Job Creation and Local and Economic Development 2020: Rebuilding Better

OECD Centre for Entrepreneurship, SMEs, Regions and Cities
Karen Maguire, Head, Local Employment, Skills and Social Innovation
The OECD Local Employment and Economic Development (LEED) Programme

Building vibrant communities with more and better jobs for all

Matching local jobs and skills

Social economy & innovation

Inclusive entrepreneurship & local economic transitions

Integrated local development

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COVID-19 has triggered an economic tidal wave. It is hitting some places particularly hard.
The impact on jobs has been 10 times bigger than of the global financial crisis

Collapse in the number of hours worked

Compared to 2008 crisis

Country impacts, % change from Q4 2019

Note: Latest available month corresponds to August for Italy and the United Kingdom, September for Japan and October for Australia, Canada and the United States. Economy-wide data for hours worked in all economies apart from the United States, which refers to total hours worked by private non-farm employees. For Japan, estimates are based on total employment and average monthly hours worked by employed persons. August estimates for Italy based on firms with more than 500 employees in industry and services.

Source: OECD (2020), Economic Outlook, Volume 2020, Issue 2
How else is this crisis different?

- Scale much deeper and many countries hit around the same time
- Place (city versus rural) and sector dynamics of rebound (e.g. tourism) not the same
- People affected: usual suspects (youth, low skilled) but also new groups given sectoral hits (women)
- Digitalisation and automation measures “supercharged” given social distancing element of this crisis
SHARE OF JOBS IN SECTORS MOST AT RISK

Varies from less than 15% to more than 35% across regions.

Tourism and services-driven urban economies are particularly vulnerable.
Regional divides already appearing in unemployment rates

United States: unemployment rate by state, 2020, age 15+


Tourist destinations
States with largest metropolitan areas
Labor demand: online job postings in the US

- Online job postings contracted more and the recovery was slower in large MSAs (>500k)
- This suggests that this crisis is different. Places that were more resilient in past downturns appear to suffer deeper declines in labour demand
- Cities with higher share of teleworkable employment had more online vacancy announcements during the first months of the COVID-19 pandemic.

SHARE OF JOBS AMENABLE TO TELEWORKING

Varies on average **15 percentage points** across regions within countries

High rates of teleworking in **cities** protects some jobs, but puts others at risk
CULTURAL AND CREATIVE SECTORS

Culture and creative industries one of the hardest hit sectors

1.5% of employment on average across the OECD, but reaches over 3% in CA, NY and WA

In addition to the COVID-19 tidal wave, will some undercurrents also change course or intensify?

| Automation & digitalisation | Automation-related job losses will come sooner  
|                           | Expanded use of teleworking, e-commerce, and other digital tools |
| Green transition           | Shift in consumer preferences for greener products  
|                           | Expanded public investment in green infrastructure  
|                           | Tension between preserving jobs and transitioning carbon-intensive sectors |
| Globalisation              | Managing supply chain risks could result in limited relocalisation |
| Urbanisation               | Large urban areas could see population decline  
|                           | New opportunities to attract workers and jobs outside of large metros  
|                           | A shift from mobility to accessibility |
COVID comes on top of a broader tide of labour market transitions

The share of jobs at risk of automation varies from less than 4 to more than 40% across regions.

Many regions are seeking to adapt to net zero emissions
What lessons do we have from prior crises to guide our response?
Recessions can lead to long term scarring – for people and places

Almost half of OECD regions had not recovered to 2008 unemployment levels by 2018 (age 15-64)

In 2/3 of countries, at least one region had not recovered

Unemployment higher in 2018 than 2008

Unemployment higher in 2008 than 2018

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Long-term unemployment had been growing as a share of the unemployed—hardest to serve

Regional range in long-term unemployment rates
TL2 regions, population 15-64 years, unemployed 12 months or more, 2018

Note: The latest data is from 2018 for most countries. It is from 2019 for Mexico, from 2017 for Israel, from 2016 for Australia and from 2014 for the United States. Ceuta and Melilla (Spain) and Canadian territories are not included. For France, only the regions in France métropolitaine are included.
Long-term unemployment had been growing as a share of the unemployed—US context

Long-term unemployment rate, US
Unemployed 27 weeks or longer as a percent of total unemployed

Source: BLS, Employment Situation Summary, 4 Dec 2020
Economic inactivity hurts both people and places

Share of population aged 15-64 not in the labour force, 2019, TL2 regions
What factors contributed to local resilience in the previous crisis?

Spatial inequalities in well-being have been increasing in the US in the last decades, exacerbated by the Great Recession.

More well-off places benefited when local industries match those growing nationally.

Struggling places did better when workers are able to more easily move across industries.
Regional disparities in access to health care

Available hospital beds range from less than 2 to more than 7 beds per 1,000 inhabitants.
US, UK, Colombia, Chile, Turkey and Mexico display lower values.

Regional disparities in access to hospital beds are highest in the US, Norway and Poland.

In the US, Oregon has 3 times less hospital beds per capita than South Dakota.
The US policy response in context: spending on active labour market policies

Public expenditure on activation policies in 2017, as % of GDP

Note: * indicates a different source year
The US policy response in context: job retention schemes

Applications for participation in job retention schemes, as share of dependent employment

Notes:
- Data refer to end May except for Luxembourg and Switzerland (end April).
- Source: OECD (2020), "Job retention schemes during the COVID19 lockdown and beyond".
The US policy response in context: state and local government finance

Subnational government expenditure, 2018

Source: OECD (2020), Regions and Cities at a Glance

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Role of local and regional governments in active labour market policies

- Network of public, private, and/or non-profit providers
  - e.g. Australia, Colombia

- National ministry or agency with regional or local branch offices
  - e.g. Ireland, Finland, Japan

- Decentralised to subnational governments
  - e.g. Belgium, Denmark, United States

- Shared competences, or different systems for different target groups
  - e.g. Germany, Netherlands
Resist: cushion the shock for people, places and firms

- Implement national schemes, and complement them where necessary
- Support firms and workers in navigating the patchwork of schemes
- Leverage the contributions of the social economy
Recover: act quickly and boldly to prevent scarring for the hardest hit places and people

- **Strengthen local employment and training systems** in the face of mounting pressures
- **Don’t wait until it’s too late** to help young people, the low-skilled, and women
- Work with sectors **facing prolonged drops in demand**, and consider the **local spillovers**
Rebuild better: seize the opportunity to develop ambitious plans for the future

Seize the window to **rethink local development approaches**

**Look beyond short-term returns** in terms of job creation and ensure they reach those hardest hit

Support firms, people and places through an **accelerated digital transition**
Access our resources


Thank you

✉️ Karen.Maguire@oecd.org

Twitter: @OECD_local
LinkedIn: www.linkedin.com/company/oecd-local
Website: www.oecd.org/cfe