

Covid-19 impacts  
through the lens of local labour markets

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## Impacts on local inequalities

- ▶ Unequal Covid-19 impacts along several dimensions of vulnerability (race, gender, socio-economic status, etc)
- ▶ Similar considerations extend to local aspects of disadvantage
- ▶ Very few indicators available in real time & at a fine-grained local level
- ▶ Incidence of UC across UK LAs in June 2019 strong predictor of rise in claims in June 2020
  - ▶ One extra percentage point in the claimant rate in June 2019 translates into an extra 1.3 percentage points in June 2020 [will show map]
- ▶ Similar picture using local variation in furlough rates [will show map]

# The novel significance of sectors and occupations

- ▶ Rising local inequalities not restricted to the current crisis
  - ▶ In most recessions, poorest areas are hit hardest due to industry concentration
- ▶ During Covid-19, sectors directly affected include retail, hotels & restaurants, travel, art, leisure etc – over-represented in cities;
- ▶ Outside shut-down sectors, the relevant distinction is between occupations that can/cannot be done from home
- ▶ Strongly correlated to skills
  - ▶ 2/3 among college graduates; 1/3 among GCSE or below
  - ▶ similar picture by baseline earnings
- ▶ Local losses also related to local shares of temporary/atypical employment
- ▶ These forces naturally predicts that poorer areas will be hit hardest

## Job search in local labour markets: Mobility

When the local labour market is slack, two factors are key for re-employment and wage progression: mobility and information

**Mobility:** often most vulnerable are least mobile

- ▶ Job search more local for the less-skilled
- ▶ Commuting is shorter (college graduates have 50% longer commutes than GCSEs or below)
- ▶ Job related migration is lower  
[Prob to moving across US states to start a new job for a college graduate is 6× the prob for HS dropouts]
- ▶ Low-skill labour supply indeed relatively less elastic to the local wage
- ▶ Implications for wage setting: employers have higher market power (monopsony)
- ▶ Importance of minimum wage

# Job search in local labour markets: Information

**Information:** to move to job opportunities, workers first need to know about them

- ▶ Important role for Public Employment Services
- ▶ When job openings are scarce, providing jobseekers with 'creative' guidance is more effective than sanctions
- ▶ Government's find-a-job service prompts jobseekers to define sought occupation and location
- ▶ But tailored job search advice could be provided at low cost
  - ▶ e.g. suggesting alternative occupations and local areas, based on job finding patterns of jobseekers with similar characteristics
  - ▶ & show map of where realistic alternatives can be found
  - ▶ Social experiment for Scotland

## Medium-term outlooks and policies

- ▶ Experiences from other recessions suggest that heavily affected areas will not be able to bounce back quickly
- ▶ Place-based policies could provide complementary responses to national economic and welfare plans
  - ▶ Direct financial assistance to workers and firms; & indirect assistance facilitating access to national programmes
  - ▶ Locally targeted job search support, focusing on information and mobility
  - ▶ Job search and matching facilitation for key sectors
- ▶ Also: massive rise in teleworking has accelerated slow pre-existing trend
- ▶ Changes in the geography of job search and commuting patterns, which can in turn feed into wage setting.