

EXIT FROM LOCKDOWN AND THE LABOUR MARKET: A PROVINCIAL PERSPECTIVE (cont'd)

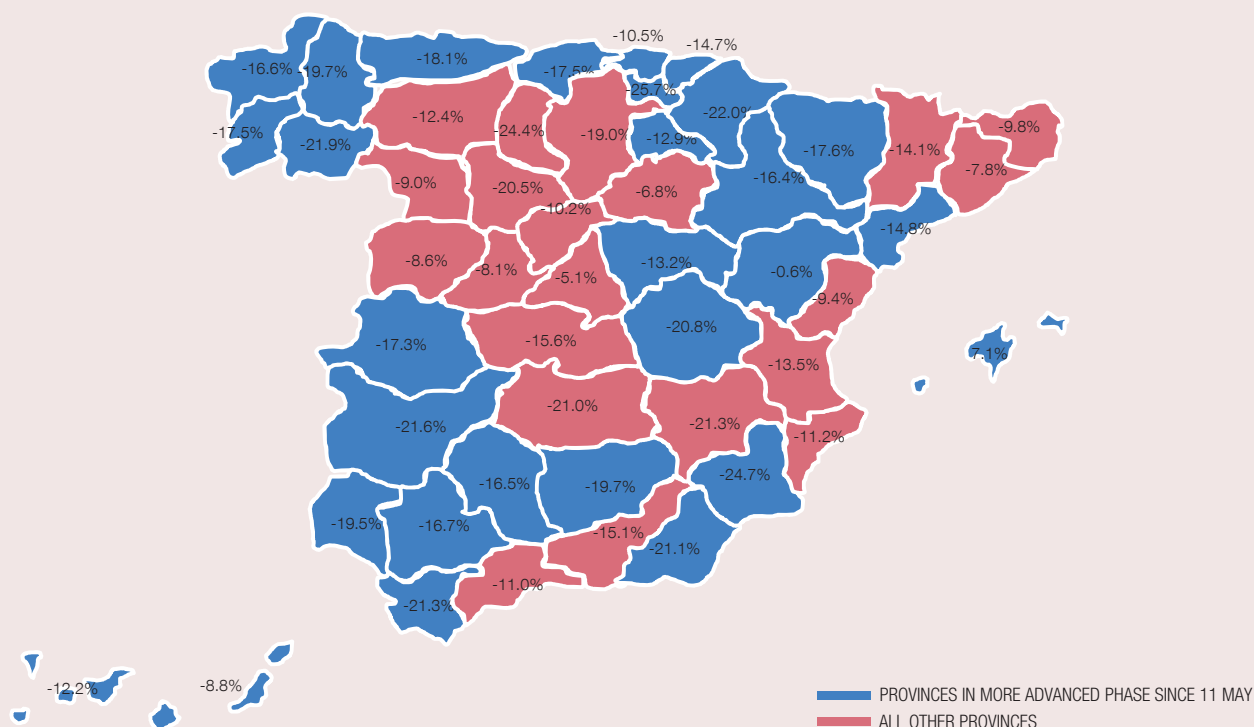
to strip out the impact that these other factors may have on the differences in employment patterns by province in May. The analysis is made for total Social Security registrations, that is, workers on furlough and actual registrations as defined above. The findings are presented in Table 1. The variable of interest is the lockdown exit phase, which takes the value of 1 for those provinces that entered Phase 1 on 11 May and the value of 0 in all other cases. The control variables include the temporary employment ratio, the fall in month-end Social Security registrations between February and April (or the incidence of the furlough schemes in April when the dependent variable is the number of workers on furlough) and the sectoral structure of employment in each province.

The findings show that although the rates of growth of total Social Security registrations are higher in the provinces that were first to move to a more advanced phase, this effect is not statistically significant once all the other variables are taken into account. Among the results

for the other variables, one key finding is that Social Security registrations tended to perform better in May in those provinces in which the construction sector accounts for a higher share of total employment, reflecting the favourable performance of employment in this sector in the month. Registrations also tended to perform better in those provinces in which the decline in employment was most marked in March and April. By contrast, Social Security registrations performed least well in May in the provinces in which retail trade and hotels and restaurants account for a higher share of employment, as in this initial phase of the exit from lockdown these sectors of activity continued to be subject to significant restrictions.

When the dependent variable analysed is the change in the number of workers on furlough, it is observed that the variable that denotes the move of the particular province to Phase 1 on 11 May has a relatively high and significant effect. In what is considered the most appropriate specification (column 4 in Table 1),³ an early move to

Chart 2
MONTHLY CHANGE IN NUMBER OF WORKERS ON FURLOUGH IN MAY 2020 BY PHASE OF EXIT FROM LOCKDOWN BY PROVINCE



SOURCES: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España.

3 This specification excludes the Balearic Islands from the sample. This is the only province in which the number of workers on furlough was higher in May than in April. This different pattern may probably be explained by the high weight of hotels and restaurants in employment in the province.

EXIT FROM LOCKDOWN AND THE LABOUR MARKET: A PROVINCIAL PERSPECTIVE (cont'd)

Phase 1 of the exit from lockdown is associated with a decline in the number of workers on furlough. This decline is 3 pp higher than that observed in a province that is further behind in the easing of lockdown measures.

This impact on workers on furlough means that when actual registrations (that is, total registrations minus workers on furlough) in May are analysed, an early change of phase is found to have a positive and significant impact (see column 3 of Table 1). Specifically, in the provinces that entered Phase 1 on 11 May, actual registrations rose in that month by 1 pp more than in the other provinces.

The most positive impact of the exit from lockdown on employment is observed in the number of workers on furlough, rather than in Social Security registrations. This is consistent with the purpose for which the furlough schemes (particularly those due to force majeure) were designed:

specifically, as a means to maintain workers' income while at the same time reducing firms' costs, for a limited period of time, until the pandemic is under control and workers may resume their employment. By contrast, losses of Social Security registrations are likely to be more persistent.

Restrictions on people's movements and on economic activity were an emergency response to the urgent need to curb the pandemic, and thus the cost in terms of human lives and the pressure on the health system. But clearly these measures have a huge direct cost in terms of output and employment. The findings obtained here provide clear evidence of the positive effect that the start of the exit from lockdown in May had on these two variables. In addition, as the easing of lockdown measures extends into June, further improvements in employment may be expected this month, following the sharp slump at the peak of lockdown.

Table 1
MONTHLY CHANGE IN SOCIAL SECURITY REGISTRATIONS AND NUMBERS OF WORKERS ON FURLOUGH BY PROVINCE IN MAY 2020
AND VARIOUS EXPLANATORY VARIABLES

Dependent variable	Total Social Security registrations		Workers on furlough		Actual Social Security registrations	
	1	2	3	4	5	6
Phase	0.005 [0.003]	0.004 [0.003]	-0.022* [0.012]	-0.031*** [0.011]	0.007 [0.005]	0.010** [0.005]
Fall in Social Security registrations	-0.173** [0.084]	-0.487*** [0.102]	0.517*** [0.186]	0.240 [0.191]	-0.294*** [0.070]	-0.299*** [0.067]
Temporary employment ratio	-0.001 [0.001]	-0.001 [0.000]	-0.007*** [0.002]	-0.006*** [0.002]	0.002** [0.001]	0.001 [0.001]
Weight of agriculture	0.000 [0.003]	0.004* [0.002]	-0.002 [0.010]	-0.003 [0.009]	0.006 [0.004]	0.005 [0.004]
Weight of retail trade and hotels and restaurants	-0.001 [0.000]	-0.001*** [0.000]	-0.003 [0.002]	-0.001 [0.002]	-0.002* [0.001]	-0.002* [0.001]
Weight of industry	-0.000 [0.001]	-0.000 [0.000]	-0.005** [0.002]	-0.005** [0.002]	0.001 [0.001]	0.001 [0.001]
Weight of construction	0.006*** [0.001]	0.003* [0.001]	0.009* [0.005]	-0.001 [0.005]	0.001 [0.002]	0.004* [0.002]
Weight of other private services	-0.001 [0.001]	-0.001 [0.000]	-0.001 [0.002]	-0.001 [0.002]	-0.000 [0.001]	-0.000 [0.001]
Constant	0.030 [0.046]	0.039 [0.039]	0.122 [0.173]	0.135 [0.158]	-0.060 [0.068]	-0.055 [0.065]
Sample	All	Excl. Balearic Is.	All	Excl. Balearic Is.	All	Excl. Balearic Is.
Observations	50	49	50	49	50	49
R-squared	0.453	0.514	0.784	0.779	0.592	0.634

SOURCES: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España.

NOTE: Standard error in square brackets: *** p < 0.01, ** p < 0.05, * p < 0.1.

EXIT FROM LOCKDOWN AND THE LABOUR MARKET: A PROVINCIAL PERSPECTIVE (cont'd)

In any event, the results of this analysis should not automatically be interpreted in the sense that a faster exit from lockdown would necessarily have had positive effects on employment. In particular, it is crucial that the pace of exit from lockdown be in step with the achievement of the necessary conditions in healthcare services. This includes not only control of the pandemic at the present time, but also recovery of the capacity needed to cope with potential new outbreaks of the

disease, or implementation of the infrastructure required to trace and isolate those who have been in contact with infected persons. Otherwise, a premature exit from lockdown could potentially result in a lower level of recovery of employment in the short term (if, for example, demand were to remain depressed because consumers perceive a high level of health risk), or even in the medium term, if the likelihood of fresh outbreaks of infection were to increase.