



The Daily Dish

Dodging a Potential Labor Market Bullet

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The big news is that the Supreme Court [struck down](#) the Biden Administration's Occupational Safety and Health Administration (OSHA) rule requiring workers in businesses with greater than 100 employees to either be fully vaccinated or show weekly proof of a negative COVID-19 test. I anticipate the usual back and forth on the legal foundations of the decision. But there is no question that had it been implemented, it *could* have had a significant impact on near-term labor hiring, quits, and employment growth.

That was the lesson of Isabel Soto's "[The Vaccine and Testing Mandate's Effect on the Labor Market](#)." The idea was that the mandate would make workers in large firms, who do not want to comply, quit and look for a job in a small firm. Large employers would need workers and would hire workers from small firms willing to comply with the mandate. If the affected workers were roughly equivalent and movement among firms was costless and without friction, the swap would have happened quickly and seamlessly.

Of course, every worker is unique, changing jobs has psychic and financial costs, and finding an employee-employer match takes time and effort. So the vaccine mandate had a chance of weighing on the labor market. How much? Well, using two different methods of estimating the impact, Soto landed in the range of 10-16 million affected workers. (See [the paper](#) for details.)

That is a lot of churn. For perspective, a record 4.2 million workers quit jobs in November – this would have been several times that number of additional quits. In recent months, hiring averaged about 6.4 million monthly – this is 1.5-2.5 times as large. Of course, we should not take the 10-16 million estimate at face value. It relies on survey data and "Workers could simply not do what they said and stay in their jobs," wrote Soto. "Some who claimed they would never get the vaccine could decide the vaccine is worth keeping their jobs and prefer it to weekly testing. There could also be a larger than anticipated number of workers who may pursue vaccine exemption and opt for testing or do nothing and assume low enforcement at their place of employment. It may be that their employer has already imposed a mandate and workers have chosen one of these routes in response. In any event, it's possible that the impact on employment will be substantially smaller than workers' survey responses suggest."

Thanks to the Supreme Court, we can discard the potential impacts of the vaccine and testing mandate and go back to simply being wrong about labor market dynamics for the usual reasons!