

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.

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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.