1. UNEMPLOYMENT CLAIMS FELL AT AN ACCELERATING RATE AHEAD OF NATION-WIDE EXPIRATION OF FEDERAL PROGRAMS

New weekly unemployment insurance (UI) claims dropped 10 percent during the week ending September 4, the fastest rate of decline since the end of June and nearing the 300,000 new-claims mark for the first time since the beginning of the pandemic. The headline seasonally adjusted number fell by 35,000 to 310,000 (and was revised slightly higher for the previous week). The four-week moving average also fell for the fourth consecutive week.

After peaking at over 23 million in May 2020, continuing claims for regular state benefits fell to 2.8 million (reported with a one-week lag), the lowest levels during the health crisis and only about 1 million above prepandemic norms. The total number of individuals receiving benefits under all state and federal programs fell to 11.9 million, after having stubbornly hovered around 12 million since mid-July.

Continued overall improvement in labor market conditions—despite recent peaks in COVID-19 cases and consumer spending showing signs of slowing—suggests that employers may be hesitant to lay off workers because of the challenges many firms have experienced in filling open positions.

2. JOLTS SHOWS RECORD JOB OPENINGS, BUT MANY REQUIRING SKILLS; SPECIAL UNEMPLOYMENT BENEFITS EXPIRE

The headline “new jobs” number that you see each month is of course really a “net new jobs” total—the difference between new hires and separations from jobs. The amount of those “gross flows” can be
revealing, and they are presented in the Job Openings and Labor Turnover Survey (JOLTS) presented each month by the Bureau of Labor Statistics (BLS), albeit to somewhat less fanfare than its Employment Situation Report. Also important in the JOLTS report is the number of job openings, which gives an indication of the unfilled demand for labor.

The latest JOLTS was released this week. It showed that end-of-month job openings rose in July to a record 10.9 million, topping the 8.7 million Americans reported as unemployed that month. Economy-wide there are now over 1.25 jobs available per unemployed person, a sign of acute labor shortages comparable to those last seen in 2019 after approximately 10 years of economic expansion.

This enormous number of job openings is cited by many as a sign that the labor market is potentially much healthier than the headline numbers suggest. If only the unemployed and those who have left the labor force—such as from jobs in retail, leisure and hospitality, including restaurant workers—would accept the jobs that are on offer, this thinking goes, all of the perceived problems would be solved. The record number of job openings is surely encouraging in this regard. However, the degree of labor market imbalance may be more systemic and tied to demographic factors (e.g., retiring Baby Boomers) and talent shortages than a simple failure to fill comparatively low-level service jobs.

For example, while job opening rates in leisure and hospitality—including restaurants and bars—remain significantly elevated over prepandemic rates, employers in manufacturing, health care, and transportation and warehousing have also experienced great difficulty recruiting workers to fill open positions, which in fact echoes pre-COVID times. This suggests that employers have had difficulty attracting workers both across industries and across the wage and skill spectrum.

To put number to notion, the economy is still down more than 5.3 million jobs from its peak in February of 2020, before the pandemic caused its massive business closures and layoffs. Of that decline in jobs, slightly less than 2.0 million are in the retail, leisure and hospitality industries. This month’s JOLTS report counted about 2.9 million openings in those industry groupings—so about 0.9 million more than the number of jobs lost in the pandemic to date. But that leaves a much larger number of 8.0 million job openings in other industries—many of which require considerable skills or training. For example, professional and business services, and education and health services each have almost 2 million job openings. Persons who have lost jobs in retail and hospitality positions are not likely to be able to step into those vacancies.

Which takes us to the recent expiration of special pandemic Unemployment Compensation benefits. Receiving some attention has been the end of the $300 per week additional benefit, which some had feared was keeping pandemic job losers on the sidelines rather than returning to work. However, also expiring are the extension of the number of weeks of standard benefits for the long-term unemployed, and the additional program the provided modest benefits to “gig” workers and contractors who previously were, and now again are, not eligible for benefits at all—in an unfortunate omission of the traditional Unemployment Compensation system.

The effects of the benefit expiration will fall unevenly across the population. The aggregate numbers of job openings and unemployed persons do suggest readily available jobs for all. But different localities and different people are affected very differently. For example, New York City is suffering substantially reduced office employment, and therefore substantially reduced demand for dining and retail services. The level of job openings nationally is not representative of the opportunities for laid-off workers in New
York, or in similarly afflicted areas across the country. Also adversely impacted will be single parents, who may lack child care; persons with health issues that make working in the pandemic particularly hazardous; and those whose job prospects are reduced by the closures of their former employers and the consequent obsoleting of their specific job skills.

But also worth noting is that worker shortages already were evident even before the pandemic. Many employers were struggling to find workers with important skills or experience in 2019, just as they are today; and assigning today’s labor shortfalls solely to the pandemic forgets that history. Similarly, while employers now have troubles attracting comparatively low-wage workers and assign that problem to high Unemployment Compensation benefits (which in some instances surely are a contributing factor), other employers have the same issues in filling jobs that are so much higher-paying that the level of Unemployment Compensation benefits is surely irrelevant. Our labor market faces many problems, but surely key among them are our underlying demography (with the retirement of the Baby-Boom generation and the slow growth of the number of new young entrants into the work force) and our weakness of education and job-skill skills training.

With the expiration of the additional pandemic Unemployment Compensation programs, the concerns about work disincentives from high benefits are now moot—and for that matter, with the early withdrawal of those benefits in about half the states, the evidence of any strong effect on choices to work was difficult to discern, in analyses by CED and by others.

However, one outcome of the pandemic episode is probably more certain and more likely to elicit bipartisan agreement: The United States has missed a major opportunity, indeed an imperative, to reform its Unemployment Compensation system. When the pandemic hit, it became clear that many modest-wage workers would lose their livelihoods for an extended time. Policymakers sought a way to provide more-generous unemployment benefits, but the administrative systems of the states were almost universally so weak that no equitable, rational system could be implemented. That was why the federal legislation was obliged to increase benefits by a flat $600 (later $300) per week, which all policymakers and experts agreed was painfully inexact and inefficient. Likewise, as it became clear that contractors and “gig” workers needed support, the state unemployment systems were totally unprepared and incapable. Over the period of the pandemic, the law and the state administrative systems should have been upgraded to be prepared for the next emergency, with the specifics of this crisis, and the needs that it imposed, clearly in mind. Instead, we had only rehashing of the arguments about past decisions, with no preparation for the future. Policymakers in Washington and the states should try to recapture that missed opportunity and make Unemployment Compensation an efficient system with flexibility to address the next economic crisis.

3. RECONCILIATION BILL, AND DEBATE THEREON, SIMMER

While the Congress continues its Labor Day recess, several House Committees are at work in Washington preparing their parts of the budget reconciliation bill that was empowered by the Budget Resolution recently passed by the House and Senate. The reconciliation bill can pass with only Democratic votes, but it remains highly contentious even among the Democratic party’s elected policymakers. The chair of the House Ways and Means Committee, Rep. Richard Neal of Massachusetts, announced major components of his part of the reconciliation bill, only to face an unusual statement from the White House that those components had not been negotiated or approved by the President’s team. Senator Joe Manchin of West Virginia expressed unwillingness to support a reconciliation bill at
the $3.5 trillion maximum gross level allowed by the Budget Resolution. House icon and Majority Whip Rep. Jim Clyburn of South Carolina seemed to concur, describing the $3.5 trillion as a “ceiling,” and promptly thereafter Rep. Rashida Tlaib of Michigan countered that $3.5 trillion is a “floor.” House Speaker Nancy Pelosi expressed a hope that whatever bill is put forward might be fully paid for, but her bottom line was “We’ll see what is possible.” Timing is material and critical to this debate, because Speaker Pelosi committed to her moderate Democratic Members that the bipartisan Infrastructure Investment and Jobs Act, passed by a supermajority in the Senate, will be voted on by September 27 (which has been operationalized in a draft House Rule), but also has publicly committed to her progressive Democratic Members that the reconciliation bill will be voted on first.

Precisely how these multiple concentric circles will be squared is impossible to know. The argument as of today is over abstract numbers for the gross and net (of offsets, i.e., the budget bottom line) size of the reconciliation bill; the “mere” details of precisely which priorities will fit within those totals (e.g., universal preschool, or free hearing care under Medicare) have not begun to be discussed. The $3.5 trillion figure sounds huge—and from a fiscal policy standpoint, it is—but the wish list of the most aggressive advocates is far greater than that, and even if the most aggressive advocates have their day with the total, there will be a last dollar, and it will be fought over viciously.

The laws of physics that apply include that a majority in the House can do almost anything (because a House Rule, the piece of procedural legislation that dictates the handling of a substantive bill, can override virtually any stricture in the House Rules that are adopted at the beginning of each Congress), but that a reconciliation bill will require all 50 Democratic votes in the Senate. And even in the House, for that matter, to achieve approval of a House Rule to bring the nascent reconciliation bill to the floor, Speaker Pelosi can afford to lose only three votes—which is far fewer than either the number of committed Democratic centristers, or of outspoken “progressives.” The centripetal force that must pull the ends of the Democratic spectrum together is the House and Senate caucuses need for a successful Biden presidency as of the 2022 and 2024 elections.

For a perspective on the greater needs of the nation, and the necessity of balancing fiscal sustainability with the expansive hopes cited for the reconciliation bill, read CED Senior Research Director, Joe Minarik’s op-ed in The Hill, The House and Senate Budget Resolution: Building on Sand, here.

### 4. NEW ADMINISTRATION CORONAVIRUS PLAN

President Biden addressed the nation on Thursday afternoon, presenting a six-point plan to try to stem the ever-persistent COVID-19 pandemic.

First, the President took further steps to push vaccination closer to universality, or at least to a level consistent with “herd immunity” such that the virus will have too few vulnerable targets to be able to propagate itself. The President issued an executive order requiring vaccination among all federal employees (as already had the military), and another requiring vaccination and adherence to other workplace protocols among all employees of federal contractors. Then, in a controversial further step that will surely make a visit in court, he charged the Department of Labor to require vaccination among all employees of firms with 100 or more employees or weekly testing. The President noted that such firms include 80-100 million employees; the intent was to indicate the potential bite out of the currently unvaccinated population. There was no mention of exceptions to these requirements; current protocols recognize the potential for some individuals to be unable to receive the vaccine safely, but those numbers are small.
Second, the President attempted to clarify the somewhat muddled message about “booster” shots (i.e., third injections of existing mRNA vaccines, and likely second injections for one-shot regimens) for vulnerable populations. The President established that this program will follow the FDA’s approval timetable, whatever that may be, but noted that vaccines have already been acquired, that the distribution network is established, and that vaccination will be free. Elsewhere in his remarks, the President addressed the conflicting concerns about vaccine shortages in poorer nations by increasing our nation’s commitment to vaccine availability worldwide.

Third, the President continued to press for protocols to reopen schools safely. He urged vaccination for teenagers, committed full funding support to the FDA to clear vaccination for younger children at the earliest possible date, spoke passionately about vaccination for all teachers (noting that the federal government requires 100 percent vaccination for staff in the Head Start program and in federal schools on military bases and tribal lands), and called for masking and other safety steps in schools. He expressed considerable angst about governors who resist such a program, and committed the federal government to provide full salary restoration for any local school officials whose pay is reduced by governors in retaliation for local safety procedures, and to continue legal action by the Department of Education to challenge any such resistance.

Fourth, the President increased resources and effort for testing and masking. Several major retailers will offer at-home tests at cost, an estimated 35 percent reduction, for the next three months. Rapid tests will be administered in federal facilities (such as Community Health Centers) and at major pharmacies for free. The Defense Production Act will be invoked for production of rapid tests. The Transportation Safety Administration will double fines for individuals who refuse to be masked.

Fifth, the President announced new and additional low-rate small-business loans to keep doors open and thereby aid the economic recovery. And sixth, the federal government will increase the availability and reduce the cost of efficacious COVID-19 treatments such as monoclonal antibodies, and will increase the deployment of expert federal staff around the country to aid in treatment.

5. PANDEMIC NEWS

The number of confirmed COVID-19 cases in the United State continues to climb. There is an apparent decline in the most recent days, but it will not be clear whether that is real change or mere reporting lag for yet several more days, at which point the same uncertainty will be likely to repeat. These rising numbers may reflect, in part, more-active testing. But they also indicate the strength of the Delta variant of the virus, given that the current case counts are as high as 60 percent of the peak of last winter, when the nation was almost totally unvaccinated. Delta is ripping through the unvaccinated population today.
And as yet another reminder of what Delta can do if left to run wild, cases in Florida are one-third higher than what they were in the winter peak—and this with a disproportionately large senior population that is of course disproportionately vaccinated.

As follows from the case count, hospitalizations nationally remain at about 75 percent of the level of the winter peak.
And again, because all hospitalization is local, it is essential to note that the load on the health care system in the most afflicted areas is far worse than the winter peak. Hospitalizations in Florida are more than twice what they were last winter, crippling care for the seriously ill of all maladies beyond COVID. There may be signs that the virus there is burning itself out at the level of a conflagration, but that will only be certain in the fullness of time.

The death toll remains lower, again because of improvements in treatment, and because the most-vulnerable populations have disproportionately availed themselves of the vaccine. That welcome news does not change the fact that all of today’s deaths were preventable. It also does not change that the death toll in some parts of the country is far worse than it was last winter.
And speaking of tragedy, the frequency of cases is shifting painfully toward the young. The highest prevalence of COVID in the latest data is seen in 12- to 17-year olds, with 5-11-year olds not far behind. This appears to be a result of Delta generically high level of transmissibility, rather than any particular affinity for the young.
And lest there be any doubt, in the latest data, the Delta variant is totally dominant in the United States. Pray that it is not surmounted by something worse.
6. VACCINE NEWS

Vaccination numbers are creeping upward, but there is much left to do, as the President’s frustration clearly depicted. The share of the total population fully vaccinated is rising by about a tenth of a percentage point per week. That share, of course, is weighted down by the population of children for whom the vaccines are not yet approved (and who are being revealed as fully vulnerable to the Delta variant).
After increasing in July and August, the number of injections being delivered each day now appears to be declining again (although that may be a phenomenon of reporting delay).

And that slowdown of vaccination delivery does continue to appear to be more a function of a decline in first injections, much more than in completion (perhaps belatedly) of two-shot regimens (although the latter trend is evident as well).
With the slow and limited progress, there continues the dismal picture of a wide swath of the country with low vaccination rates, leaving a fertile ground for the progress of the virus, and a stressed health care system that cannot meet the needs of the COVID-affected population or of the victims of other serious illness or injury.
7. SPOTLIGHT ON REOPENING: THE UNITED KINGDOM AND DELTA

A **UK peer-reviewed study** published late last month found that people infected with the Delta variant are more than twice as likely to be hospitalized for COVID-19 than those infected with the Alpha variant, the variant first identified in the UK. The study backs up the initial supposition that this variant is not only more contagious, but also causes more severe illness. Researchers from Public Health England and Cambridge University examined data from 43,338 positive COVID-19 cases in England between March 29 and May 23 that they confirmed were caused by either Alpha or Delta through whole-genome sequencing, the **most accurate** way to determine virus variant. Of the 34,656 Alpha cases, 764 (2.2 percent) were hospitalized within fourteen days of testing positive, while 196 of the 8,682 Delta cases (2.3 percent) were hospitalized during the fourteen-day period. After adjusting for factors such as age, ethnicity, and vaccination status, researchers determined that the risk of being hospitalized increased 2.26-fold with the Delta variant. Only 1.8 percent of the cases of either variant were among people who were fully vaccinated, meaning its results “primarily tell us about the risk of hospital admission for those who are unvaccinated or partially vaccinated.”
Last week, Dr. William Moss, Departments of Epidemiology, International Health, and Molecular Microbiology and Immunology, Johns Hopkins Bloomberg School of Public Health, joined CED Trustees for “Understanding the Delta Variant,” a briefing on the currently dominant variant of COVID-19. Dr. Moss explained that the major concern about disease mutations is that they may fit one or more of three characteristics: more contagious, more severe illness, and the possibility of immune escape. Data from the CDC suggests that Delta is over twice as contagious as previous variants. Concerning immune escape, it takes a higher level of antibodies from a vaccine designed for the original strain to neutralize the Delta variant; a UK study found that the Pfizer and AstraZeneca vaccines still offer good protection against Delta, but vaccine effectiveness is reduced compared with Alpha. This new research out of the UK suggesting that Delta causes more severe illness than previous variants suggests that the currently dominant strain of COVID-19 fits all three of the characteristics of which Dr. Moss warned us.