



# Coronavirus (COVID-19)

## From pandemic to recovery: Local employment and economic development

Updated 27 April 2020

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This note provides evidence on the importance of local action to help address the short-term and long-term consequences of the coronavirus (COVID-19) outbreak. It estimates that the share of jobs potentially at risk during confinement ranges from 15% to 35% across regions within 30 OECD and 4 non-OECD European countries. It explains why the local role is essential for the recovery, and explores the potential game changing nature of this outbreak for local development going forward.

The note has been prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) to support discussions of the Local Economic and Employment Development (LEED) Programme.<sup>1</sup> Since 1982, the LEED Programme has promoted an integrated approach to local employment and economic development that brings together government at all levels, the social economy, civil society, and the private sector (including SMEs and entrepreneurs).

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<sup>1</sup> For more information please contact: [Rudiger.Ahrend@oecd.org](mailto:Rudiger.Ahrend@oecd.org) or [Karen.Magire@oecd.org](mailto:Karen.Magire@oecd.org) | Media: [Alexandra.Taylor@oecd.org](mailto:Alexandra.Taylor@oecd.org). More information available at [www.oecd.org/coronavirus](http://www.oecd.org/coronavirus).



## Introduction: Local responses matter for short-term and long-term impacts

**While considered necessary for reducing the risk of spreading COVID-19, the confinement measures are putting unprecedented pressure on local labour markets and economies.** In the short term, unemployment is already skyrocketing, and the OECD estimates that the lockdowns could result in a direct initial reduction of 20-25% of GDP in a number of OECD countries during the confinement period.<sup>2</sup> The longer-term impacts will depend on the length of lockdowns, other regulations regarding social distancing, the scale of indirect impacts such as drops in consumer spending, and the effectiveness of the policy responses. A recession cannot be avoided, implying further knock-on effects for employment beyond the directly impacted sectors. The employment impacts are already exceeding initial estimates and are on track to dwarf those of the 2008 financial crisis.

**Within countries, some places are more exposed to these risks than others are.** New estimates show that one out of five OECD/EU regions<sup>3</sup> have at least 30% of their jobs potentially at risk in the short term as a result of containment measures. These illustrative estimates do not take into account the seasonality of economic activities (e.g., tourism) and are based on assumptions of full shutdowns in all places.<sup>4</sup> Large cities, tourist destinations, intensive energy producing regions and places more connected to trade will be among the most affected in the short term. Experiences with previous recessions and other shocks suggest that – maybe with the exception of the largest cities – the most affected local economies will not be able to bounce back quickly. Local labour markets could suffer for years to come, exacerbating regional disparities in unemployment, economic inactivity and job quality.

**Local and regional governments are taking important short-term actions to help sustain the vitality of local communities today and tomorrow.** They are helping with the sanitary response, including confinement and awareness-raising activities, delivering health care, and supporting vulnerable groups.<sup>5</sup> They are also playing an important role in implementing and providing complementary responses to the national plans for unemployment insurance and income supports<sup>6</sup> as well as special support packages and wage subsidies, particularly to preserve SMEs and the jobs they provide.<sup>7</sup> Examples of such local and regional employment actions include: helping workers and firms navigate national programmes; providing direct financial assistance (to firms and social protection to vulnerable workers); job posting and matching to address immediate hiring needs related to essential services; and offering access to skills development programmes to facilitate training and adjustment. They are also equipping firms, schools, teachers and students with materials for distance learning and teleworking in many countries.<sup>8</sup>

**While national governments have significant work ahead, local and regional governments will be on the frontlines for the long-term local economic recovery.** They are well placed to address the

<sup>2</sup> OECD (2020), [Evaluating the initial impact of COVID-19 containment measures on economic activity](#).

<sup>3</sup> This calculation includes 30 OECD and 4 non-OECD EU countries and their regions.

<sup>4</sup> The extent to which jobs threatened by the lockdown will yield actual job losses depends on a number of factors, including the potential to adjust hours worked, the length of shutdowns, the employment protection legislation (EPL) packages and the policies put in place by countries to protect employment, such as short-time working schemes and other job protection schemes.

<sup>5</sup> OECD (2020) [Territorial impact of COVID-19: managing the crisis across levels of government](#); OECD (2020) [Cities policy responses](#)

<sup>6</sup> OECD (2020), [Supporting people and companies to deal with the COVID-19 virus: Options for an immediate employment and social policy response](#)

<sup>7</sup> OECD(2020), [SME policy responses](#)

<sup>8</sup> For more information on distance learning, see OECD (2020), [Education responses to covid-19: Embracing digital learning and online collaboration](#).



differential and long-term implications of firm closures and job losses in different local labour markets. They will be working with their local SMEs that depend to a greater extent than larger firms will on the quality of the local labour market and environment. They will be serving the most disadvantaged populations, given the need for greater proximity in addressing their multiple needs — along with local social economy organisations. They can build bridges between employment, skills and economic development policies.

**The key challenge for local and regional actors will be to take into account the changes brought by the COVID-19 crisis to construct the communities of a new tomorrow.** The COVID-19 pandemic could change the game for local development in many communities, and for many workers and firms it already has. The consequences may accelerate major trends already underway, such as automation and the digital transition, while slowing down others, such as globalisation. It could also give new impetus for societies to tackle collective challenges, such as climate change — albeit there will be strong pressure to simply create any job — or to capitalise on the renewed social consciousness through a stronger social economy. Regional and local governments are not equally equipped to respond, depending on their official policy competencies as well as their financial and technical capacity, which will be under great pressure.<sup>9</sup>

## Job losses will hit some communities harder than others

*Short-term confinement measures are likely to affect places differently depending on their areas of economic activity*

**The economic consequences of COVID-19 are likely to affect regions very differently, with tourist destinations and large cities suffering the most in the short term.** Regions have different sectoral specialisations, exposure to global value chains, focus on tradable vs. non-tradable sectors, and shares of non-standard employment. Consequently, some regions are likely to suffer more than others from containment measures, facing a steeper economic recession and larger shares of jobs at risk. The estimates illustrated in this note regarding jobs potentially at risk refer to activities directly affected by the shutdowns, but a significant share of those may still be at risk even after confinement is lifted due to other social distancing regulations and continuing restrictions on certain activities. According to a recent note by the OECD<sup>10</sup>, sectors most at risk include manufacturing of transport equipment; construction; wholesale and retail trade; air transport, accommodation and food services; real estate services; professional service activities; and arts, entertainment and recreation (see the annex for further information on the methods to estimate the share of jobs potentially at risk).

**The share of jobs potentially at risk in the short term as a result of confinement measures ranges from less than 15% to more than 35% across 314 regions<sup>11</sup> in 30 OECD and 4 non-OECD European countries** (Figure 1). In one out of five OECD/EU regions, more than 30% of jobs are potentially at risk during lockdown. Figure 2 shows the most affected regions by country together with their sectoral composition. The importance of tourism and of local consumption – including large retailers, general-purpose stores, and businesses in the hospitality industry, such as coffee shops and restaurants – partially explains the relatively higher impact in tourist destinations and metropolitan areas. The extent to which lockdowns will affect activities during the high tourism season is of course an important factor to determine the actual economic decline in tourist destinations.

<sup>9</sup> OECD (2020) [Territorial impact of COVID-19: managing the crisis across levels of government](#); OECD (2020) [Cities policy responses](#)

<sup>10</sup> See OECD (2020), [Evaluating the initial impact of COVID-19 containment measures on economic activity](#)

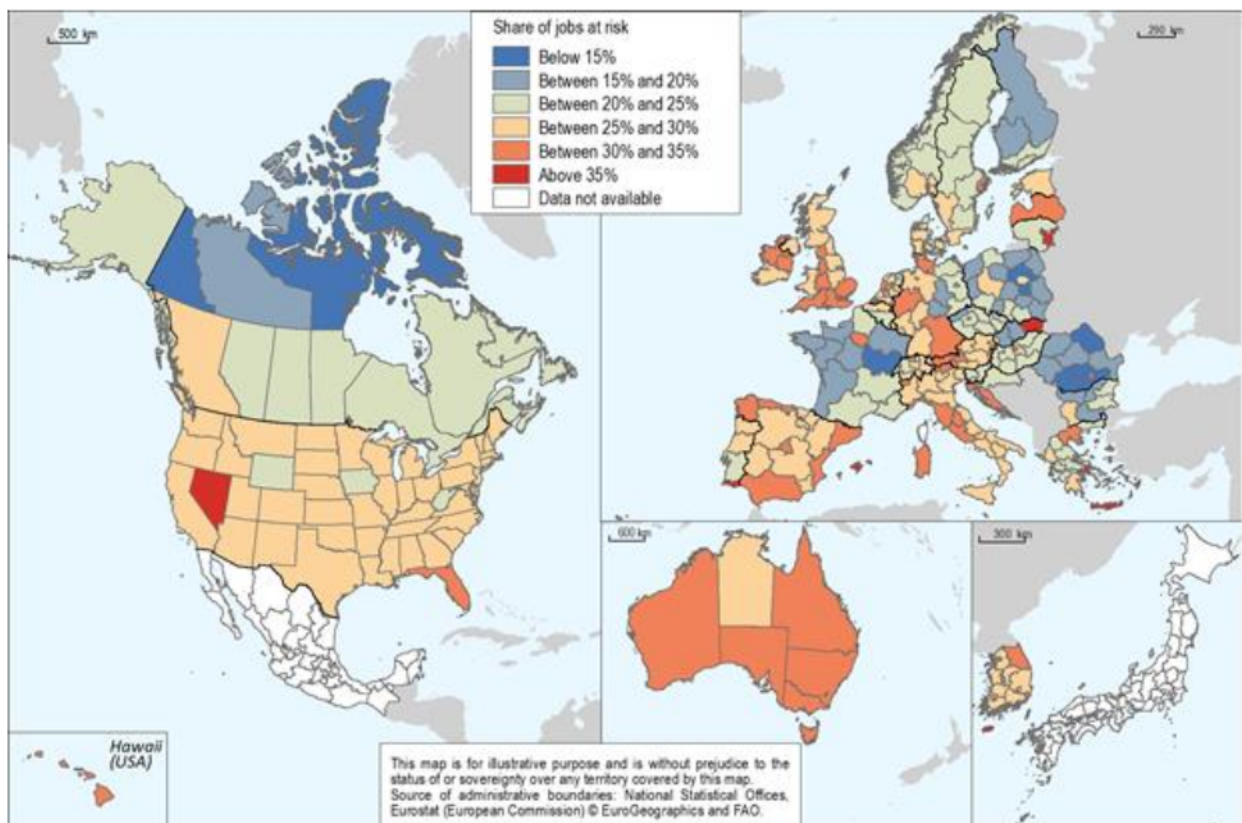
<sup>11</sup> Regions are defined as large subnational regions or as Territorial Level 2 (TL2) regions according to the OECD classification. TL2 regions generally represent the first government layer after the national or federal level. For more details, please see the [OECD Territorial Grid](#).





**Capitals and large cities often face a larger share of jobs potentially at risk than other regions in the same country.** One important feature of the confinement measures is that they severely reduce activity in local services, in particular in retail (other than food and pharmacies) and in personal services (hairdressers, beauticians, gyms, etc.). Local services account for a large share of employment in (large) cities, making them potentially more vulnerable than other areas. In eight countries, the Czech Republic, Denmark, Finland, France, Lithuania, Norway, Romania and Sweden, the capital regions face the highest potential risk of job losses in the short term. Greece and Spain follow the same pattern if their island regions, which are highly exposed to the decline in tourism, are excluded. In most cases, the higher risk observed in capitals, or other large cities, reflects their specialisation in retail and wholesale trade. This is the case for Athens, Bucharest, Prague, Helsinki, Oslo, Stockholm, and Vilnius. On the other hand, large cities have a more diverse economy and a more skilled labour force on average, which can help adapt to shocks and could facilitate the economic bounce-back. They also host a larger share of high-skilled workers who hold jobs compatible with teleworking.

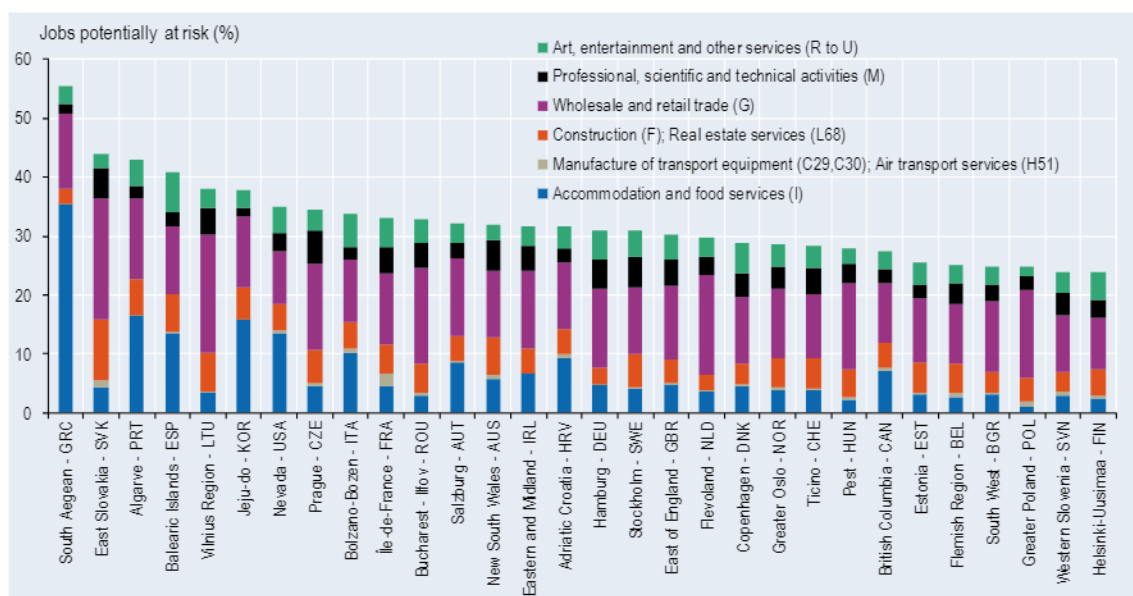
**Figure 1. Share of jobs potentially at risk during COVID-19 containment measures**



Source: Authors' elaboration on OECD Regional Database



**Figure 2. Regions with the highest share of jobs potentially at risk by country, TL2 regions**



Note: Share of jobs potentially at risk estimated under condition of full lockdown and travel restrictions. The sectoral composition of the regional economy is based on data from 2017 or latest available year.

Source: Authors' elaborations on OECD Regional Database.

**Within a country, differences in the share of regional employment potentially at risk vary by more than 20 percentage points.** In Greece, for example, the range is from 55% of jobs potentially at risk in the South Aegean Islands to 22% in Central Greece. Such regional differences are also particularly stark in the Slovak Republic, Romania and France. Tourism destinations often show the highest shares of jobs potentially at risk. In Europe, several of these destinations, such as Crete, the South Aegean and Ionian islands (Greece), Balearic and Canary Islands (Spain) as well as the Algarve region in Portugal have 40% or more of jobs potentially at risk. In Korea, the highest share is in Jeju-do, a region where tourism represents an important pillar of its economy. For similar reasons, in North America, Nevada (which includes Las Vegas) stands out as the most potentially affected state, followed by Hawaii. This aligns with other estimates of jobs at risk in US metro areas, which show locations such as Las Vegas at higher risk.<sup>12</sup>

**Regions in Northern and Eastern European countries appear potentially less affected, on average, than those in Southern Europe and North America.**<sup>13</sup> In Germany, Hamburg and Schleswig-Holstein face the highest share of jobs potentially at risk (over 30%), partially due to their relatively high employment shares in trade and tourism. East Slovakia also faces a similar challenge, but due to the importance of wholesale and retail activities for the regional economy. The importance of the public sector, potentially more resilient to the shutdown in the short term, offers an additional explanation for the lower risk observed on average in large parts of Europe compared to regions in other OECD countries.

<sup>12</sup> The Brookings Institution, "[The places a COVID-19 recession will likely hit hardest](#)", (17 March 2020)

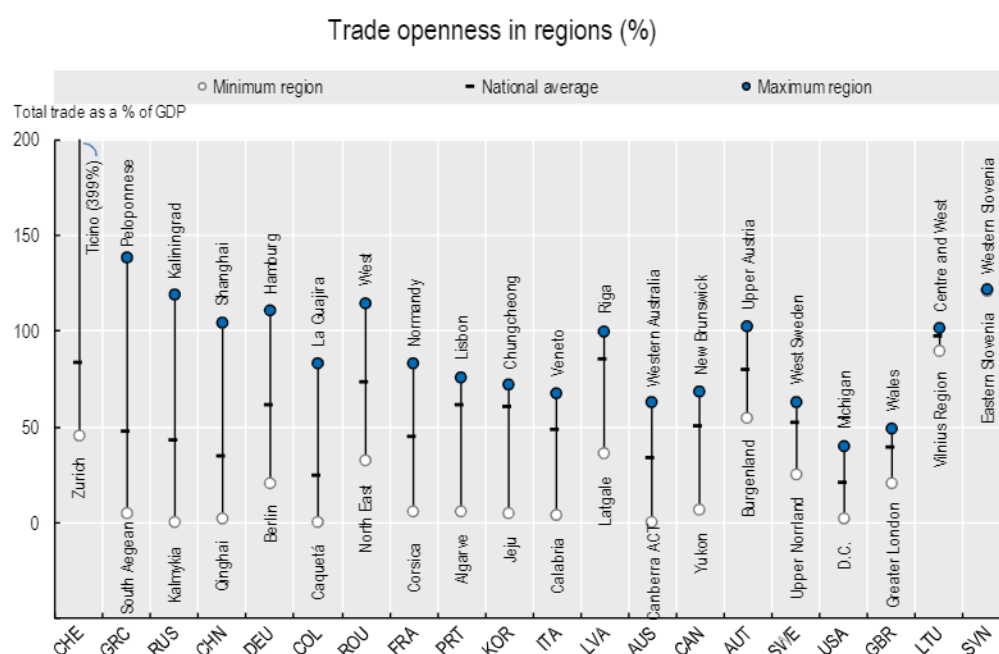
<sup>13</sup> Note that these estimates assume uniform application of confinement measures for the purposes of the simulation.



### Trade-exposed regions are likely to face high risks

Beyond the direct employment effects, supply chain disruptions and the scaling back of global trade due to containment measures can also have diverse effects on regions, with places more integrated in global trade potentially hit the hardest. Regions with higher trade openness (measured as the percentage of trade as a share of GDP) might face higher risks due to disruptions in trade flows (Figure 3).<sup>14</sup> Among such regions are those with major ports and trade facilities – such as Hamburg (Germany) and Riga (Latvia) – or regions with relatively larger shares of employment in manufacturing or other tradable sectors more generally, such as Veneto (Italy) or Wales (United Kingdom). The longer global trade will take to return to pre-COVID-19 crisis levels, the harder the downturn will be for the more globalised regions, with potentially stronger rises in unemployment, at least in the short term. In the medium term, if global trade returned to pre-crisis levels, more globalised regions could recover faster, consistent with previous OECD research showing that regions more specialised in tradable sectors recovered faster from the global financial crisis of 2008.<sup>15</sup>

Figure 3. Regions most open to trade could suffer more from confinement measures



Note: Import plus export over regional GDP in 2015 \$ PPP (%). Data refer to 2018 or latest available year.  
Source: OECD Regional Database.

<sup>14</sup> See Annex for data sources.

<sup>15</sup> See OECD (2018), [Productivity and Jobs in a Globalised World: \(How\) Can All Regions Benefit?](#).



### ***Greater local shares of non-standard work increase the risk of short-term job losses***

**Regions also vary considerably in the share of workers in non-standard employment that could be at greater risk.** Workers in temporary, part-time or self-employment may be particularly vulnerable to job losses, given the typically lower levels of job security and social protection they have compared to workers in standard employment relationships. In France, Belgium, Hungary, Italy, Spain or Greece, the share of temporary and part-time work differs by more than ten percentage points across regions. Temporary work is more common in regions with a lower-educated workforce, higher unemployment, and a smaller share of gross value added in tradeable sectors. Low-skilled workers are at higher risk of being in temporary work than the higher skilled, and that likelihood is even higher in rural areas than in cities.<sup>16</sup>

### ***Regional divides are already starting to show in administrative data on unemployment***

**Given the speed at which the situation is evolving, the availability of related official unemployment statistics at the national or regional level is still limited.**<sup>17</sup> Preliminary data on unemployment claims released by a number of OECD countries can provide some indications of the differential impact across regions as it unfolds (see Box 1).<sup>18</sup> Results derived from these data are quick and informal, rather than a definitive analysis, and may also reflect the different times that lockdown measures went into effect in different cities/states/regions, rather than a differential impact of confinement measures across regions per se. However, even with these caveats, the data do highlight notable regional differences.

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<sup>16</sup> OECD (2018), *Job Creation and Local Economic Development: Preparing for the Future of Work*.

<sup>17</sup> The collection of official statistics may be further hampered by confinement measures, see for example <https://www.ft.com/content/77fde7ec-88b8-45ac-b485-c4e8a1fe9c14>.

<sup>18</sup> Due to data definitions, these figures may differ significantly from official unemployment rates.









## Some of the hardest hit local economies may struggle for years to come

**Previous recessions have had long-term negative impacts on local labour markets, notably unemployment rates.** Already prior to the outbreak of COVID-19, the unemployment rate had still not recovered in half of OECD regions a decade after the 2008 crisis.<sup>19</sup> Looking back across the previous five recessions in the United States, the most affected local labour markets experienced employment and wage losses that persisted for at least a decade.<sup>20</sup> The current crisis could re-open and deepen the wounds for those places still struggling to heal from the 2008 crisis.

**Several years after the 2008 crisis, weaker local labour markets had a higher share of temporary work contracts.** The trend in increasing use of non-standard employment began long before the 2008 crisis, and in its direct aftermath the share of short-term contracts declined as these were among the easiest jobs to eliminate. However, in Europe, an increasing share of regional employment in temporary contracts was observed even during the recovery period (2012-16). This deterioration in the quality of jobs occurred in particular in regions that were also underperforming in terms of labour productivity. Unsurprisingly, such regions were also less inclusive in terms of employment and poverty outcomes.<sup>21</sup>

**COVID-19 will likely accelerate automation, and some regions have more jobs at risk.** The outbreak may encourage firms to use labour replacing technologies in the short term to respond to labour shortages resulting from lockdown measures.<sup>22</sup> Longer-term social distancing requirements, as well as broader shifts in business and risk management strategies, could further the uptake of automation. While technologies such as automatic check-out kiosks in stores or autonomous mobile robots to deliver medicine and clean hospitals may be lifelines for keeping essential services open today, and can help boost productivity in the longer-term, this contributes to structural job losses, requiring adjustments for some people and places above and beyond recovery efforts.

**Prior to the outbreak, the share of jobs at high risk of automation varied by over nine-fold across regions in the 21 OECD countries with available data** (see Figure 4). In regions where this risk is high, the automation could be accelerated. Within countries, the difference between the regions most and least at risk can be over 10 percentage points. Regions that have a highly educated workforce and a strong tradable services sector, and that are more urbanised, have fewer jobs at risk of automation. Regions that have low productivity growth and high unemployment tend to have higher shares of jobs at risk.<sup>23</sup> As part of recovery efforts, local policy makers in the latter could face even more trade-offs between productivity-enhancing automation and local job creation, as the pandemic increases both the incentives to automate and the scale of unemployment.

<sup>19</sup> OECD (forthcoming), *Job Creation and Local Economic Development 2020*.

<sup>20</sup> Hershbein and Stuart (2019), [Recessions and local labor markets](#)

<sup>21</sup> OECD (2018), *Job Creation and Local Economic Development 2018: Preparing for the Future of Work*.

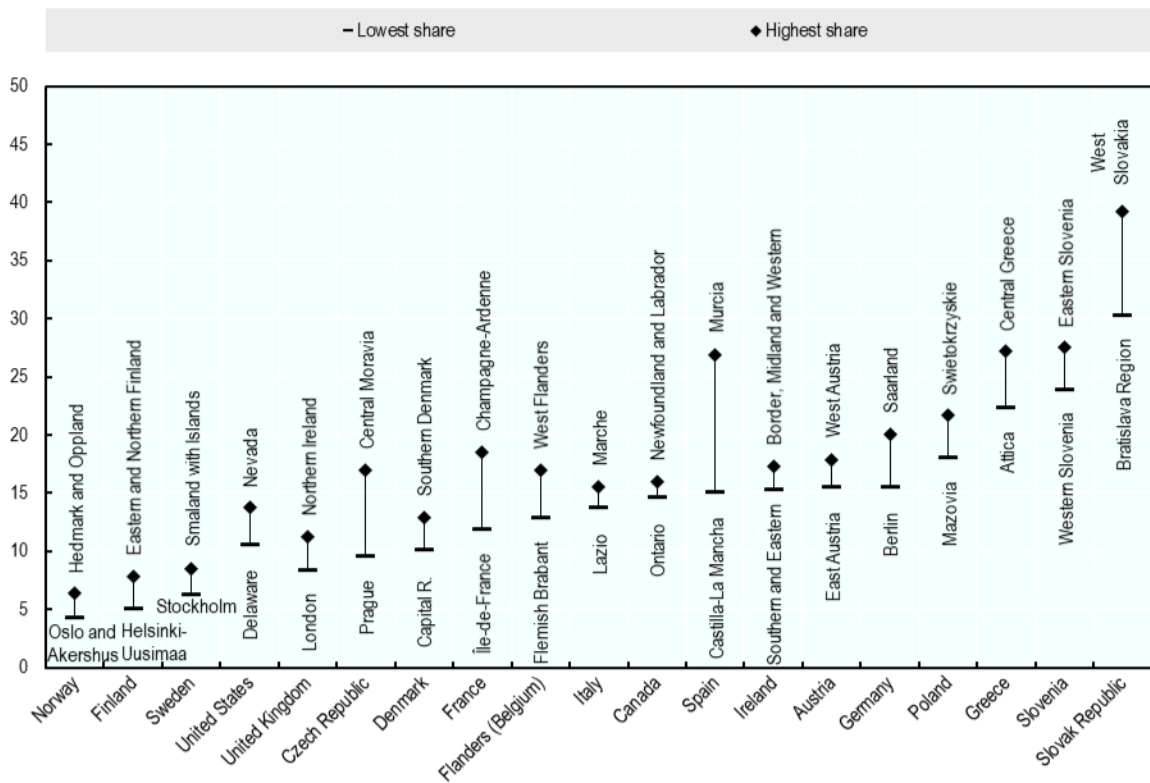
<sup>22</sup> "COVID-19 will herald an automation boom" (3 April 2020), <https://www.protocol.com/automation-boom-caused-by-coronavirus>

<sup>23</sup> OECD (2018), *Job Creation and Local Economic Development 2018: Preparing for the Future of Work*.



**Figure 4. Some countries have wide disparities in the risk of automation across regions**

Percentage of jobs at high risk of automation, highest and lowest performing TL2 regions, by country, 2016



Note: High risk of automation refers to the share of workers whose jobs face a risk of automation of 70% or above. Data from Germany corresponds to the year 2013. Except for Flanders (Belgium), for which sub-regions are considered, regions correspond to the NUTS2 level of the European Classification.

Source: OECD calculations based on (Nedelkoska and Quintini, 2018) and National Labour Force Surveys (2016).

## Local actions are an essential part of the recovery, from helping the disadvantaged to supporting firms or mobilising the social economy

*Regional and local governments implement national schemes, and complement them with locally tailored responses for the short and long term*

**National policies in response to COVID-19 that may appear uniform (or place-blind) are not place neutral and will affect communities differently.** For example, standard national income support schemes will have differential impacts depending on local cost of living. Likewise, national macroeconomic and structural policies affect regions differently depending on their economic performance. For example, rigid employment regulations have larger detrimental effects in lagging regions.<sup>24</sup> Other evidence suggests that national spending has a different “bang for buck” across places, and that national resources can more

<sup>24</sup> D’Costa, Garcilazo and Oliveira Martins (2019), “[Impact of macro- structural reforms on the productivity growth of regions: Distance to the frontier matters](#)”, Papers in Regional Science



effectively reduce the share of adults that are not working in places where this rate is higher.<sup>25</sup> Over the medium and long term, the fiscal strain will require even more strategic approaches to nation-wide investments to promote recovery in all places.<sup>26</sup>

### Box 2. Supporting workers and firms during the COVID-19 crisis: what are subnational governments doing?

While many national governments have introduced emergency measures in response to COVID-19, regions and cities are also taking action to support both workers and firms during the pandemic. This includes the following:

#### *Helping workers and firms navigate national programmes, including wage subsidies and emergency income support*

- Local authorities in the United Kingdom (including core cities such as Manchester and Leeds) are active in **providing information to local firms** about how they can access grants covering up to 80% of the salary of workers (up to GBP 2 500 per month) if companies keep them on their payroll, rather than lay them off.
- Cities in Canada (including Toronto, Hamilton, Kitchener, and Montreal) are providing **information to low-income individuals, the self-employed as well as recently laid-off workers** about how to apply to receive support from the *Canada Emergency Response Benefit* which provides a taxable benefit of CAD 2 000 per month for up to 4 months to eligible workers who have lost their income due to COVID-19.
- West Michigan Works (a Local Workforce Investment Board) in the United States is **guiding local workers through the unemployment claim process** by supporting them to do their online application through phone and email.<sup>27</sup>
- **Barcelona Activa**, the city's economic development agency, manages a network of labour law information centres that are nowadays providing on-line and telephone information on COVID-19 and employment, such as temporary lay-offs, teleworking arrangements, work risk prevention and workplace sanitation.<sup>28</sup>
- In the **Basque Country (Spain)**, the region's government has mobilised the public service *Inplantalariak*, which usually provides technology solutions to SMEs. *Inplantalariak* is subsidising up to 50% of costs for teleworking equipment for Basque SMEs and the self-

<sup>25</sup> Austin, Glaeser, and Summers (2018), "[Jobs for the Heartland: Place-Based Policies in 21st Century America](#)", NBER Working Paper No. 24548.

<sup>26</sup> OECD (2020) [Territorial impact of COVID-19: managing the crisis across levels of government](#)

<sup>27</sup> <https://www.westmiworks.org/>

<sup>28</sup> <https://treball.barcelonactiva.cat/porta22/es/assetocupacio/programes/pagina49049/conoce-tus-derechos.do>





employed. It is also helping SMEs and the self-employed navigate teleworking technology use to continue activities from home.<sup>29</sup>

#### *Serving as an implementation partner for national governments*

- In **Italy**, the *Cura Italia* decree-law provides EUR 5 billion for a national redundancy fund, and regulates the distribution of resources among the regions. Regions, in turn, are responsible for working with social partners to disburse the funds.<sup>30</sup>
- **Denmark**: The national government announced plans to “freeze” the economy by paying companies 75% of an employee’s salary. Any unavoidable lay-offs will be managed within a decentralised employment system of 94 job centres that actively help job seekers return to work.
- Municipalities across **the Netherlands** are implementing a national temporary bridging measure for the self-employed (Tozo) and freelance workers. This includes income support up to EUR 1 500 per month and business loans to a maximum of EUR 10 157.

#### *Providing direct financial assistance to firms and social protection to vulnerable workers*

- **Berlin (Germany)** has allocated more than EUR 100 million in **support of small and micro enterprises** (with a maximum of five employees) and freelance workers. Grants are limited to EUR 5 000, with the possibility of renewal. Freelance workers will be able to re-apply after six months, and small businesses after three. The subsidy complements the City’s Emergency Aid Package, which targets small and medium-sized enterprises with up to 250 employees.<sup>31</sup>
- The Province of **Quebec (Canada)** has introduced a programme to provide financial assistance to workers who cannot earn all of their normal employment income because they are in isolation to counter the spread of COVID-19.<sup>32</sup> Similarly, the Province of **Ontario (Canada)**, introduced the Employment Standards Amendment Act 2020, which provides job-protected leave for employees who are in isolation or quarantine due to COVID-19, or those who need to be away from work to care for children because of school or day care closures or to care for other relatives.<sup>33</sup>

#### *Providing job facilitation to address immediate hiring needs in sectors that provide essential services during COVID-19*

- The National Association of State Workforce Agencies (NASWA) (United States) announced the launch of NeedAJobNow.usNLx.com, a job site dedicated to providing a centralised location

<sup>29</sup><https://www.spri.eus/euskadinnova/es/portada-euskadiinnova/soluciones-para-micropymes/inscripciones-inplantalariak/589.aspx>.

<sup>30</sup>Concluso l'Accordo Quadro con le parti sociali per la cassa in deroga, [https://appweb.regione.vda.it/dbweb/Comunicati.nsf/ElencoNotizie\\_ita/69739C9D23D2E3C1C1258538005C50F5?OpenDocument=ita](https://appweb.regione.vda.it/dbweb/Comunicati.nsf/ElencoNotizie_ita/69739C9D23D2E3C1C1258538005C50F5?OpenDocument=ita).

<sup>31</sup>Berlin – Support for local businesses and culture (30 March 2020), <https://covidnews.eurocities.eu/2020/03/30/berlin-support-for-local-businesses-and-culture/>

<sup>32</sup>Government of Quebec (2020), *Temporary Aid for Workers Program*, <https://www.quebec.ca/en/family-and-support-for-individuals/financial-assistance/temporary-aid-for-workers-program/>

<sup>33</sup>Employment Standards Amendment Act (Infectious Disease Emergencies), 2020 (19 March 2020), <https://news.ontario.ca/opo/en/2020/03/employment-standards-amendment-act-infectious-disease-emergencies-2020.html>



for displaced workers to access employment opportunities from US companies with immediate hiring needs due to COVID-19.

- Similarly, Australia has set up a dedicated web portal ([www.dese.gov.au/covid-19/jobs-hub/employers-multiple-jobs-opportunities](http://www.dese.gov.au/covid-19/jobs-hub/employers-multiple-jobs-opportunities)) to provide job vacancy information by state with immediate short-term hiring needs at the local level in the face of COVID-19.<sup>34</sup>
- The Province of Trento (Italy) recently took measures to re-engage workers excluded from the labour market in the distribution process of essential goods. Specific tasks include sanitising tools used in grocery shops, overseeing customer flows in and out of grocery shops and preparing bags for delivery from online orders. The project is part of the so-called Progettone, which has the objective of engaging unemployed people in socially useful work.<sup>35</sup>

#### ***Offering access to skills development programmes to facilitate training and adjustment***

- To support local jobs, the region of Occitanie (France) has launched a plan to promote training rather than firing (Former plutôt que licencier), consisting of more than EUR 4 million to support access to skills development opportunities. The region is also expanding its plans to provide workers and job seekers with access to e-learning opportunities, by reinforcing its existing programme (Occitanie e-formation).<sup>36</sup>

**Regional and local governments are important partners for information sharing and direct delivery in implementing national responses.** Effective communication, transparency, co-ordination across levels of government and clarity of respective roles—as well as inter-governmental coordination at the local level—facilitates joint action.<sup>37</sup> At a minimum, local and regional governments help workers and firms connect to and understand the national resources available to them, from financial assistance to regulatory and tax relief. Some are also implementing their own stimulus packages, providing special support to SMEs or adjusting municipal tax obligations.<sup>38</sup> In many countries, they directly manage important aspects of employment and economic development more generally, giving them a privileged role to play in relief and recovery efforts through job placement or skills development programmes (see Box 2 for examples). They will also need to work with firms, workers and civil society in finding strategies for those sectors that will be subject to longer-term social distancing rules or a drop in consumer demand, such as culture and tourism.

***Local action is particularly important for helping the disadvantaged groups who will bear the brunt of the crisis today and going forward***

**Some populations will be more vulnerable to short-term job losses and long-term re-integration challenges.** Low-skilled, low-wage, and young people may be the most vulnerable to job losses because they are in the sectors most at risk today,<sup>39</sup> they are less likely to hold jobs that allow them to

<sup>34</sup> Australian Government Department of Education, Skills and Employment (2020), Employers with multiple job opportunities, <https://www.dese.gov.au/covid-19/jobs-hub/employers-multiple-jobs-opportunities>.

<sup>35</sup> Ufficio Stampa della Provincia autonoma di Trento (2020), Il Progettone in aiuto alla distribuzione alimentare, <https://www.ufficiostampa.provincia.tn.it/Comunicati/Il-Progettone-in-aiuto-alla-distribuzione-alimentare>.

<sup>36</sup> Régions de France (2020), *Occitanie : COVID-19, une mobilisation régionale pour l'emploi*, <http://regions-france.org/non-classe/occitanie-coronavirus-region-assure-continuite-de-services/>

<sup>37</sup> OECD (2020) [Territorial impact of COVID-19: managing the crisis across levels of government](#)

<sup>38</sup> OECD (2020), [Cities policy responses](#)

<sup>39</sup> The Brookings Institution, [Who are the workers already impacted by the COVID-19 recession?](#) (3 April 2020)



telecommute,<sup>40</sup> and are more likely to be on temporary contracts.<sup>41</sup> These same groups are also more likely to hold jobs at higher risk of automation,<sup>42</sup> a process that firms may accelerate in light of the pandemic. The number of discouraged workers dropping out of the labour force could increase, and regional economic inactivity rates reveal a strong link to prior job losses, particularly in places with an industrial legacy.<sup>43</sup>

**Local employment services will be called upon to help these groups, and to connect with other local social services that address multiple disadvantage.** After the 2008 crisis, many communities implemented activities aimed at quickly matching people to jobs including “one stop shops” and “emergency desks” in the short term. Whether after a crisis or not, when re-employment challenges become more entrenched, local action goes above and beyond typical employment services to include services for mental health, child care, etc. For example, Greater Manchester in the United Kingdom introduced the Working Well programme combining physical and mental health support and advice on drug and alcohol problems, skills, education and housing, serving 50 000 people since 2014. Adaptations may be needed for specific population groups (immigrant communities, other minority groups), or places with special challenges (remote areas). Frequently, these local service providers are in the non-profit and social economy sector.

### ***The social economy is increasingly called upon to address local needs for employment and other areas of social impact***

**The social economy is a driver of job creation and economic activity with social impact, and is a powerful tool for local development to respond to COVID-19 consequences.** The term social economy refers to a range of civil society organisations and firms, which typically includes associations, cooperatives, foundations, mutuals and social enterprises. While some may be national or international in scope, most have a strong local orientation. Estimates indicate that the sector accounts for 6.3% of employment, representing 13.6 million jobs and 8% of GDP across 28 European Union (EU) countries.<sup>44</sup> Already, social economy organisations are playing an important role in the local response to COVID-19. For example, the Swedish Civil Contingencies Agency (MSB) along with the Swedish Association of Local Authorities and Regions entered into an agreement with civil society organisations to support municipalities in delivering groceries and medicine to people over 70 or otherwise at risk.<sup>45</sup> Health cooperatives are establishing support funds and distributing protective gear for their members working in essential enterprises and health care (e.g. Ofac Pharmacy Cooperative in Switzerland, Bursa Pharmacy Cooperative in Turkey, Pwiic Cooperative in France, and Espriu Foundation in Spain). Consumer cooperatives, such as those in utility and finance are also taking action, including:

- adjusting late fees and payment schedules for utilities (NRECA in the US, Som Energia in Spain);

<sup>40</sup> OECD (2020), [COVID-19: Protecting people and societies](#).

<sup>41</sup> OECD (2014), [Employment Outlook](#), OECD Publishing.

<sup>42</sup> OECD (2018), [Putting faces to the jobs at risk of automation](#), Policy Brief on the Future of Work.

<sup>43</sup> Barr, J., E. Magrini and M. Meghnagi (2019), ["Trends in economic inactivity across the OECD: The importance of the local dimension and a spotlight on the United Kingdom"](#), OECD Local Economic and Employment Development (LEED) Papers

<sup>44</sup> EESC/CIRIEC (2017), Recent Evolutions of the Social Economy in the European Union, “Visits and Publications” Unit of the European Economic and Social Committee, European Union, Brussels.

<sup>45</sup> Strengthened voluntary support for municipalities with those in isolation due to the coronavirus (25 March 2020), <https://www.msb.se/en/news/2020/march/strengthened-voluntary-support-for-municipalities-with-those-in-isolation-due-to-the-coronavirus/>.





- expanding broadband coverage to support schools and families (Orcas Power and Light Co-op in the US), and;
- providing consultation services, special financial instruments, or fee or service modifications (JA Bank and Rokin labour bank in Japan, CUNA in the US, Crédit Agricole in France and Agricultural Credit Cooperatives in Turkey).<sup>46</sup>

**In light of COVID-19, a number of countries have developed targeted packages for social economy organisations or have explicitly made them eligible for general firm packages.** For example, the United Kingdom announced a new GBP 750 million fund for charities.<sup>47</sup> French regions have been making targeted efforts.<sup>48</sup> Social economy organisations are also explicitly made eligible for general SME supports to safeguard the jobs and services they provide during the crisis (e.g. European Commission and European Investment Fund; France's state guarantees for bank loans (*prêt garanti par l'État*)).

**In addition to responding to immediate social needs with confinement measures, they will likely be called upon to help with the longer-term impacts.** They often assist the most disadvantaged job seekers while also providing goods and services in sectors affected by the crisis (including tourism, culture, health and care services, and food). The sector has been very responsive in previous crises and experienced employment growth in the years following when other sectors saw employment contract in several countries, such as in Belgium, Italy, and France, after the 2008 crisis.<sup>49</sup> This resilience could be due to their participative and democratic governance structures, a social mission that emphasises improving individual and community well-being (including by preserving employment), as well as being strongly embedded in local communities and therefore able to work closely with people and local authorities. Some social economy entities may be vulnerable to public budget cuts or closure of revenue generating activities during confinement measures, but some have a mix of public and private sources as well as in-kind resources such as volunteers.

### ***Small and medium-sized enterprises (SMEs) are particularly dependent on their local economies and institutions, and are important drivers of local development***

**SMEs account for around two-thirds of employment in OECD countries and the self-employed account for a further 15% of jobs. They are particularly vulnerable to the effects of the coronavirus situation.** According to surveys, more than half of SMEs now already face severe losses in revenues, with many having only a few months of reserves to withstand the crisis. SMEs are highly represented in sectors most directly affected by containment measures (e.g. tourism, culture, consumer services, etc.) and are currently facing supply chain disruptions and reduced consumer demand, as well as labour restrictions.<sup>50</sup> Local economic development agencies, regional and municipal governments, public business support organisations, and chambers of commerce can play a critical role in supporting SMEs and the self-employed during the short-term and long-term crisis response. They can use their networks to identify small businesses in difficulty and ensure that they are connected to the range of national and local support available – both in terms of access to finance (loans, wage subsidies, grants, etc.) and advice and

<sup>46</sup> ILO (31 March 2020), Cooperatives and SSE enterprises respond to COVID-19 disruptions, while governments are also starting to integrate them in their measures

[https://www.ilo.org/global/topics/cooperatives/news/WCMS\\_740254/lang-en/index.htm](https://www.ilo.org/global/topics/cooperatives/news/WCMS_740254/lang-en/index.htm).

<sup>47</sup> Coronavirus: Chancellor announces aid for charities (8 April 2020), <https://www.bbc.com/news/business-52221402>

<sup>48</sup> Haut-Commissariat à l'Économie sociale et solidaire, et à l'Innovation sociale, *Synthèse des mesures par ministère et organisation au 9 avril 2020* <https://www.cressidf.org/wp-content/uploads/2020/03/Cellule-ESS-9-avril.pdf>

<sup>49</sup> R&S (2015), *Économie sociale: Bilan de l'emploi en 2014*, Recherches & Solidarités, Lyon; European Union (2016), *Social Enterprises and their Eco-system: Developments in Europe*, Publications Office of the European Union.

<sup>50</sup> OECD (2020), [SME policy responses](#)



mentoring for restructuring operations. Conversely, local economies also depend on healthy SMEs. Beyond the jobs they provide, they are often active corporate citizens in their communities.

***In the medium to long term, local action can link worker and firm needs, addressing shifts in skills demand and employment opportunities post COVID-19***

**Investments today in lifelong learning and vocational training can ensure workers are ready for the upturn, while also supporting regions to make transitions to new economic opportunities.** During the previous crisis in 2008, investments were aimed at helping individuals acquire skills in new and emerging sectors. However, such efforts were sometimes undermined by low firm demand and sub-optimal use of those skills in the workplace. The extent of these skills mismatches varied by region and was a downward drag on local productivity for some places. Across the OECD, subnational governments account for 50% of public education spending,<sup>51</sup> and they have been taking on more responsibility for skills. Regions and cities will need to focus on providing more flexible forms of skills development to respond to the accelerated reallocation of labour in local economies, including greater access to e-learning opportunities that focus on the needs of the worker (especially those who are disadvantaged) while working with firms to promote workforce innovation and better human resources management practices. This tailoring and proximity to firms and workers will be an essential asset for the recovery.

## The COVID-19 crisis will accelerate change for local development

The medium and long-term changes to our economies and societies sparked by the COVID-19 crisis may not appear as abruptly, but could still be game-changers for local development. Some trends already underway may accelerate, such as the digital transition and automation. Others may slow, such as globalisation. A few possible scenarios will need to be on the radar of local economic development professionals going forward.

***An accelerated digital transition with implications for job location and access to services***

- **Rise in teleworking, both within cities and in rural areas:** The short-term rise in teleworking and the use of accompanying tools could spark broader acceptance of this form of work over the long term. This could contribute to some decentralisation of jobs away from major metropolitan areas or on the outer edges, as workers are freer to locate where cost of living is lower or quality of life is higher. Such shifts could help to alleviate rising housing prices in big cities, as well as congestion from regular commuting. It therefore opens up opportunities for more rural communities or smaller metropolitan areas to attract residents, which some communities have already been pursuing, such as Vermont (US) and Tulsa, Oklahoma (US) that offer financial incentives to attract teleworkers.<sup>52</sup>
- **Online delivery of local education and training, and other public services:** Likewise, as education and training providers have had to adapt rapidly to online delivery, such methods may become more common over the long term. This could help overcome challenges related to economies of scale in delivering these services to a greater number of people and to less dense places. However, face-to-face local education and training will still be important, as many low-skilled adults lack digital skills, and general work-readiness and other soft skills cannot be

<sup>51</sup> OECD (2020), [Territorial impact of COVID-19: managing the crisis across levels of government](#)

<sup>52</sup> [Program that pays workers \\$10,000 to move to Vermont and work remotely is now accepting applications](#) (14 January 2019) and [Tulsa wants to pay you \\$10,000 to move there and work remotely](#) (29 October 2019).



developed from online courses alone. Other services, such as those provided by public employment services, may increasingly move online. Already, some providers are taking coordinated actions in this direction, for example in the United States, the National Association of State Workforce Agencies and LinkedIn have partnered to provide trainings to frontline state-level workforce development staff.<sup>53</sup>

- **Shift from brick and mortar to online commerce:** It could also accelerate purchasing from online commerce given that containment measures are hitting small stores but less so online sales. Already, this shift has contributed to the decline of main streets in many communities, which has been a challenge for local development to maintain vibrancy as well as adjust to delivery traffic. Local development actors will likely face renewed challenges to maintain a vibrant local SME fabric and prevent the hollowing out of downtowns and other community centres, with implications for the quantity and quality of local jobs (store clerks versus delivery drivers) and their location (main streets versus warehouses).
- **Increased pressure on digital infrastructure:** Overall, this increased reliance on digital tools has put additional pressure on digital infrastructure. This makes public investment and regulatory barriers even more salient to addresses to upgrade infrastructure in places with insufficient access, including addressing urban-rural divides. Depending on the local context, the solutions will differ, whether it is addressing regulations or providing public sector support and incentives.

### *Revisiting the pros and cons of globalisation*

- **Re-localisation of production:** Disruptions in global supply chains and shortages in medical equipment or pharmaceuticals produced abroad have opened up new questions in the debate on the pros and cons of globalisation. Re-shoring of production activities could become more common, notably in relation to priority goods in health care. Shorter food production chains may also be promoted. This re-shoring will be facilitated by the flattening differences of production costs globally and easier in countries that are already more diversified. This will require further understanding of the relevant business cases for possible reshoring or redundancy in supply chains. There may be some new opportunities for local economies to diversify economic activity and restore some middle-skill jobs, but such a trend could also negatively affect local economies specialised in tradeable goods.
- **Restrictions on international movements of people:** Countries have also put unprecedented restrictions on the international movement of people, with border closures a common feature of national responses. This immediate response to COVID-19 could reduce the openness of many communities to international visitors and migrants, which could translate into a desire over the longer-term to be less open, however many local economics are dependent on immigrant workers, whether seasonal or year-round.

### *Shift in values and increased sense of collective destiny*

- **Increased willingness to implement national and local green measures:** The pandemic has forced people to make personal sacrifices for the community's greater good. Going forward, there may be a greater openness and willingness to make other types of sacrifices to address climate change, especially as the pandemic has brought into sharp relief the pain associated with a global crisis of that scale. For example, this could create opportunities for expanded government finance and support for green entrepreneurship projects. However, an accelerated environmental transition has implications for the physical location of potential job losses and gains. It could also create strong tensions between the imperatives to help local labour markets create new jobs and the

<sup>53</sup> <https://www.naswa.org/partnerships/linkedin>





longer-term needs for transitioning workers into occupations coherent with an environmentally neutral and green economy.

- **An even greater role for the social economy and corporate social responsibility in local development:** This renewed sense of civic responsibility could encourage further local development more generally, particularly the type of ground-up community development built around local social capital. Traditional companies seeking to increase their social impact may adopt a new sense of social purpose and there may be an increase in social enterprises and social economy organisations specifically. Regional and local development strategies are increasingly recognising how social entrepreneurship, social economy and social innovation can be mutually reinforcing and this may intensify in a post-COVID-19 context.<sup>54</sup>
- **Revisiting job quality for essential workers:** There is an increasing appreciation for the essential workers who are keeping our societies functioning during confinement, often at increased risk to their personal health. Already, calls for hazard pay and other types of bonuses for healthcare workers and grocery store clerks are growing, and could potentially be the start of a longer-term reflection on how different types of work are valued and compensated. As many of these essential workers have relatively low-wages and employment protections, these short-term discussions could open a broader debate about job quality over the long term, and the disparities in the share of quality jobs across local labour markets. It could also accelerate the cooperative platforms owned and managed by workers. Such platforms can be built around the principles of inclusive governance, fair distribution of value, data ethics, production of commons, and cooperation between members in the spirit of the social and solidarity economy.

### *Re-imagining public life*

- **Changes to environmental and local planning:** Just as terrorism changed some elements of local planning (e.g. barriers to prevent cars veering into pedestrian areas, increase in security and inspections), concerns about social distancing could also spark changes in the design and use of public spaces. Already, some cities are closing streets to cars to create more space for social distancing for pedestrians.<sup>55</sup> Over the longer-term, such changes to the physical environment could become integrated into permanent urban design decisions, rather than just short-term repurposing.
- **Rethinking large cultural and sporting events, at least in the short and medium term:** Global public events such as the Olympics or major festivals such as a Carnival/Mardi Gras may also be re-imagined in a post-COVID-19 world, where social distancing remains to different degrees in the short and possibly medium term. Restrictions on public gatherings will change the calculus of the costs and benefits to organisers and local communities, including the way in-person and online approaches are used. While confinement has increased the understanding of the importance of culture for well-being, it has also put unprecedented pressure on firms and workers in the sector, as well as museums and other cultural institutions. Some of the more fragile firms and institutions may not survive the crisis, raising questions about how to boost the resiliency of this sector over the long term. There are likely to be long-lasting changes and innovations in these sectors, particularly in terms of digital tools, which could also bring new opportunities.

<sup>54</sup> OECD (forthcoming), "Regional strategies for the social economy: Examples from France, Spain, Sweden and Poland", *LEED Papers*.

<sup>55</sup> [Cities open up streets to pedestrians as parks overcrowd](#), (26 March 2020)



## Annex A.

### What economic sectors face the highest risk?

Given the lack of comparable and timely official data, the approach followed in this note requires making hypotheses on the sectors hardest hit by the containment measures. The recent OECD note "[Evaluating the initial impact of COVID-19 containment measures on economic activity](#)" provides a reference framework for identifying specific sectors considered at risk. Using the standard ISIC-4 classification of economic activities, the sectors considered as most affected include manufacturing of transport equipment, construction, wholesale and retail trade, air transport, accommodation and food services, real estate services, professional service activities, and arts, entertainment and recreation. According to the above-mentioned OECD note, decline in output in those activities is expected to range from 50% to 100%. Here, the same expected decline rates are assumed, with the exception of manufacturing, for which the immediate expected decline has been halved (from 100% to 50%). The resulting classification sees transport manufacturing and "other personal activities" (e.g., hairdressers fall within this category) to face a 50% output decline, similarly to construction and other professional services. Output in the other above-mentioned sectors is expected to face a 75% output decline.

The selection of the above-mentioned sectors as "high risk" is broadly consistent with the sectors receiving the largest number of claims under the French short-time work scheme as of April 1<sup>st</sup>, 2020, as reported in a [note](#) by the French Statistical Institute (INSEE). The note reported that the five sectors receiving the largest shares of claims were trade, accommodation and hospitality, construction, professional service activities and other professional services.

**Table A A.1. Trade openness - data source and reference year**

Country	Reference year	Source	Note
Australia	2018	Australian Bureau of Statistics, 5368.0 - International Trade in Goods and Services. Table 15a. Merchandise exports, State and Australia, FOB Value and Table 15b. Merchandise imports, State and Australia, Customs Value.	<a href="http://www.abs.gov.au/AUSSTATS/abs@nsf/second+level+view?ReadForm&amp;prodno=5368.0">http://www.abs.gov.au/AUSSTATS/abs@nsf/second+level+view?ReadForm&amp;prodno=5368.0</a> .
Austria	2018	Statistics Austria compiles on behalf of the Austrian Chamber of Commerce (WKO) and the nine Austrian federal states regionalized foreign trade data by federal states.	Starting with reporting year 2010, Statistics Austria compiles on behalf of the Austrian Chamber of Commerce (WKO) and the nine Austrian federal states regionalized foreign trade data by federal states. In order to calculate statistically reliable regional foreign trade data which are in compliance with the principles of the national official statistical institution, individual records are matched and reassigned by resorting to already existing data sources.
Canada	2017	Statistics Canada. CANSIM database. Table 228-0060 Merchandise imports and domestic exports	..
France	2018	Douanes. Statistiques départementales et régionales du commerce extérieur pour l'exportation de marchandises	..
Germany	2016	Spatial Monitoring System of the BBSR	..
Greece	2018	Hellenic Statistical Authority. External Trade Survey	..



Italy	2017	ISTAT, Inrastat System	<a href="http://www.coeweb.istat.it">http://www.coeweb.istat.it</a>
Korea	2018	Statistics Korea.	..
Portugal	2018	Statistics Portugal, Statistics on external trade of goods.	Annual - Statistics Portugal, Statistics on external trade of goods. Exports of goods. The year 2019 refers to the months from January to November. The value for Portugal may not match the sum of the regions, since head offices of some economic operators are not identified or are located abroad.
Slovenia	2018	SURS	Unclassified data are not included.
Sweden	2018	Statistics Sweden	..
Switzerland	2017	Swiss Federal Customs Administration FCA	Data include gold, silver in bars and coins, electricity, returned goods and outward processing. Data omits two regions considered by FCA (the Principality of Liechtenstein and canton not specified); therefore the sum of CH01-CH07 doesn't correspond to the official Swiss foreign trade at total level. <a href="http://www.swiss-impex.admin.ch">www.swiss-impex.admin.ch</a>
United Kingdom	2018	HM Revenue & Customs: Trade Statistics, UK Regional Trade in Goods Statistics	..
United States	2017	U.S. Census Bureau: Economic Indicators Division USA Trade Online. U.S. Import and Export Merchandise trade statistics	<a href="https://usatrade.census.gov/data/Perspective60/View/display.w.aspx">https://usatrade.census.gov/data/Perspective60/View/display.w.aspx</a>
China	2018	National Bureau of Statistics China. Customs statistics.	Data by place of destination and origin.
Colombia	2017	National Administrative Department of Statistics - DANE, Directorate of Methodology and Statistical Production	..
Latvia	2015	The External trade data base and the Business register information of the Central Statistical Bureau.	Unspecified data have been adjusted for non-response as well as trade below threshold related to the trade between the Member States. Other unspecified information includes trade figures about the enterprises that are not registered in the Business register (foreign enterprises) but which were carried out the trade in goods activities in Latvia.
Lithuania	2017	Statistics Lithuania, Lithuanian Customs: extra-EU trade Customs declarations, intra-EU trade (since 2004) Inrastat survey; Statistics Lithuania: Statistical Business Register.	Trade data are compiled according to the Special Trade System. Data by regions were compiled by linking International Trade in Goods Statistics (ITGS) and Statistical Register of Economic Entities (Statistical Business Register) data. Inrastat adjustments for non-response and trade below exemption thresholds are not included. Data are based on the information of only successfully linked enterprises. Values for all periods are expressed in EUR millions.

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