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Box E:

QB3 – July 2020

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## Regional Labour Market Impact of Covid-19

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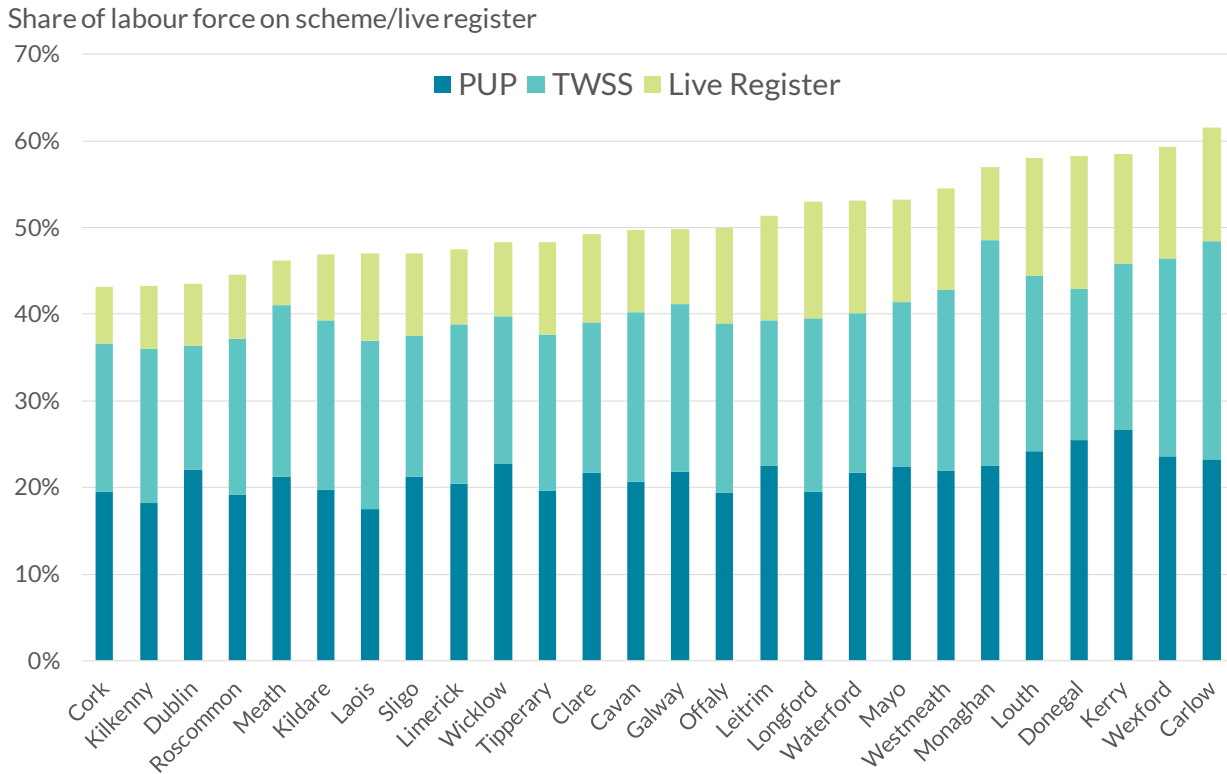
By mid-June, almost half of the labour force were receiving income support from the State. Areas more directly exposed to Covid-19 containment measures see a bigger take-up of supports. This includes counties with more workers in sectors such as retail, accommodation and food, construction and services. Counties with a greater share of jobs that require close physical interaction with customers or co-workers are also see greater take-up of supports. Looking ahead, the fall in job postings bottomed-out towards end-June, with tentative signs of a small uptick since.

By mid-June 2020, over 1.1 million people, or almost half the labour force, were receiving income support from the State. The Pandemic Unemployment Payment (PUP) accounts for 44 per cent, followed by the Temporary Wage Subsidy Scheme (TWSS, 36 per cent) and the Live Register (LR, 20 per cent).<sup>1</sup> Some counties have a greater share of their labour force availing of these supports. Kilkenny, Dublin and Cork are all at the low end of the range (44 per cent of the labour force); Donegal, Kerry, Louth and Carlow are at the top-end (60 per cent, see Figure 1).

<sup>1</sup> The PUP and Live Register figures are from the [CSO 26 June 2020 release](#) for the week ending 14 June. The total TWSS figure is based on “410,000 employees ... currently being supported by the Scheme having received a subsidy in their most recent pay period” as reported by [The Revenue Commissioners \(18 June\)](#). In this Box, the geographic information for all three schemes is drawn from the weekly data in the [CSO 26 June 2020 release](#) for the week ending 14 June. TWSS recipients are reported weekly only if the individual is paid that week. We scale up the county numbers by the ratio of the sum in week ending 14 June (242k) to the numbers reported by Revenue *currently* on the scheme (410k). This amounts to assuming broadly similar payment frequencies across counties for those on the scheme. There is a small degree of overlap between the schemes, which the CSO attributes to differences in frequency of payments. The series in this box do not remove this overlap as there is no non-overlap figure for people ‘currently being supported’ by TWSS. Using the weekly data, CSO estimates the overlap at around 1 per cent of recipients. The county-level labour force figures are all from Census 2016.



Figure 1: Share of labour force in each county on PUP or TWSS, or on the Live Register

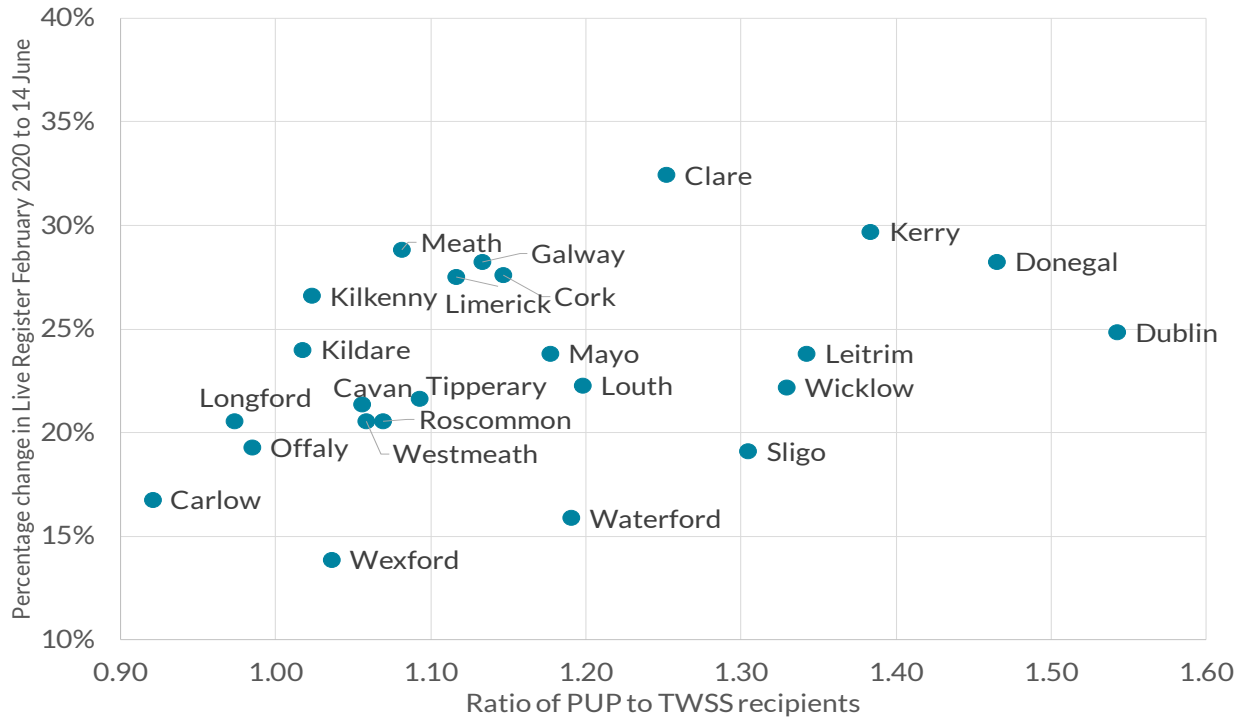


Source: Own calculations using CSO and Revenue Commissioner data. See also footnote 1.

PUP numbers generally exceed TWSS numbers, initially reflecting slow TWSS take-up by firms. In some counties, such as Kerry, Donegal and Dublin, the ratio of PUP to TWSS recipients is more than 1.4 to 1. These counties have also had larger increases in the Live Register since February (Figure 2) – with increases in the region of 25 to 30 per cent. This suggests that higher PUP numbers could indicate higher future unemployment. Although, it should be emphasised that this could change as different sectors reopen and we see workers flowing between the various schemes.



Figure 2: Ratio of PUP to TWSS recipients and change in live register (to 7 June)



Source: Own calculations using CSO data.

### Labour force composition at county level influences impact of Covid-19 shock

The *type* of work workers do – by either sector of work or occupation – has a bearing on the labour market impact of the containment measures.<sup>2</sup> Counties with a greater share of their labour force in more *directly* impacted sectors have a greater take-up of the income supports (top panel, Figure 3). The county-level sector impact is estimated by weighting the county-sector labour force by the sector output declines in [Conefrey \(April, 2020\)](#). Using these weights, the national share of the labour force impacted by the measures is 45 per cent. The x-axis in the chart shows the county estimate relative to the national average.

Similarly, counties with a greater share of the labour force in more directly affected *occupations* also see greater take-up (bottom panel, Figure 3). This chart uses the CSO *Proximity Index* for almost 300 four-digit occupations to estimate a median proximity score for each county.<sup>3</sup> Proximity scores measure the degree of physical interaction in a job, and could also proxy the work-from-home

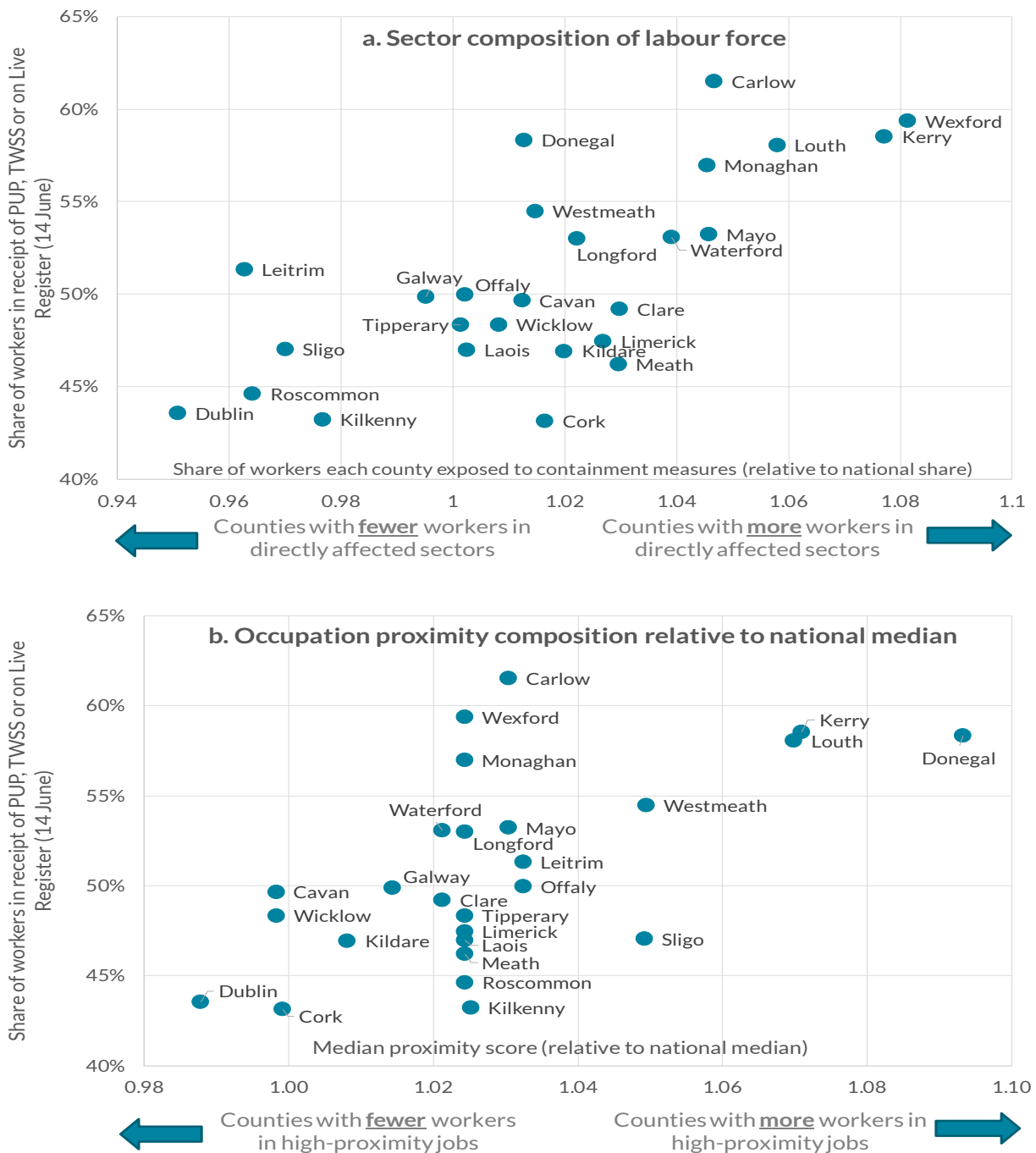
<sup>2</sup> [Adrian and Lydon \(April, 2020\)](#) also find that the composition of occupations in terms of work-from-home potential can explain *cross-country* differences in the labour market impact of Covid-19 containment measures

<sup>3</sup> Further details on the *Proximity Index* are in the CSO release “*Occupations with Potential Exposure to COVID-19*” ([CSO, June 2020](#)). As noted in the background notes to the release, a small number of occupations are missing a proximity index and a smaller number again are grouped.



potential of an occupation. The x-axis shows the metric relative to the national level. The national median score for the proximity index is 57.6 (see Lydon, June 2020). Counties with fewer workers in higher-proximity jobs see less take-up of the income support schemes.

Figure 3: Composition of the labour force and take up of income-supports



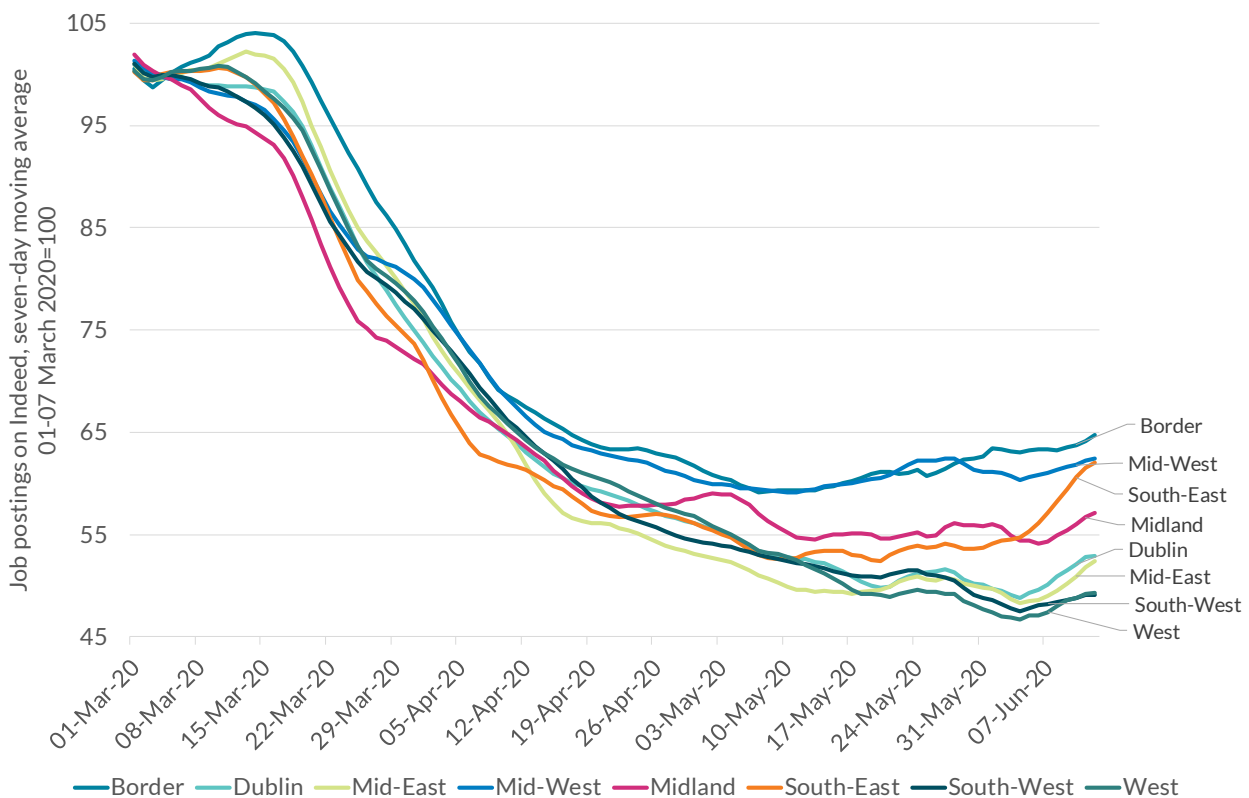
Source: CSO. Sector and occupation impact based on Conefrey (April, 2020) and CSO (June 2020).



## Looking ahead: job postings decline bottoms-out by end-June

Indeed job postings data points to a bottoming out in the decline around end-June ([Kennedy, June 2020](#)). There has also been a small uptick in job postings in the first two weeks of June, although the level remains over 50 per cent below last year's trend. Figure 4 shows these recent trends for the eight regional authorities.<sup>4</sup> The peak-to-trough changes are in the range of -42 (Mid-West) to -54 (West and South-West) per cent. For comparison, the peak-to-trough fall in CSO vacancies during the financial crisis was *minus* 70 per cent.

Figure 4: Job posting trends on Indeed



Source: *Indeed*. See [Kennedy, June 2020](#) for further details. Job postings are indexed to average of the first week of March 2020=100.

The number of unemployed people per job posting is a key metric for assessing the state of the labour market. It influences both the likelihood of moving from out-of-work to in-work, and the wages workers can bargain for.<sup>5</sup> Figure 5 shows this pre-Covid 19 (first week in March) and as of 5<sup>th</sup>-7<sup>th</sup> June,

<sup>4</sup> The regions are: **Border** – Cavan, Donegal, Leitrim, Monaghan and Sligo; **Midland** – Laois, Longford, Offaly and Westmeath; **West** – Galway, Mayo and Roscommon; **Dublin** – Dublin City, Dún Laoghaire-Rathdown, Fingal and South Dublin; **Mid-East** – Kildare, Louth, Meath and Wicklow; **Mid-West** – Clare, Limerick and Tipperary; **South-East** – Carlow, Kilkenny, Waterford and Wexford; **South-West** – Cork and Kerry.

<sup>5</sup> See Chapter 9 in "Labor economics", by Cahuc, Pierre, Stéphane Carcillo, and André Zylberberg (MIT press, 2014) for a derivation of a wage curve linking wages and labour market tightness through the wage bargaining process. Applications for

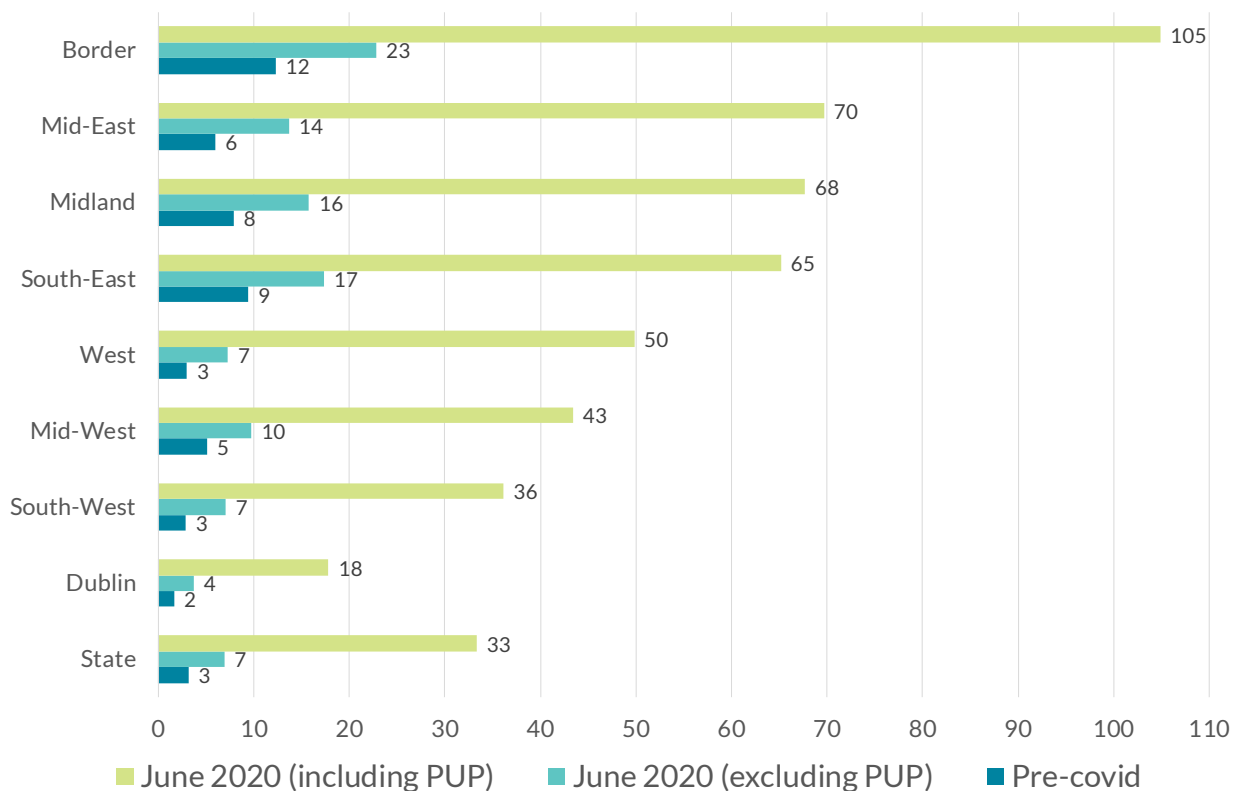




excluding and including PUP recipients. Nationally, in February 2020, there were *three* unemployed people per job posting. By June, this had *at least* doubled to between 7 and 33 unemployed per job posting. The top-end of the range results from including *all* PUP recipients as ‘unemployed’. This could significantly overstate things: according to CSO survey data ([May, 2020](#)), more than nine of ten of those whose employment situation was affected by Covid-19 expect to return to the same job.

The overall picture will become clearer over time, but is likely somewhere in this range. Notably, the top-end of the range (33) is still below the trough reached during the financial crisis, which was 38 unemployed persons per job posting. This largely reflects the fact that postings/vacancies have declined by less as of June. The regional variation in the green bars (unemployed per job posting *including* PUP) is driven in the main by differences in the number on PUP by region/county.

**Figure 5: Unemployed persons per job posting**



Source: Analysis of *Indeed* in March 2020 and June 2020. Unemployed by region pre-covid is taken from the Q1 2020 LFS. For the June data we adjust the Q1 LFS unemployed numbers by region in line with Live Register changes by region, calibrating it to the overall monthly unemployment rate published by the CSO.

the Irish labour market include [Lydon & Lozej \(2018\)](#), for new hires, [Stauton & Lydon \(2018\)](#), for job switchers, and [Adrian & Lydon \(2019\)](#) for wages in job postings.



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The sector and occupation make-up of the labour force can explain some of the regional differences observed in the take-up of the Covid-19 support schemes. That said, even the 'least' impacted counties experience a very negative shock.

The medium term prospects for the labour market will only become clear some weeks after the easing of containment measures. Crucially, this will also depend on health developments, including a potential 'second wave' of the virus. The current easing of containment measures and gradual re-opening of the economy has coincided with a bottoming-out of the decline in job postings. Whilst recent data points to a small uptick in postings in early June across all regions, the degree of slack – measured as the number of unemployed people per job postings – is *at least* double that seen in February 2020.