) that any necessary tweaks would be “*quick and easy*.” The new strains, while not more deadly, are said to be more contagious variants of the COVID-19 virus and are thought to be driving the exponential rise in the number of new coronavirus cases being seen in the UK and South Africa.





The COVID-19 variant identified as [B.1.1.7](#) was first spotted in the UK in December of last year and is thought to have originated in the country as early as September. [Research](#) has indicated that this strain was most prevalent in those aged twenty and below and continued to [spread](#) despite the lockdown instituted in the country in November. It has been [estimated](#) that the B.1.1.7 variant already accounts for more than 60 percent of new coronavirus cases in and around London. There have also been [reports](#) of the spread of this variant to other countries across the world, including the [US](#), leading to [calls](#) by the World Health Organization for countries to immediately strengthen their coronavirus controls and “*flatten the steep vertical line*” of rising cases. While the variant is not considered to make people sicker or to be more deadly, the increase in the ease of the spread of the virus has caused concern about more people being infected faster, overwhelming health care systems and possibly causing an increase in the number of COVID-19 related deaths. The *New York Times* [reports](#) that, “*Britain is involved in a high-stakes race to roll out its mass vaccination program before its overstretched health service is overwhelmed by the new variant,*” and that, “*ambulances stacking up in the parking lots of some hospitals illustrate the challenge faced by the country’s weary health workers.*” Due to the continued rise in case numbers brought on by the B.1.1.7 variant, Scotland and England have [imposed](#) a strict new national lockdown that is expected to remain in place at least until mid-February. Educational institutions were ordered to close and shift to remote learning, and people were asked to shelter in place, except for essential reasons.

In South Africa, a variant similar to the B.1.1.7 strain, named [501.V2](#), has been detected. Researchers [analyzing](#) genetic sequences reported that this new strain, found in up to 90 percent of the analyzed samples in South Africa since mid-November, is spreading rapidly and becoming the dominant form of the virus in some regions of the country. South African Health Minister, Zweli Mkhize, [warned](#) that “*young, previously healthy people are now becoming very sick,*” while British Health Secretary Matt Hancock [said](#) that the 501.V2 variant is “*highly concerning, because it is yet more transmissible and it appears to have mutated further than the new variant that has been discovered in the UK.*” The South African government, fearing severe strains on hospitals, has [tightened](#) restrictions, including closing public spaces like beaches and banning nonessential travel. While COVID-19 vaccine [trials](#) have taken

place in the country, South Africans are still awaiting the roll out of vaccinations outside of the trials – causing a group of eminent scientists to [criticize](#) the government’s lack of planning. In response, South Africa’s health ministry [said](#) that, after obtaining the AstraZeneca vaccine from the Serum Institute of India by February, the goal was to vaccinate about 67 percent of the country’s population by the end of the year. However, some scientists have raised [concerns](#) that the current vaccines may not be able to protect against the more resistant 501.V2 variant.

While the new variants do not seem to be more deadly and have not yet fully cast doubt on the efficacy of the existing vaccines, their increased transmissibility has serious implications for the world. These new strains can lead to an unprecedented surge in new cases, making the vaccine rollout more critical and more urgent than ever. The increased transmissibility of the new variants stresses the need to strictly adhere to social distancing measures and other precautions like wearing face masks, improved indoor ventilation, etc., to ensure that more people are not infected.