

Research



The Vaccine and Testing Mandate's Effect on the Labor Market

ISABEL SOTO | NOVEMBER 15, 2021

Executive Summary

- A new rule from the Department of Labor's Occupational Safety and Health Administration (OSHA) requires workers in businesses with greater than 100 employees to either be fully vaccinated by January 4, 2022, or show weekly proof of a negative COVID-19 test thereafter.
- This analysis finds that 10-16 million workers are at risk of employment change from the OSHA rule—a number 2.5-4 times the typical monthly quit rate— which could lead to significant labor market impacts on quit and hire rates and movement in and out of small businesses.
- The effect of the rule on employment will likely complicate monthly jobs numbers before the holidays and into the new year.

Introduction

On Thursday November 4, the Biden Administration announced details of a new COVID-19 vaccination requirement issued through the Department of Labor's Occupational Safety and Health Administration (OSHA). The OSHA rule requires employers with 100 or more employees to ensure their workers are fully vaccinated by January 4, 2022, or receive weekly COVID-19 tests thereafter. The rule would also mandate that employers give workers paid time off to get vaccinated. Over 84 million employees are covered under this rule.

Vaccine mandates have been a contentious policy option, and [16 percent](#) of adults have said they will not be getting a vaccine. Further, an estimated 10-16 million employed adults (or up to 6.1 percent of the civilian non-institutionalized population) have said they would leave their jobs if subject to a vaccine mandate (or weekly testing). A logical outcome of a sustained mandate would be that vaccine-hesitant workers move into small businesses (fewer than 100 employees) to avoid the requirements of the OSHA rule, or perhaps leave the workforce for some time.

This analysis finds that 10-16 million workers are at risk for employment change because of the OSHA mandate. Thus, there is potential for large disruptive labor market impacts over the next several months that will also complicate the interpretation of labor market indicators.

Estimating the Number of Workers at Risk of employment change from the Vaccine and Testing Mandate

This analysis outlines two methods of gauging the number of workers at risk of being affected by the vaccine and testing mandate. In the first, it looks at those adults who indicate an unwillingness to be vaccinated, and drill down to their employment status and firm size. In the latter, it looks at employment status and firm size, and drill down on vaccination and vaccine hesitancy status.

Method 1: An Upper-Bound Estimate

According to Kaiser Family Foundation [survey data](#), 16 percent of adults reported that they “will definitely not” get vaccinated. Using the civilian non-institutionalized [population](#) for October 2021 (262 million people), the number of unvaccinated adults is roughly 41.9 million. Employment data indicates a 59.2 percent employment-to-population ratio, so the estimated number of working adults who reported that they “will definitely not” get vaccinated is in the neighborhood of 24.8 million.

As noted, the OSHA rule concerning vaccination and testing requirements specifically covers workers in businesses with greater than 100 employees. According to Census Bureau [data](#) 67 percent of workers are in large firms; this suggests that roughly 16.6 million workers will be at risk of employment disruption due to the mandate.

Method 2: A Lower-Bound Estimate

Census Bureau [data](#) indicate that 33 percent of U.S. workers are concentrated in industries with fewer than 100 employees; the other 67 percent of workers are employed by businesses with more than 100 employees and would thus be covered by the vaccination and testing requirements (this applies to more than 84 million workers). Considering that many workers are already vaccinated ([66.5 percent](#)), this analysis finds that 28.1 million workers in businesses with greater than 100 employees remain unvaccinated. This estimate is slightly lower than [OSHA’s estimate of 31.7 million workers](#).

Of course, not every single worker who is currently unvaccinated will leave the labor force, refuse to follow the mandate, or quit their job. Some of these workers may simply comply and get vaccinated or adhere to the weekly testing rule. That said, [37 percent](#) of unvaccinated workers – or 10.3 million of the 28.1 million – have indicated that they would leave their jobs if their employer required them to get a vaccine or get tested weekly.

Upshot

The upshot is that confining the mandate to unvaccinated workers in large businesses does not result in an insignificant threat of job disruption. Instead, an estimated 10-16 million workers are at risk of employment change due to the vaccine and testing mandate.

Labor Market Movement

The presence of a relatively tight labor market has already pushed labor market indicators into atypical territory. On the supply side, workers have been quitting at high rates, a phenomenon commentators are calling “[the great resignation](#).” Data show the current monthly quit rate of 2.9 percent a month is the highest rate on record. Between April and August of 2021, the [average monthly number of workers who quit](#) sat just under 4 million. This does not mean that 4 million workers are permanently leaving the labor force, but rather that workers are in a period of relatively high mobility. On the hiring side, employers are doing what they can to incentivize workers to return or move into their industry with rising wages and an [average monthly number of hires](#) at 6.4 million over the same period.

Given the number of workers at risk of leaving their jobs in response to the vaccine and testing mandate, the OSHA rule has the potential for a large disruption and major impact on labor market indicators. In the extreme, the 10-16 million workers are 2.5-4 times the typical quits in a month.

Again, a logical possibility is that workers who quit would simply move to smaller businesses that are not subject to the OSHA rule. But this would mean 10-16 million hires, again between 1.5-2.5 times the normal monthly rate. Of course, any such movement would not happen immediately, nor would workers be able to seamlessly leave and transition into new jobs. To the extent workers leave jobs, there is likely to be some stickiness as labor market conditions adjust, which could mean some workers stay unemployed longer than anticipated.

Finally, there are any number of reasons why workers may respond differently to the mandate than the survey data indicate. Workers could simply not do what they said and stay in their jobs. 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.

Still, compared to the monthly labor market data, the at-risk population of workers is large. This raises the possibility that the effects of the mandate will be reflected in December, and subsequent jobs data with workers leaving roles subject to the mandate before the holidays and the Jan 4 compliance deadline.

Conclusion

The OSHA vaccination and testing mandate will require all workers in business with greater than 100 employees to be full vaccinated by January 4, 2022, or be tested at least weekly. American Action Forum analysis estimates that 10-16 million workers are at risk of being affected by the mandate. If so, the mandate could have serious repercussions in the labor market and make labor market indicators much more difficult to interpret over the next several months.