



Employment in Sectors Most Exposed to the COVID-19 Pandemic

PBO Publication 9 of 2020

Please note that as the pandemic is a rapidly evolving issue, some of the insights in this note might become out of date quickly.

To curtail the COVID-19 pandemic and limit the spread of the virus the *Government made a further announcement* on the 28th of March 2020 that all non-essential businesses should close and employees should work from home where possible. Employees who provide an essential service should still go to work, if the work can't be done from home. A full list of essential services can be found *here*. The PBO estimates that roughly 60% of workers fall into essential services. However, a significant number of these workers will not be traveling to work as they will be able to fulfil their duties from home.

The note looks at employment in the sectors that have been asked to close, but due to the nature of their work, it is not possible to carry out business activity from home. For example, it is unlikely that retail and construction workers will be able to work from home. These types of businesses will face significant disruptions over the coming weeks as they will run out of cashflow quickly. This may lead to reduced hours and wages and job losses.

The sectors that have been most affected by the closures can be grouped as follows.

Non-Essential Retail and Wholesale: All non-essential shops must close. Essential retail outlets can stay open. These include supermarkets, pharmacies, off licenses and petrol stations. Some other retail outlets such as hardware stores will be allowed to operate on a delivery basis.

Accommodation Services: Hotels will only be able to provide essential accommodation (i.e. homeless, health and direct provision services). This means they will not be able to provide rooms to the majority of their usual customers.

Recreation Activities: Gyms, hairdressers, betting shops and libraries will have to close. All sporting activities and other indoor and outdoor events will be cancelled.

Restaurants and Pubs: While restaurants and cafes will still be allowed to operate on a take-away basis, not all firms in this sector will be able to shift to these services. For those that are able, it will still be a significant disruption to existing business activities. Bars and pubs have closed.

Non-Essential Construction: Construction activity will only be allowed to take place if it relates to the following: essential health projects, critical road and utility infrastructure and emergency services to businesses and homes.

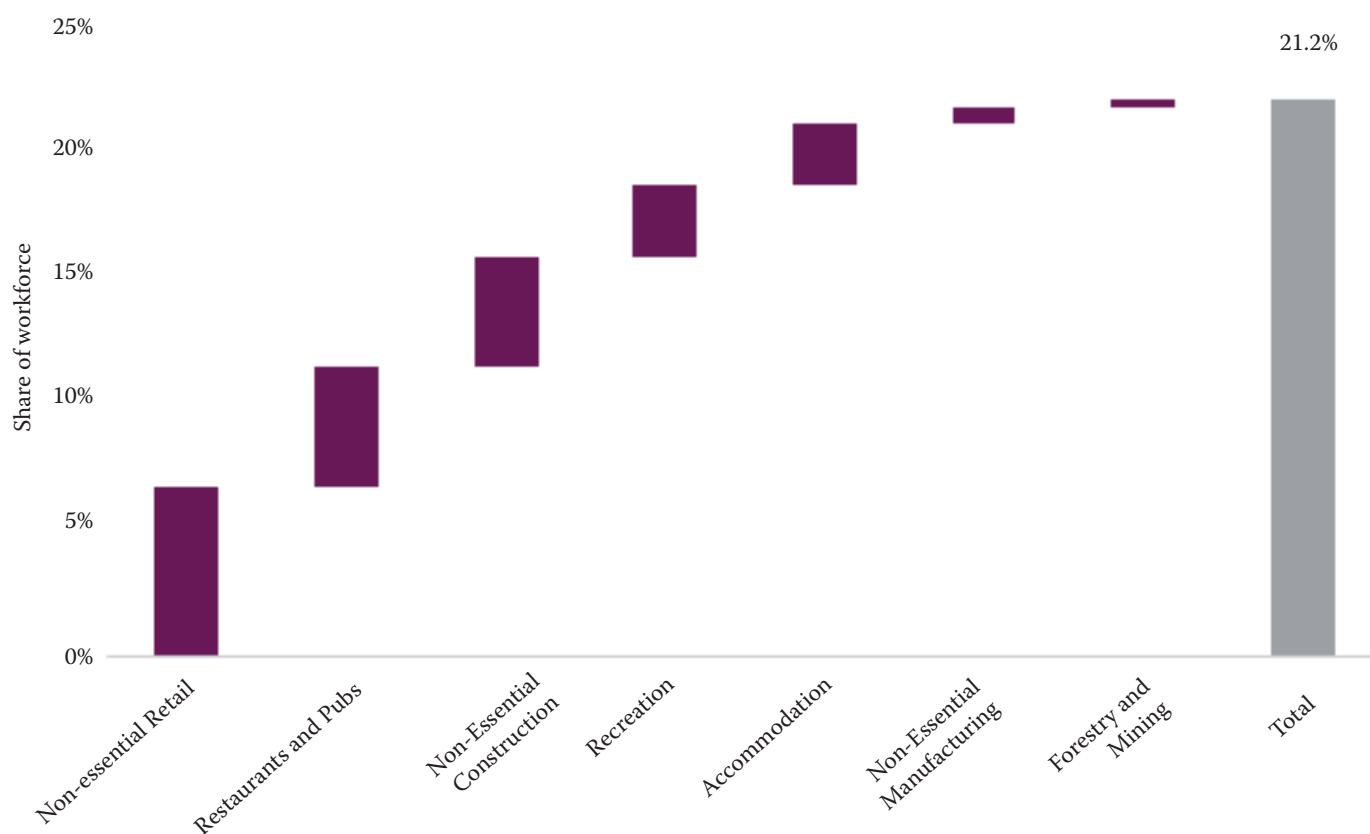
Non-Essential Manufacturing: The majority of manufacturing firms will still be allowed to operate. However, non-essential manufacturing such as, for example, firms making furniture and vehicles will have to close.

Forestry and Mining: While farmers will be allowed to work, forestry and mining activities were not classified as essential.

While these firms have been asked to close, they are not the only businesses exposed to the COVID-19 pandemic. Many other firms are facing severe disruptions and may have already closed, even those that fall under essential services and are permitted to stay open. For example, some firms may have seen demand for their products collapse due to lockdowns in key export markets. Others may be facing logistics difficulties (e.g. closed ports), that have made it impossible get their goods to consumers. Other firms might not be able to get access to key inputs that are needed to make their products due to plant closures in other countries. Others may not be able to implement sufficient physical distancing measures to ensure the safety of their staff or may not have been prepared for their staff to work from home. All these factors will have a significant impact on the labour market but this note just looks at the domestic consumer facing sectors (where work cannot be done from home) that have been affected by the closure announcements.

Employment in Sectors that have been asked to close

Figure 1: Share of workforce in sectors directly impacted by closures



Source: Eurostat Detailed Employment Data (2018) and PBO calculations. For a full list of codes, please see the appendix.

Figure 1 shows that the firms that have been asked to close and where workers can't work from home account for roughly 1 in 5 workers (21.2%)¹. This equates to roughly 492,000 workers. Looking at the characteristics of workers employed in these sectors, they are more likely to be male. Roughly 60% of the workers in these sectors are male, compared to 53% of the total workforce. However, some of these sectors are predominantly female, as 60% of workers in retail (excluding wholesale) and hospitality are female. These workers are also more likely to be younger. Roughly 19% of those employed in these sectors are younger than 25. In the total workforce only 11% of workers are younger than 25.

Some sectors which have not been asked to close will be indirectly affected by the closures. For example, closing marts will reduce the incomes of farmers that had animals to sell. Other firms may have to close because their workers become ill. Some firms might not be affected by the domestic closures but will be impacted by disruptions to global supply chains and closures in key export markets. The Government *costing* for the wage subsidy scheme and the unemployment pandemic payment assumes that 800,000 workers will avail of either scheme, highlighting that a significant number of additional workers will be affected by the pandemic.

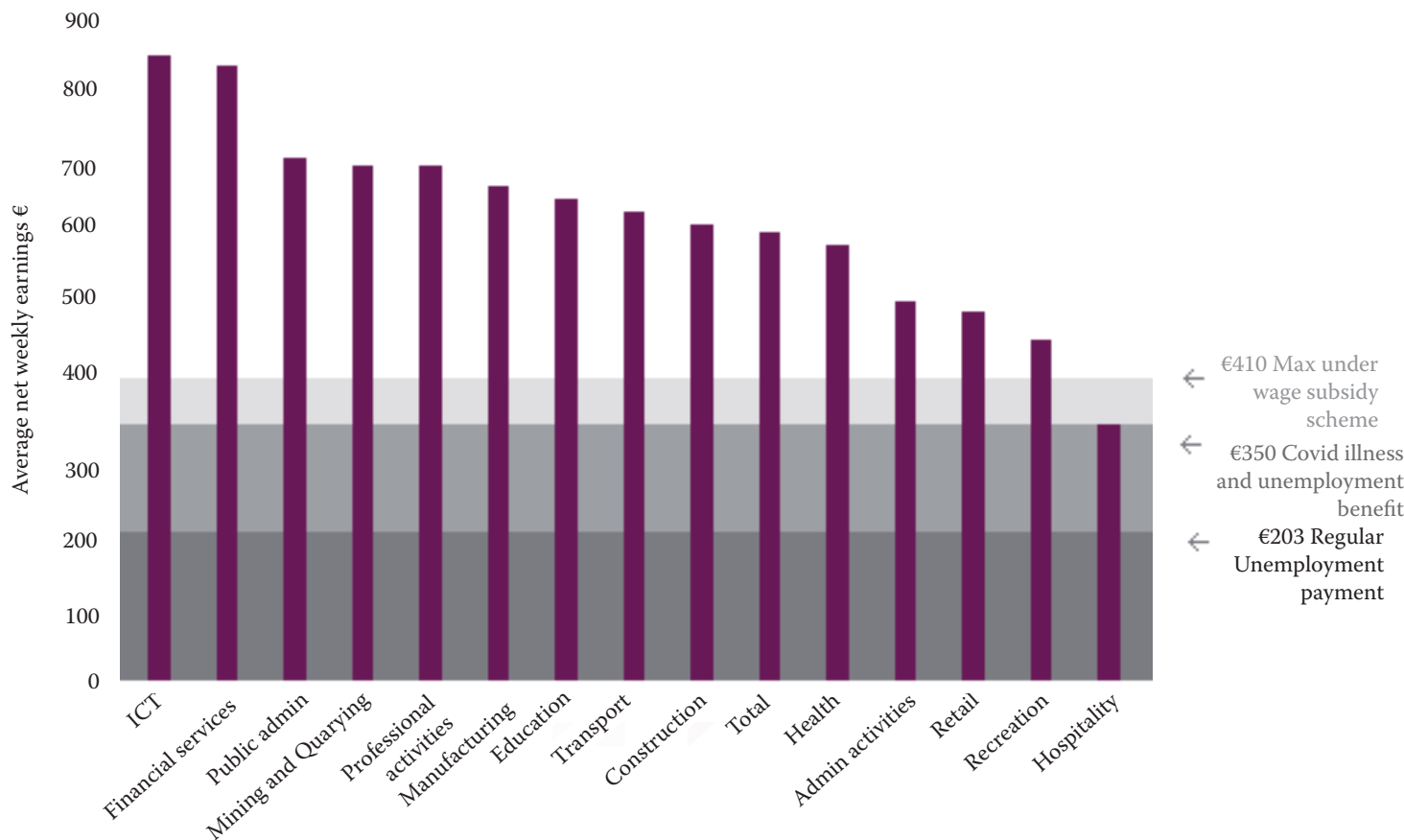
¹ While teachers will not be able to go to work, they have been excluded from this analysis as they are mostly public sector workers. As such, their employment does not face the same cashflow issues as the sectors outlined above.

Earnings in these sectors

On the 24th of March the Government announced that it would increase the COVID-19 Unemployment Payment to €350 a week. This is 72% (€147) higher than the original unemployment payment of €203 a week. The COVID-19 illness benefit also increased to €350 per week.

Earnings in many of the sectors that have been asked to close are lower than the national average. Figure 2 shows average net weekly earnings in 2019 for each sector. Average earnings in hospitality, retail and recreation are below the national average. The new COVID-19 unemployment and illness payment of €350 euro is roughly 70% of average net earnings in retail, 75% in recreation and 100% in hospitality. This suggests that many workers in these sectors will have a substantial amount of their previous earnings covered if they lose their job. However, the unemployment and illness payment will only cover 56% of net earnings in construction and 52% in manufacturing. In many other sectors it will cover an even smaller portion of previous earnings.

Figure 2: Net weekly earnings by sector



Source: CSO EHECS Survey 2019 and PBO calculations

On the 24th of March the government also announced a new wage subsidy scheme. This will be available to the workers in firms that have experienced significant disruption due to the COVID-19 pandemic (i.e. a 25% decline in turnover and an inability to pay wages). This subsidy will cover 70% of an employee's take home income up to a maximum weekly tax-free payment of €410 (i.e. 70% of take-home weekly income of €38,000 per annum). Average gross earnings in retail, hospitality and recreation are below €38,000 which means that most workers in these sectors should qualify for a subsidy consisting of 70% of their former earnings if needed. However, average gross earnings in many sectors including construction and manufacturing are above this threshold.



Impact on the Economy

If a significant number of workers lose their job and suffer a significant loss in earnings it will cause the economy to contract. As less people spend money and consume goods and services, other sectors will suffer, which will cause a further deterioration in the economy. However, if there are supports in place that cover a substantial proportion of employees' former wages, the negative shock won't be as large as it otherwise would have been. The new COVID-19 support payments cover a sizable portion of wages in hospitality, retail and recreation. However, some workers in these sectors would have earned more than the average and therefore will suffer a large reduction in earnings.

The sectors highlighted above will not be the only sectors affected by the pandemic. As stated earlier, many firms that were not asked to close will need to reduce pay, hours or workers. This could happen in many of the higher paid sectors and therefore the new payments will only cover a small fraction of these workers' former earnings. This will have significant knock on implications for the economy.

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Contact: PBO@oireachtas.ie

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Appendix

The following codes were used to approximate employment in each of the sectors affected by the closures.

Sector	Nace Code	Comment
Non-Essential Retail	G45 - Wholesale and retail trade and repair of motor vehicles and motorcycles G46 - Wholesale trade, except of motor vehicles and motorcycles G47 - Retail trade, except of motor vehicles and motorcycles	An approximation was used to estimate 'non-essential retail'. Data from Census 2016 showed that 46% of retail workers were employed in essential retail stores as specified by the closure notices.
Non-essential Construction	F41 - Construction of buildings F42 - Civil engineering F43 - Specialised construction activities	An approximation that 65% of construction is non-essential was used.
Non-Essential Manufacturing	C29 - Manufacture of motor vehicles, trailers and semi-trailers C31 - Manufacture of furniture	
Accommodation	I55 - Accommodation	
Food services	I56 - Food and beverage service activities	An approximation was used to estimate what proportion of food and beverage services were take-aways. This was done using data from the Household Budget Survey which suggests that take-aways account for 14% of spending on food and beverage services.
Forestry and Mining	A02 - Forestry and logging B08 - Other mining and quarrying	



Recreation	N79 - Travel agency, tour operator and other reservation service and related activities R90 - Creative, arts and entertainment activities R91 - Libraries, archives, museums and other cultural activities R92 - Gambling and betting activities R93 - Sports activities and amusement and recreation activities	
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