

CORONA NUMBERS NOTE #2

Employment Effects of Italian Government's COVID-19 Mitigation Measures on Employment

April 2, 2020

In Italy, lockdown measures affect an estimated 45% of employment..

On March 11, the Italian government decided to close all retail shops with the exclusion of supermarkets, groceries and pharmacies, as well as several service activities. On March 22, a second decree identified a list of 80 'permitted' activities and 'suspended' operations in all other businesses, unless connected with the supply chain of permitted activities. Some changes in the list of 'permitted' activities were adopted on March 25.

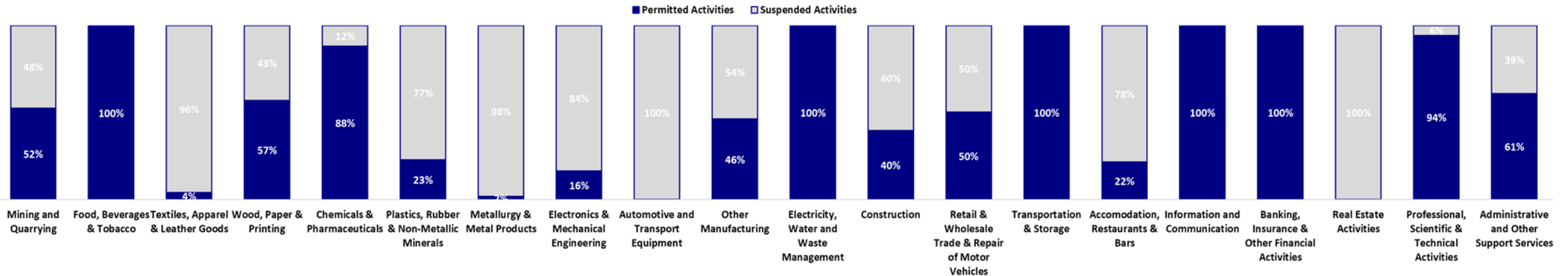
As a result of these measures, activities have been suspended in businesses employing an estimated 7.8 million people. This accounts for about 45% of total employment in the private non-agricultural sector.

Government measures have a different impact across sectors. In particular:

- In **manufacturing**, automotive, mechanical engineering, textiles & apparel are the most affected industries, as suspended activities account for 85% to 100% of the workforce. In contrast, the impact of government measures is minimal in the two sectors producing 'essential' goods, i.e. food & beverages and chemicals & pharmaceuticals, as only activities in very few lines of business have been 'suspended'.
- In **construction**, only civil engineering and installation services (plumbers, electricians, and the like) are permitted, whereas building construction activities and infrastructure projects have been suspended, affecting some 60% of total sector employment.
- **Basic services**, i.e. electricity, water supply, waste management, and telecoms, are exempted from government restrictions, with no effect on employment. The same applies to the financial sector, where activities are still permitted (although most banks and insurance companies have moved to teleworking).
- In **other sectors** the situation is quite variegated ranging from full or nearly full suspension of activities in real estate, accommodation and restaurants to continuation of operations in transport and professional activities, with no impact on employment. In retail and wholesale trade, the first sector affected by government measures, permitted activities account for 50% of total employment.

.. but there are major differences across sectors

Share of Employment in Permitted and Suspended Activities



The above figures are subject to two caveats.

First, even in the case of suspended activities operations may continue if: (i) they involve continuous production processes that cannot be easily stopped (e.g. as in metallurgy); and/or (ii) their products or services are essential to ensure the proper functioning of the supply chain of 'permitted' activities. As a result, the above figures may overstate the share of employment in suspended activities.

Second, all permitted activities must adopt strict safety measures, which may not always be easily implementable due to technical constraints. This in turn may lead to temporary closures and therefore increase the share of suspended employment.

The next effect of these two factors, pointing in opposite directions, is difficult to assess but overall it should not fundamentally alter the global picture.

Detailed Data by Sector

Estimate of Employment in Permitted and Suspended Activities

Sectors (NACE Codes)	Employment in 'Suspended' Activities ('000)	Employment in 'Permitted' Activities ('000)	Total Employment ('000)
Mining and quarrying (5 - 9)	10.7	11.8	22.5
Food, Beverages & Tobacco (10 - 12)	2.2	471.9	474.1
Textiles, Apparel & Leather Goods (13-15)	471.2	19.8	491.0
Wood, Paper & Printing (16 - 18)	118.2	155.7	273.9
Chemicals & Pharmaceuticals (20, 21)	23.4	173.7	197.1
Plastics, Rubber & Non-Metallic Minerals (22, 23)	271.5	80.4	351.9
Metallurgy & Metal Products (24, 25)	662.3	11.7	674.0
Electronics & Mechanical Engineering (26 - 28)	638.1	125.7	763.8
Automotive and Transport Equipment (29,30)	274.4	0.0	274.4
Other Manufacturing (31 - 33)	241.2	208.3	449.5
Electricity, Water and Waste Management (35 - 39)	0.0	312.4	312.4
Construction (41 - 43)	960.2	629.6	1,589.8
Retail & Wholesale Trade & Repair of Motor Vehicles (45 - 47)	1,836.1	1,862.0	3,698.1
Transportation & Storage (49 - 53)	0.0	1,237.0	1,237.0
Accommodation, Restaurants & Bars (55,56)	1,272.7	349.0	1,621.7
Information and Communication (58 - 63)	0.0	651.2	651.2
Banking, Insurance & Other Financial Activities (64 - 66)	0.0	629.2	629.2
Real Estate Activities (68)	192.6	0.0	192.6
Professional, Scientific & Technical Activities (69 - 75)	74.9	1,257.6	1,332.5
Administrative and Other Support Services (77 - 82, 95, 96)	724.7	1,127.0	1,851.7
Total	7,774.5	9,313.9	17,088.4

Employment figures refer to the last quarter 2019 and are taken from ISTAT, Italy's National Statistical Institute. The dataset used (<http://dati.istat.it/Index.aspx?QueryId=12581>) only provides aggregated information (i.e. at the NACE 'section' level) whereas the 'permitted' activities listed in government decrees are identified on the basis of a more detailed classification (up to NACE 6-digit codes). Therefore, the employment in 'permitted' and 'suspended' activities was estimated using the proportion of employment in the various sectors resulting from and older but more detailed dataset on employment in enterprises (http://dati.istat.it/Index.aspx?DataSetCode=DICA_ASIAUE1P)

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