

COVID briefs

BUILDING BACK BETTER: POST-PANDEMIC CITY GOVERNANCE

CIDOB
BARCELONA
CENTRE FOR
INTERNATIONAL
AFFAIRS



HOW IS COVID-19 AFFECTING URBAN LABOUR MARKETS? THE UK'S EXPERIENCE

Elena Magrini

Senior Analyst, Centre for Cities, UK

Abstract

Labour markets across Europe today look very different to how they did at the beginning of 2020. As well as posing significant threats to our health, the COVID-19 pandemic has had a tremendous impact on the economy, and millions of people have been left fearing for their jobs. As many European countries experience a second spike in cases, this briefing looks at the impact of COVID-19 on urban labour markets during the first lockdown, using the UK as a case study. It finds that places with weaker economies have overall seen the largest increases in unemployment since March, but also that some otherwise strongly performing places have been affected, due to the very specific sectoral nature of the crisis. Looking forward, the briefing highlights how places whose export bases have been affected the most by the pandemic will take longer to recover, while observing that readjustments are likely to occur in every economy. Finally, the briefing outlines the work cities can do to support people and protect jobs in their local labour markets, even if they lack formal powers in this field, by using their leadership and soft powers both on the national stage and at the local level.

The measures implemented to protect our health had a tremendous impact on the economy: businesses, from the aviation industry to hospitality and retail, stopped trading almost overnight, putting millions of jobs at risk.

1. Introduction

In just a few weeks, COVID-19 completely turned life as we knew it upside down. The measures implemented to protect our health had a tremendous impact on the economy: businesses, from the aviation industry to hospitality and retail, stopped trading almost overnight, putting millions of jobs at risk. At the same time, lockdown meant office workers had to transition to remote ways of working, and their slow return to city centres as the economy reopens puts further pressures on already hard-hit sectors.

While no corner of Europe was left unaffected by the pandemic, cities are undoubtedly at the centre of this crisis. Due to their density and connectedness to the rest of the world, they are more vulnerable to the rapid spread of infections, meaning pandemics have a greater impact on their day-to-day workings. And the way they are structured – with their reliance on public transport and concentration of jobs in city centres – makes their economic recovery more challenging.

The most striking element of this crisis is that a bunch of strongly performing cities have also experienced large increases in the number of people claiming unemployment-related benefits since March.

Six months into the pandemic, this briefing outlines the challenges urban labour markets are facing as a result of COVID-19, drawing mostly on the UK as a case study. It will first provide an overview of how COVID-19 is currently affecting jobs and the economy, showing how even within a single country, different local labour markets have been affected in very different ways. It will then look at what the recovery could look like, before moving on to discuss how cities are responding to these challenges and how national and local policymakers can best support people and places in the months ahead.

2. How has the first wave of COVID-19 affected urban labour markets?

Rising unemployment across Europe

Unemployment has been rising in all European countries since the beginning of the pandemic, albeit at different paces. As a result, as of July 2020, approximately 16.5 million people in the EU were estimated to be unemployed, with many more classified as economically inactive – meaning they were not even looking for jobs. The unemployment rate in the EU-27 as of August 2020 was 7.4%, but it was as high as 10% in Italy and Lithuania and 16% in Spain, while being much lower in Germany (4%) (OECD, 2020b).

There is great variation within countries too. In the UK, for example, 2.7 million people had claimed unemployment-related benefits as of October 2020, approximately 6.5% of the working age population. But of all the new claims people have filed since March 2020 – when lockdown measures were first introduced – two-thirds were in its 63 largest cities and towns, despite them only accounting for 54% of the overall UK population.

Unemployment is not just hitting weaker economies, some otherwise strong economies are struggling too

Two groups of cities are being particularly affected by the economic impact of COVID-19.

Firstly, cities with the highest shares of people claiming unemployment-related benefits preCOVID19 continue to have the highest shares now. This is because places with traditionally high levels of unemployment and weaker labour markets were in a worse position to shield their economy from this economic crisis. In the UK, this means, for example, that places like Liverpool and Birmingham, which went into the crisis with higher levels of unemployment claims, continue to have higher levels than stronger performing places like the university towns of York, Oxford and Cambridge (Centre for Cities, 2020b).

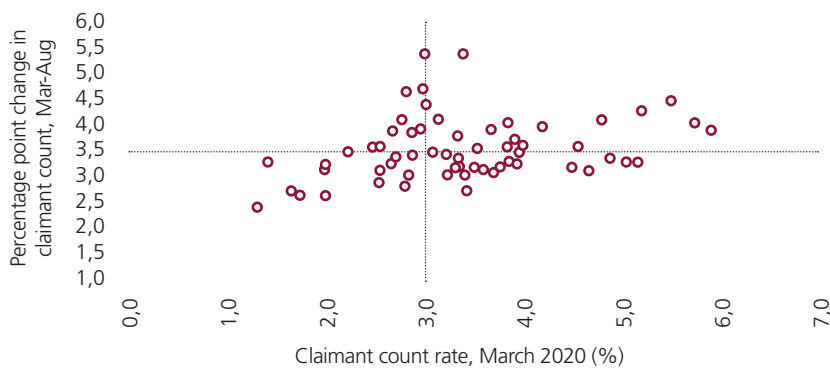
This applies in other countries too. In France the unemployment rate in Marseille and Montpellier – traditionally weaker economies – was approximately 30% higher than in the stronger-performing cities of Grenoble and Aix-en-Provence in the second quarter of 2020, according

to the Labour Force Survey (INSEE, 2020). Similarly, in Germany the western cities of Herne, Duisburg and Gelsenkirchen, traditionally weaker economies, also figure among the places with the highest current levels of unemployment (Wolff, 2020).

But the most striking element of this crisis is that a bunch of otherwise strongly performing cities have also experienced large increases in the number of people claiming unemployment-related benefits since March. The top left corner in Figure 1 illustrates this point for the UK. London, as well as its neighbouring towns, Slough, Luton and Crawley – all heavily reliant on the aviation industry – are among the places that have experienced the largest rises in the number of people claiming unemployment-related benefits in the past six months, reflecting the very specific sectoral nature of this economic crisis. There are similar exceptions in other countries too. For example, the strong city economies of Cologne and Hamburg in Germany appear to be among those hardest hit in terms of unemployment since March (Wolff, 2020).

As support is phased out, unemployment is expected to rise and the places that have been most reliant on government support so far are likely to be those hit hardest in this transition.

Figure 1. The relationship between the unemployment claimant count rate in the UK in March and August 2020



Source: ONS, Claimant Count March and August 2020. ONS, Population Estimates 2019.

Six months into the pandemic, it is clear that places are experiencing the economic impact of COVID19 in different ways, suggesting their recovery will also be different. If any cities are to experience a “v-shaped” recovery from this crisis, it is likely to be those in the bottom-left corner of Figure 1 – places with strong economies pre-COVID-19 that have only seen relatively small rises in unemployment since March. In contrast, recovery is likely to be slower in all other urban areas and very much dependent on how events unfold in the next few months.

3. What could happen in the coming months?

As governments phase out support for jobs, unemployment will continue to rise

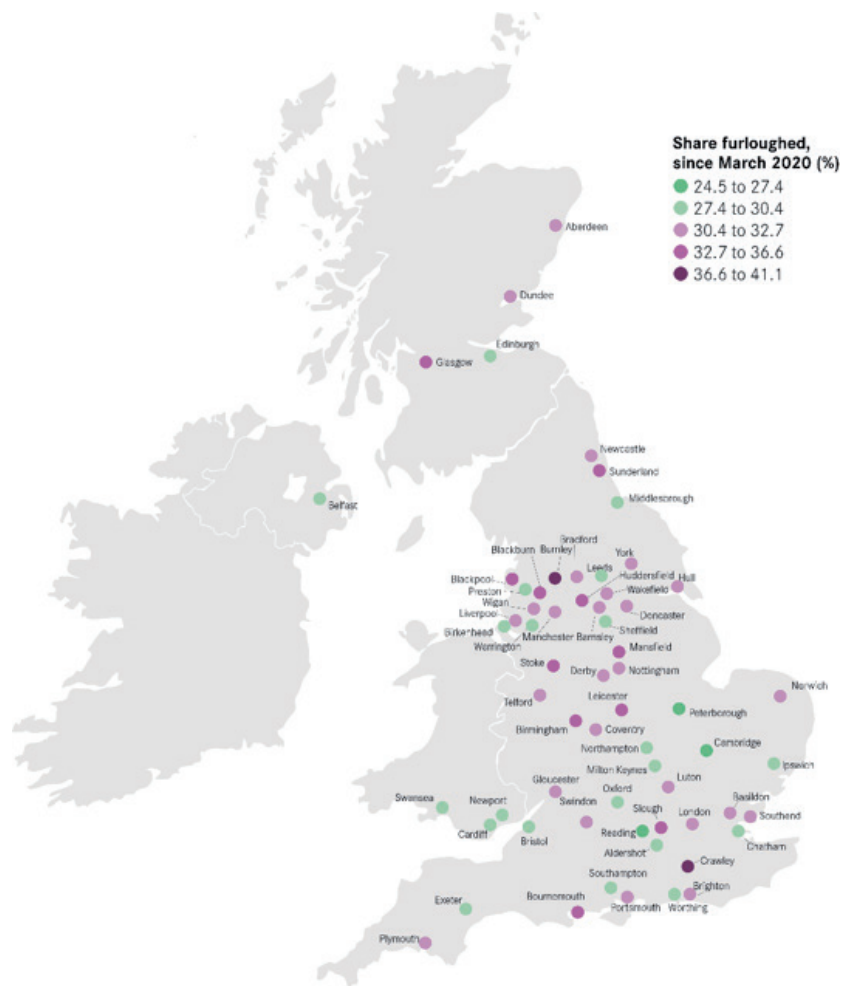
So far, the responses of governments across Europe have helped prevent even bigger spikes in unemployment. Unlike the United States, most European countries opted for schemes to protect jobs as their economy

The total number of workers supported by job retention schemes provides a sense of the magnitude of the challenge. But looking at which sectors employed these workers gives us important insights into how quickly different places could bounce back from this crisis.

entered lockdowns: some countries, like France and Germany, chose short-time work schemes that directly subsidise hours not worked, while others, like the Netherlands, opted for a wage subsidy scheme that subsidises hours worked. All in all, as of May 2020, these schemes had supported 50 million jobs across the OECD, about ten times as many as during the financial crisis (OECD, 2020a).

As support is phased out, unemployment is expected to rise and the places that have been most reliant on government support so far are likely to be those hit hardest in this transition. In the UK, for example, the Coronavirus Job Retention Scheme has supported over 9 million workers since March, but its use has been heavily skewed towards certain locations. These include a number of urban areas already hard-hit by rising unemployment claims – places mentioned in the previous section like Birmingham, Slough and Crawley – as well as areas that had been relatively successful at preventing large spikes of unemployment so far, such as the former industrial cities of Stoke and Huddersfield (see Figure 2).

Figure 2. Share of eligible workers on the Coronavirus Job Retention Scheme (furloughed) for at least a three-week period from March to July 2020



Source: HMRC data on take-up of the Coronavirus Job Retention Scheme by local authority, claims received up to 31 July 2020.

Where the export base has been most affected, the recovery will take longer

The total number of workers supported by job retention schemes provides a sense of the magnitude of the challenge. But looking at which sectors employed these workers gives us important insights into how quickly different places could bounce back from this crisis.

Broadly speaking, it is possible to distinguish businesses in two categories: exporting businesses and local services. The first includes manufacturing and financial and professional services – engines of growth that bring money into a local economy by trading in regional, national and international markets. This in turn creates demand for local services businesses, such as those on the local high street like shops, restaurants and hairdressers.

If a city's export base comes through this crisis relatively unscathed, it will be in a good position to recover more quickly. In this case, the flow of money into the local economy has not stopped during the crisis, meaning that once restrictions are completely lifted, people will still have money to spend in the local services businesses that have been severely impacted by COVID-19 and social distancing measures. On the other hand, however, cities whose export base has suffered because of COVID-19 will likely take longer to recover, which will have a knock-on effect on the pubs, cafes and theatres in the local economy.

What form the “new normal” takes will also affect how labour markets recover

While cities whose export base has been sheltered during this crisis might be able to bounce back more rapidly, this does not ensure all local services jobs affected in an area will survive.

As the Centre for Cities' high-street tracker shows, when the UK's economy reopened after the first lockdown, city centre activity did not recover evenly across the country (2020a). On average, footfall in city centres at the beginning of September was only two-thirds of its pre-lockdown level, but there was great variation between places. On the one hand, footfall in some coastal towns like Blackpool and Bournemouth was higher than their pre-lockdown level, likely benefiting from lower levels of international travel and more staycations, while large cities like Manchester, Birmingham and London in particular lagged further behind their pre-lockdown levels.

One possible explanation for this is that despite the easing of restrictions, not everything has returned to how it was pre-COVID-19. Take workers, for example, their return is slower in places where more people can work from home (see Figure 3). This has a knock-on impact on city centres, because while these workers are still earning a wage, they are no longer spending their money near their offices. In addition to that, COVID-19 has accelerated a shift to online shopping, with further implications for local services businesses.

Whether and in what form the changes introduced during lockdown remain in place in the future will determine if some jobs are lost permanently. If people continue to work from home for a few days a week or

Whether and in what form the changes introduced during lockdown remain in place in the future will determine if some jobs are lost permanently.

continue to shop online, local services businesses will have to adapt to changes in demand, with the risk of jobs being lost in the process.

By using their visibility, city leaders can raise awareness at the national level of the specific challenges their local areas face.

Figure 3. The relationship between ability to work from home and city centre weekday footfall recovery



By using their visibility, city leaders can raise awareness at the national level of the specific challenges their local areas face. Since their first election in 2017, metro mayors in the UK have served this specific role on a number of occasions and have continued to do so during the pandemic. Andy Burnham, metro mayor of Greater Manchester, was at centre-stage as the city entered the highest level of COVID-19 alert and consequent restrictions in October, being very vocal about the needs of businesses in this new phase. This is not unique to the UK: a few weeks earlier, Michele Rubirola, the mayor of Marseille, played a similar role as the French city was subjected to tougher social distancing rules, helping influence government policy in the longer term.

As well as using their soft powers on the national stage, cities can also use their leadership at the local level by acting as a bridge between different local stakeholders. In particular, they can focus on:

1. Working with businesses to understand changing demand for jobs in the local area

By working with businesses, cities can have better insight into the challenges and resources needed in their area. For example, they can identify firms that are about to make redundancies and work with them to provide support to the workers who will lose their jobs. And they can also gather intelligence on who is recruiting in their local area to help match people with jobs. Many cities in the UK have already made steps in this direction: the midlands city of Derby has been working closely with Rolls Royce, one of its major employers, to support workers facing redundancies and has made an online portal available for people to look for job opportunities in the local area. Slough has opted for a similar response, and is in conversations with Heathrow Airport to understand how best to relocate workers made redundant by the collapse of the travel industry (Magrini et al., 2020).

2. Bridging service provision gaps

Another valuable way cities can help the recovery of their local labour market is by better integrating the provision of services in their local area. People who are unemployed are likely to face numerous barriers to work and need support on multiple levels, from employment to health and mental health, social care or childcare (Barr et al., 2019). This is particularly true for the long-term unemployed. Streamlining provision of these services, as Greater Manchester did with its Working Well programme, which linked employment and health support services, can help bring more people back into the labour market.

3. Adapting support to the needs of the people in their local area

By working with education providers, charities and housing associations, cities can also get a better understanding of how to target support to the people in most need in their local area. COVID-19 has meant, for example, that many of the employment and skills services provided by local authorities have had to move online. However, as not all those who need support have the digital skills to access it online, cities need to think of other ways to reach those they want to support (Magrini et al., 2020).

References

Barr, J., Magrini, E. and Mechnagi, M. "Trends in economic inactivity across the OECD: the importance of the local dimension and a spotlight on the UK", Paris: OECD, 2019.

Centre for Cities. "High streets recovery tracker", London: Centre for Cities, 2020a (online). [Accessed on 10.11.2020]: <https://www.centreforcities.org/data/high-streets-recovery-tracker/>

Centre for Cities. "UK unemployment tracker", London: Centre for Cities, 2020b (online). [Accessed on 10.11.2020]: <https://www.centreforcities.org/data/uk-unemployment-tracker/>

Institut National de la statistique et des études économiques (INSEE), "Taux de chômage par zone d'emploi au 2 trimestre 2020", 2020 (online). [Accessed on 10.11.2020]: <https://www.insee.fr/fr/statistiques/1893230#consulter>

Magrini, E. Enenkel, K. and Ramuni, L. "How are city leaders supporting the recovery of their local labour markets", London: Centre for Cities, 2020.

OECD. "Job retention schemes during Covid-19 lockdown and beyond", Paris: OECD, 2020a.

OECD. 'Unemployment rate data tool', 2020b, (online). [Accessed on 10.11.2020]: <https://data.oecd.org/unemp/unemployment-rate.htm>

K. Wolff. "Wo Corona den Arbeitsmarkt besonders trifft", zdf.de, 2020 (online). [Accessed on 10.11.2020]: <https://www.zdf.de/nachrichten/wirtschaft/coronavirus-arbeitslosigkeit-kurzarbeit-100.html>