

# **A brief overview on the uneven impact of the Covid-19 pandemic up employment, 2020Q2 and 2020Q3. Evidence from Cyprus, France, Spain, Greece, Italy, Malta, Croatia and Portugal**

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**Covid-19 Regional Labour Dashboard**  
**University of Aegean/YOUTH Share - Coronavirus Response & Labour Statistics**

The Covid-19 pandemic and its socio-economic impact are a turning point and are expected to play a decisive role in the coming years. While the main policy and academic debate is related in the field of health, the emerging economic implications are likely to have long-term detrimental effects upon employment. The crisis in the health sector entails serious economic turmoil, mainly due to unprecedented restrictive policies and lockdowns, with significant disruptions to economic activity and dire effects on employment.<sup>1</sup> However, these impacts are not evenly distributed across space.<sup>2</sup> The depth and strength of economic implications are geographically differentiated depending on the characteristics and dynamics of local and regional economies, highlighting the importance of space in their reading.

The debate becomes particularly interesting when the economic impact on European Union (EU) countries is studied, observing the different footprint of the health and economic crisis across countries and regions, which despite being members of a single union, did not implement a common and unified strategy in handling the pandemic.<sup>3</sup> Countries under study in this report include Cyprus, France, Spain, Greece, Italy, Malta, Croatia and Portugal.

## **The regional change in employment**

### *Cyprus*

Cyprus, which had a limited impact from the first wave of the pandemic (1.6 deaths per 100,000 inhabitants by June 2020) and includes only one region, shows declining trends in total employment, especially in 2020Q3. In 2020Q1, in the beginning of the first wave of the, employment increased on an annual basis by 1.9%. However, thereupon the trend was reversed: 0.1% decline between 2019Q2 and 2020Q2, and 0.5% fall in

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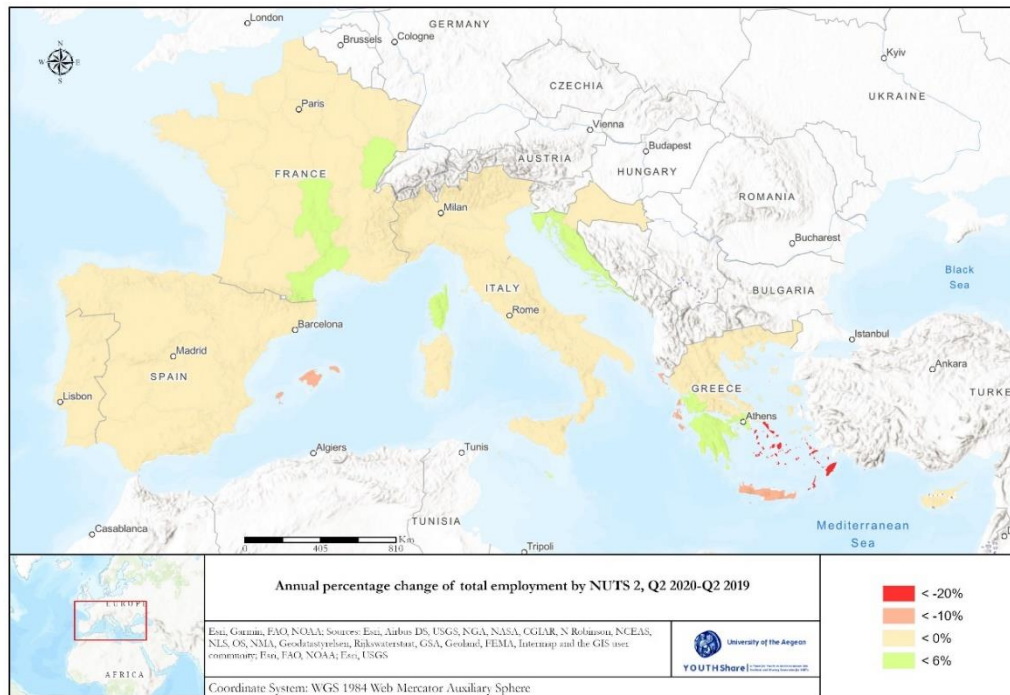
<sup>1</sup> Woods, M. (2020) COVID-19, Territorial Inequalities and Spatial Justice – part one. Available at: <http://imajine-project.eu/2020/05/13/covid-19-territorial-inequalities-and-spatial-justice-part-one/>

<sup>2</sup> Gialis, S., Kapitsinis, N. (2020) The impact of COVID-19 Pandemic on youth employment: A Southern EU perspective. In: Martin, I. (ed.), *A study on youth employment in the 15+3 EU beneficiary countries Of the EEA and Norway grants fund for youth employment during Covid-19 challenges*, pp. 11-19

<sup>3</sup> Kapitsinis, N. (2020) The underlying factors of the Covid-19 spatially uneven impact. Initial evidence from EU regions. *Regional Science Policy & Practice*. DOI: 10.1111/rsp3.12340 <https://rsaconnect.onlinelibrary.wiley.com/doi/full/10.1111/rsp3.12340>

the year to 2020Q3, due to restrictive measures and lockdown implementation. The decline in employment is accompanied with the deep recession of the Cypriot economy (-12.2% annual GDP contraction in the year to 2020Q2 and -4.1% in 2020Q3).

**Map 1. Percentage change in employment per NUTS 2 region, 2019Q2-2020Q2**



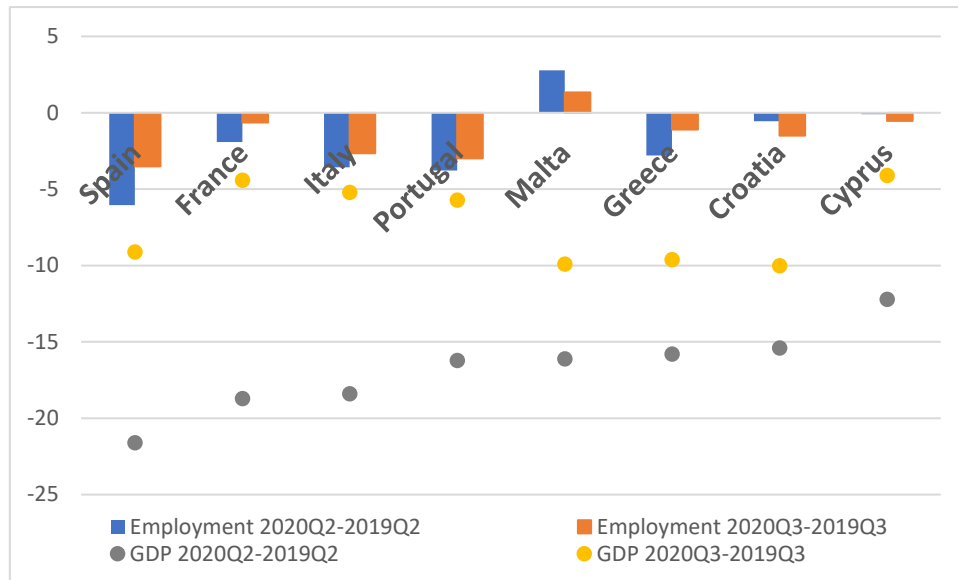
### *Spain*

Spain was one of the countries hardest hit by the first wave of the pandemic (62.8 deaths per 100,000 inhabitants by June 2020). The restrictive measures and the horizontal lockdown from March to May 2020 have significantly affected economic activity and therefore employment. The country experienced the deepest recession in the EU27 in the year to 2020Q2 (-21.6%), while in 2020Q3 the recession was reduced (-9.1% on an annual basis, the fourth deepest recession in the EU27). The country presents a slightly different picture from Cyprus, in relation to the labour market. The annual employment positive growth (1.1%) in 2020Q1, could not contain the particularly negative effects in the following quarters: declines of 6.1% between the 2019Q2 and 2020Q2 and 5.4% in the year to 2020Q3.

Significant differences are found among the Spanish regions, since geographical units with specific productive characteristics, such as strong tourism industry, record a significant decline in employment (such as Canarias 2019Q2-2020Q2 -8.6%, 2019Q3-2020Q3 -8%, and Illes Balears 2019Q2-2020Q2 -11.5%, 2019Q3-2020Q3 -7.4%), while other regions, such as the Principado de Asturias, demonstrate better picture (2019Q2-2020Q2 -3.6%, 2019Q3-2020Q3 -1.4%). These regions generally had low mortality during the first wave of the pandemic (Canarias 7, Illes Balears 19 and Principado de Asturias 30 deaths per 100,000 people). The metropolitan areas (Madrid,

Catalonia) follow the general downward trends of the country (2019Q2-2020Q2 -4.2% and -5.9%, 2019Q3-2020Q3 -2.9% and -4% respectively), although having experienced the strongest impact from the pandemic (Madrid 126 and Catalonia 88 deaths per 100 thousand inhabitants).

**Figure 1. Annual change of GDP and employment in study countries, 2020Q2 and 2020Q3**

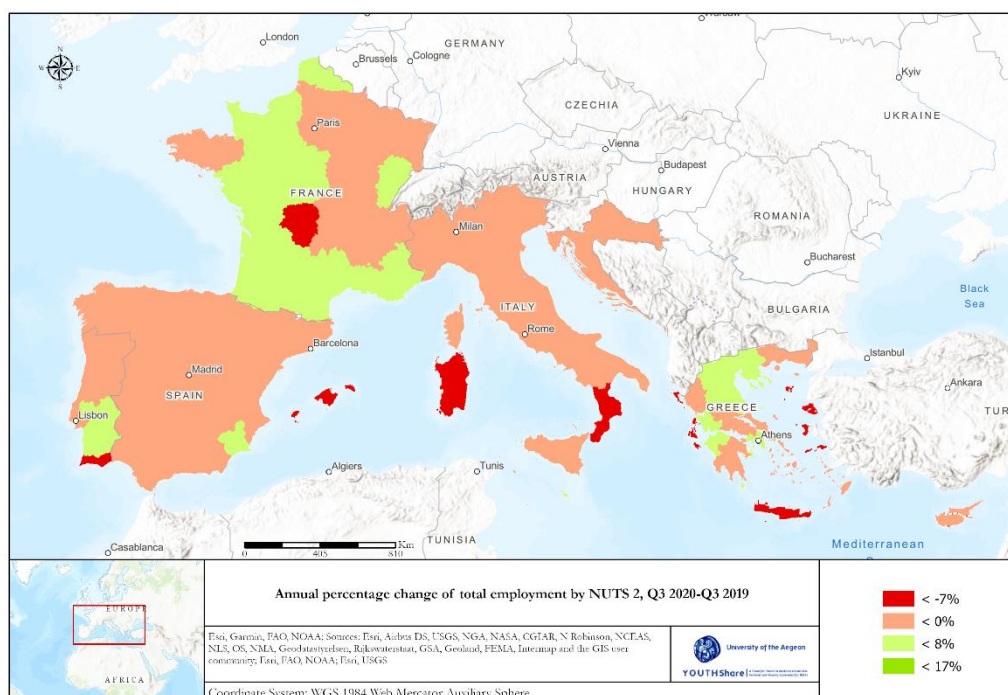


*France*

France, the EU second strongest economy, which was also hit hard by the first wave of the pandemic (45.7 deaths per 100,000 inhabitants by June 2020), shows similar trends to Spain, but to a lesser extent. It recorded the second deepest recession in the second quarter of 2020, on an annual basis, among the 27 EU Member States (-18.7%) due to pandemic mitigation policies. The situation partially improved in 2020Q3 (-4.4% contraction of GDP on an annual basis). The impact on employment was, as expected, significant. The increase of employment in the first quarter of 2020 on an annual basis (0.7%), followed by a limited decline -1.9% in the year to 2020Q2 and -0.6% (2019Q3-2020Q3). The negative effects on employment are also highlighted in the quarterly change in the quarters of 2020 (-1.7% drop 2020Q1-2020Q2, -1% decline 2020Q2-2020Q3).

At the regional level, the differences are important. There are regions that show an increase in total employment (Corsica 2019Q2-2020Q2 6% and Franche-Comté 2019Q3-2020Q3 4.4%). By contrast, other regions experience a significant drop in employment (Champagne-Ardenne fourfold decrease compared to the country as a whole, 2019Q2-2020Q2 -8.6% and Limousin 2019Q3-2020Q3 -7%).

**Map 2. Percentage change in employment per NUTS 2 region, 2019Q3-2020Q3**



### *Greece*

Greece, which was slightly affected by the first wave of the pandemic (1.8 deaths per 100,000 inhabitants by June 2020), shows similar trends to Cyprus, with a small increase in employment in first quarter (1% increase in 2019Q1-2020Q1), as during this period the consequences of the health crisis and the travel ban had not fully manifested their impact on employment. These consequences emerged later, with total employment declining, both in the second quarter (2.8% drop in 2019Q2-2020Q2) and third quarter (1.1% fall in 2019Q3-2020Q3), coinciding with the recession of the Greek economy. The annual contraction of the Greek GDP was the 6<sup>th</sup> greatest in the EU27 in the year to 2020Q2 and the third greatest in the year to 2020Q3 (-15.8% and -9.6% respectively). However, the apparent impact on employment is limited by the job retention scheme, which included 810,000 workers in the first wave of the pandemic (about one in three employees in March-May 2020).<sup>4</sup>

The strong pressures due to the mitigation measures and the nationwide horizontal lockdown in the Greek economy demonstrate an unequal geographical footprint. The insular regions show very significant reductions. In 2019Q2-2020Q2: Notio Aigaio (South Aegean) -28.4%, Voreio Aigaio (North Aegean) -4.8%, Kriti (Crete) -13.2%. In 2019Q3-2020Q3: Notio Aigaio (South Aegean) -2.3%, Voreio Aigaio (North Aegean) -15.9%, Kriti (Crete) -9.9%. Notio Aigaio (South Aegean) and Kriti (Crete) recorded less important employment losses in the third quarter compared to the second one,

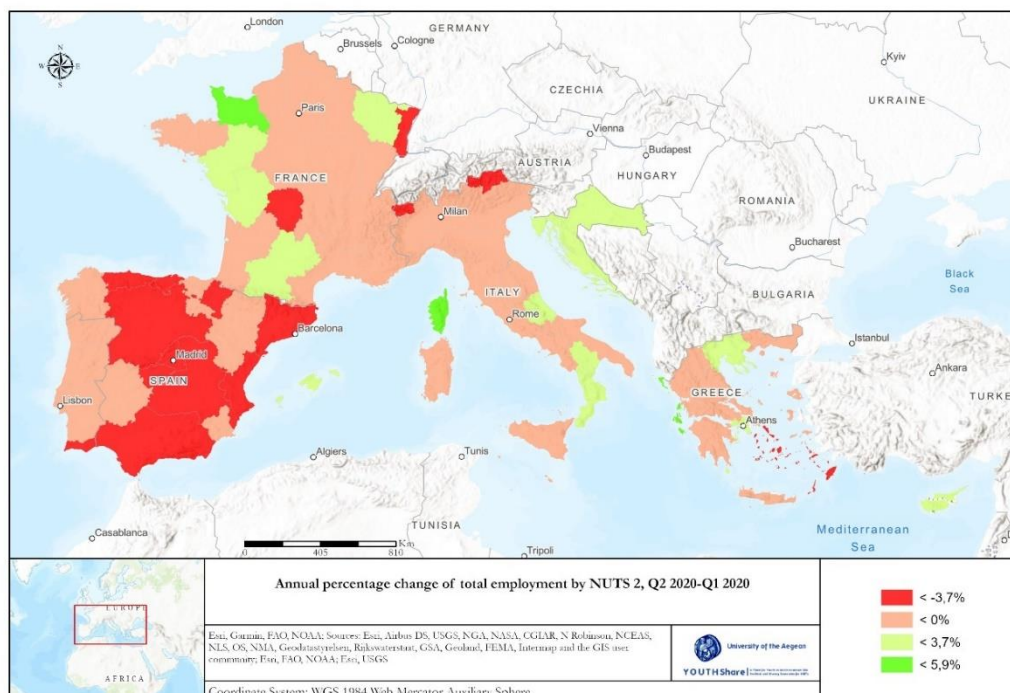
<sup>4</sup> <https://www.moneyreview.gr/business-and-finance/economy/12454/posoi-ergazomenoi-vgikan-se-anastoli-to-2020/>

probably due to a more intense tourist activity compared to Voreio Aigaio (North Aegean). The reductions in the insular areas are more pronounced when accounting for the smaller changes in the metropolitan areas. In 2019Q2-2020Q2: Attiki 1.7% and Kentriki Makedonia (Central Macedonia) -2.3%. In 2019Q3-2020Q3: Attiki 0.7% and Kentriki Makedonia (Central Macedonia) 0.5%. It is worth noting that all the Greek regions recorded low mortality from Covid-19 (less than 2 deaths per 100,000 people) by June 2020, except Dytiki Makedonia (Western Macedonia) which demonstrated 11 deaths per 100 thousand inhabitants. The specific region recorded a drop in employment in the year to 2020Q2 (-2.7%) and a recovery in 2020Q3 quarter (2.3% annual increase in employment).

### Croatia

Employment in Croatia, which minimised the impact of the first wave of the pandemic (2.6 deaths per 100 thousand inhabitants by June 2020), shows declining trends from the first quarter of 2020 (2019Q1-2020Q1 -0.7 %), which, however, expand during the second and mainly the third quarter of the year (2019Q2-2020Q2 -0.6%, 2019Q3-2020Q3 -1.5%). The decline in employment is a consequence of the limited economic activity and the consequent economic downturn. The Croatian GDP experienced the largest annual decline in the EU27 in the third quarter of 2020 (-10%, following the annual decline of -15.4% in the year to 2020Q2). Unlike other EU Member States, Croatia’s economy failed to rebound significantly in 2020Q3 due to the country’s strong dependence on tourism, which in 2020 fell sharply across the EU.

**Map 3. Percentage change in employment per NUTS 2 region, 2020Q1-2020Q2**



The interregional differences in the case of Croatia are particularly evident, since the country consists of only two regions. Jadranska Hrvatska, with the Adriatic coast and strong tourist activity, presents, as expected, greater reduction of employment (2019Q2-2020Q2 -0.1% and 2019Q3-2020Q3 -2.9%) than Kontinentalna Hrvatska, which includes the metropolitan area of Zagreb (2019Q2-2020Q2 -0.9% and 2019Q3-2020Q3 -0.8%).

### *Italy*

Italy is one of the countries hit hardest by the pandemic first wave (57.7 deaths per 100,000 inhabitants by June 2020). Considering that it was the first European country to implement a nationwide horizontal lockdown and apply restrictive measures in early March 2020, with the closure of economic activity, the deep recession of the Italian economy was to be expected. Italy experienced the third deepest recession in the EU27 in the year to 2020Q2 (-18.4%), with the situation partially improving in the third quarter, after the opening of many branches of economic activity (-5.2% annual GDP decline in the year to 2020Q3). The increasing trends in employment during the first quarter (2019Q1-2020Q1 0.2%) was reversed during the second (2019Q2-2020Q2 -3.6%) and third quarters (2019Q3-2020Q3 -2.7%).

The interregional differences in the case of Italy are of particular interest, as the main pressure during the first pandemic wave was in Northern Italy, which is more developed and prosperous than the South. However, the impact on employment is diametrically opposed to what was expected, since regions of the economically weak South recorded a significant decrease in employment (2019Q2-2020Q2 Basilicata -3.7% and Calabria -8.1%, and 2019Q3-2020Q3 Basilicata -0.6% and Calabria -7.2%). These regions demonstrated a low mortality rate during the first wave of the pandemic (Basilicata 4.7 and Calabria 5 deaths per 100 thousand inhabitants).

The employment fall in the South is more evident when compared to the northern regions (Lombardy 2019Q2-2020Q2 -2.5% and 2019Q3-2020Q3 -2.4%, Piemonte 2019Q2-2020Q2 -3.4% and 2019Q3-2020Q3 -3.6%). The northern regions are much more economically developed, while their manufacturing sector is particularly strong. The latter was the sector that had the most limited enforcement of mitigation measures to combat the pandemic, due the nature of the activity and the essential commodities it produces. However, the northern Italian regions have been hit hard by the pandemic, since Lombardy had the highest mortality rate among EU regions (160 deaths per 100,000 inhabitants) and other Italian northern regions saw high mortality (Valle d'Aosta 113, Liguria 94, Emilia-Romagna 92 and Piemonte 88 deaths per 100 thousand inhabitants).

### *Malta*

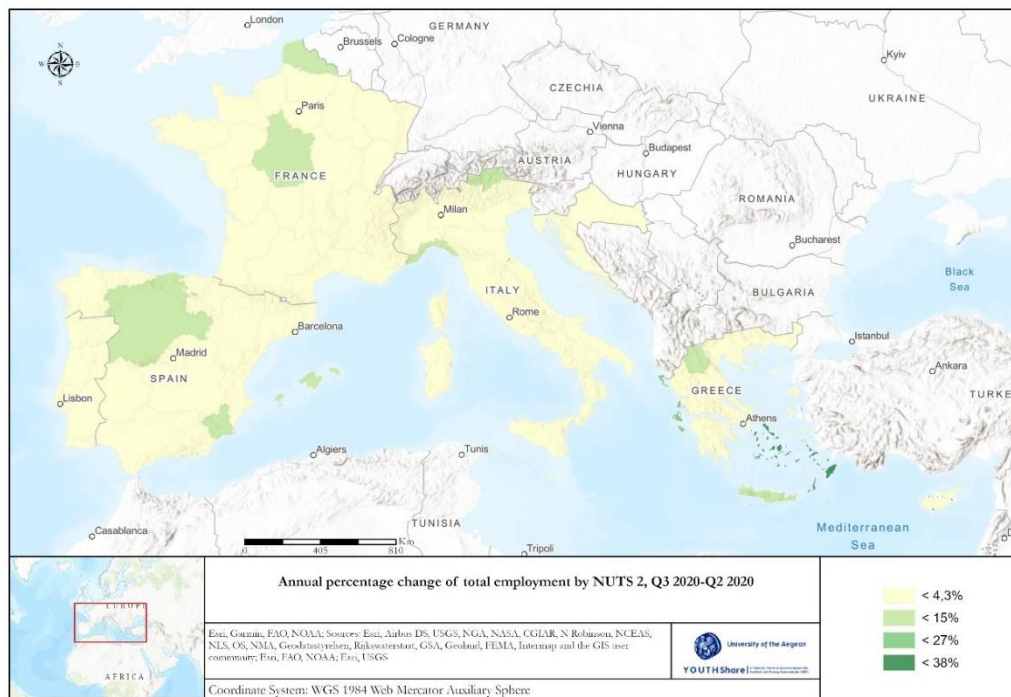
Malta, which consists of a single region and recorded 2 deaths per 100 thousand inhabitants by June 2020, shows an increase in employment throughout the study period compared to 2019 (2019Q1-2020Q1 7, 3%, 2019Q2-2020Q2 2.8%, 2019Q3-2020Q3 1.3%). However, it recorded a quarterly decrease in employment in the quarter to

2020Q2 (2.5%). The annual growth of employment is accompanied with deep economic recession (-16.1% annual GDP contraction in the year to 2020Q2, and -9.9% in the year to 2020Q3). The effective job retention scheme by the Maltese Government may have played an important role in this outcome (Wage Supplement).<sup>5</sup>

*Portugal*

Finally, Portugal, with a mortality rate of 15.5 deaths per 100 thousand inhabitants by June 2020, had already negative employment trends from the first quarter of 2020 (2019Q1-2020Q1 -0.3%), which further increased in the second (2019Q2-2020Q2 -3%) and third quarter (2019Q3-2020Q3 -3%). The decline in employment in Portugal coincides with deep recession, as in most EU peripheral countries, due to restrictive measures developing in weak national economies (-16.2% GDP contraction in the year to 2020Q2 and -5.7% in the year to 2020Q3).

**Map 4. Percentage change in employment per NUTS 2 region, 2020Q2-2020Q3**



The regional disparities in employment change are particularly evident. Algarve, a region with strong tourism activity, recorded a -8.2% decline of employed persons in the year to 2020Q2 and -8% in the year to 2020Q3. Employment in the metropolitan area of Lisboa fell by -4% in 2019Q2-2020Q2 and -4.6% 2019Q3-2020Q3, while in Alentejo employment change was -0.6% in the year to 2020Q2 and 1.6% in the year to 2020Q3. It is worth adding that, according to the Portuguese statistical authority, 2020 was the worst year for tourism activity in the Algarve region, recording a 65% annual decrease in turnover compared to 2019, with the occupancy of hotels seeing a record

<sup>5</sup> <https://covid19.maltaenterprise.com/employee-wage-support/?application-form-added>

low (28%). Horizontal lockdown, despite the low mortality of some regions, played a key role in employment contraction. The tourist, island and peripheral regions (Madeira 0, Alentejo 0.1, Algarve 3.4 and Açores 6.2 deaths per 100,000 people) recorded much lower mortality compared to the metropolitan and northern regions of Portugal (Centro 10.7, Área Metropolitana de Lisboa 12.5 and Norte 21.9 deaths per 100 thousand inhabitants), highlighting the importance of geographically-tailored mitigation measures.

On balance, although the figures show that employment has been declining in all the countries studied, there is a geographical variation of employment contraction between the wealthy regions compared to the economically weak areas. A typical example is the division within Italy, the country that was hardest hit by the first wave of the pandemic. The wealthy region of Lombardy, with the very high mortality rate (160 deaths per 100 thousand inhabitants), recorded moderate employment contraction (-2.5% in the year to 2020Q2 and -2.40% in the year to 2020Q3). By contrast, the much less developed region of Calabria demonstrated a greater decline in employment (2019Q2-2020Q2 - 8.1%, 2019Q3-2020Q3 -7.3%), although it had a much lower mortality rate (5 deaths per 100 thousand people).

### **Trends related to young people who are unemployed or not seeking a job, while they are not following a training program (NEETs)**

The impact on employment may not have been fully developed yet, given the job retention schemes. A deeper analysis of the possible effects is attempted by observing the young labour market and in particular the non-economically active, i.e. the young (15-29 years old) who are unemployed or not seeking a job, while they are not following a training program (NEETs). Unemployment among young people is a multidimensional problem. Especially in the Mediterranean countries, with the high specialisation in tourism, the consequences for the employment of young people have been dramatic.

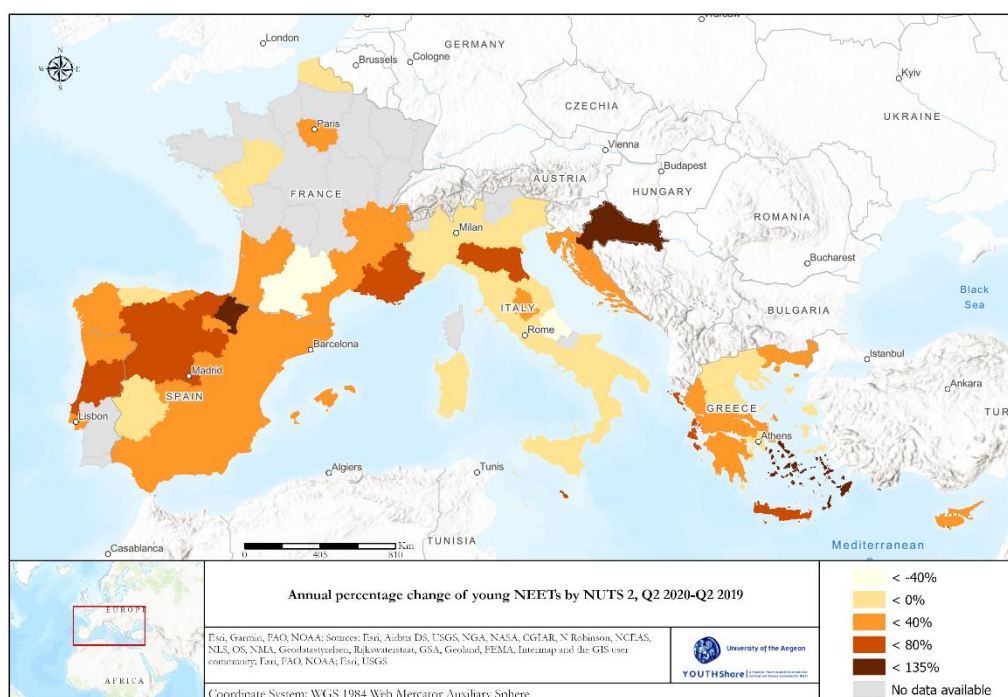
In Cyprus, NEETs increased by 4.2% in the year to 2020Q2, while during the third quarter, which includes the largest volume of tourism operations, the annual increase of NEETs was 15.4%. Croatia follows the opposite path, as the annual increase in NEETs was higher in 2020Q2 (Jadranska Hrvatska 15.9%, Kontinentalna Hrvatska 82.9%), compared to 2020Q3 (Jadranska Hrvatska 1.5%, Kontinentalna Hrvatska 47.9%). It seems that the most urbanised region (Kontinentalna Hrvatska) has seen a greater increase in unemployment, inactivity and the marginalization of young people. Malta, an insular country with strong tourism activity, recorded an increase in NEETs in the year to 2020Q2 (70%), but an annual decrease in the third quarter (-13%), during the short tourist season for 2020.

In Italy, in contrast to employment, the poorer regions of the South show the largest increase in NEETs. For example, Campania had an annual growth of 116% in 2020Q3, Calabria 101% and the tourist region of Sicily 118%, while the metropolitan area of Lazio saw the largest annual NEET growth of 119%. The only region with a drop in



NEETs in the year to 2020Q3 is the Provincia Autonoma di Trento with -11.4%, while the smallest increases are in other regions of the wealth Italian North (Friuli-Venezia Giulia 14.2% and Lombardia 31.8%).

**Map 5. Percentage change of NEET number per NUTS 2 region, 2019Q2-2020Q2**

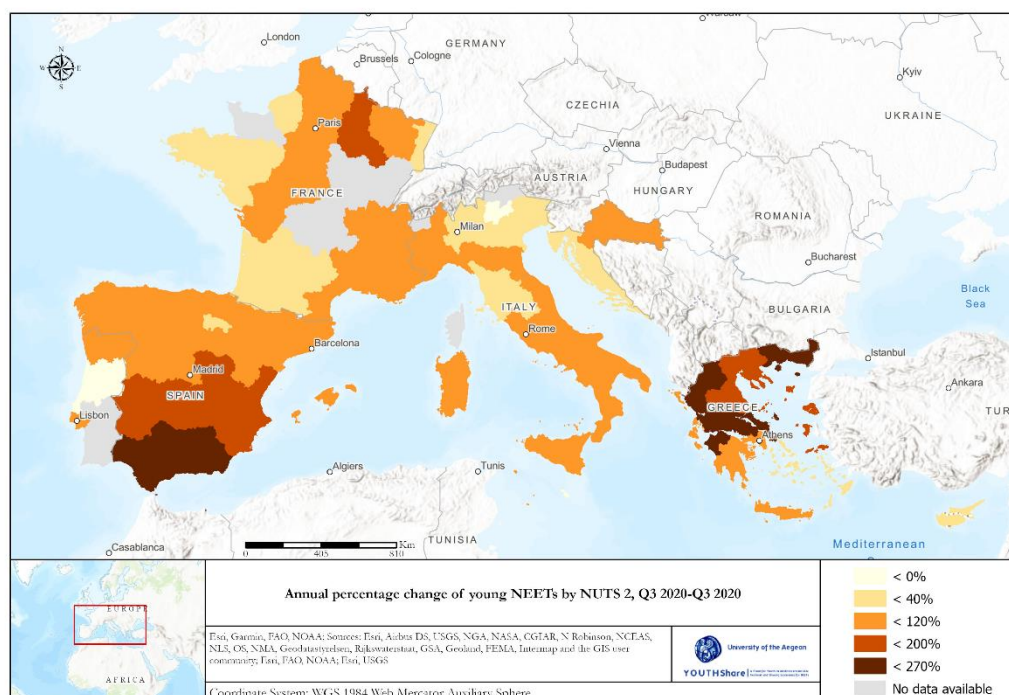


The geographical pattern of NEET change in Greece is characterised by the annual increase in the second and third quarter of 2020 of poor peripheral regions: Kentriki Ellada (Central Greece) 37% and 269%, and Dytiki Ellada (Western Greece) 13% and 230%. The peripheral, insular and tourist regions recorded the largest NEET increase in the year to 2020Q2, but from the smallest increases in the year to 2020Q3. Specifically, Notio Aigaio (South Aegean) recorded a 121% increase in NEETs, Kriti (Crete) 75% and Ionia Nisia (Ionian Islands) 63% in the year to 2020Q2, and 32%, 95% and 79% in the year to 2020Q3. The metropolitan region of Attiki saw a 21% annual drop of NEETs -21% in the second quarter, and one of the smallest annual increases in the third quarter (74%). Overall, the annual growth of NEETs is much higher in 2020Q3 in all regions, similar to Italy and Spain, probably due to the drop in tourism activity, which is traditionally very strong during the third quarter of each year.

This argument is confirmed in Spain, where tourism-dependent regions saw an annual decrease or slight increase in NEETs in the Second quarter of 2020 and a large increase in the third quarter (Canarias from -18% change in the year to 2020Q2 to 209% in the year to 2020Q3, Andalucía from 2% to 202% and Región de Murcia from 12% to 120%). The youth labour market of the northern, economically strong regions of Comunidad Foral de Navarra (135% annual NEET increase) País Vasco (50% annual change) and the metropolitan area of Comunidad de Madrid (52% annual growth)

appears to be hardest hit in 2020Q2. The regions that managed to restrain the large growth of NEETs in the year to 2020Q3 were areas in the economically strong and industrialised Spanish North (La Rioja 32%, Aragón 45% and Comunidad Foral de Navarra 55%).

**Map 6. Percentage change of NEET number per NUTS 2 region, 2019Q3-2020Q3**



In Portugal, the number of NEETs increased in the year to 2020Q2 in all the regions with available data, with Centro recording the largest change (41%) and Lisbon metropolitan area the smallest (16%). During the third quarter of 2020, the youth labour market is mainly affected in the northern Norte region (51% annual increase of NEETs in the year to 2020Q3), while Centro is the only region that records a negative annual change of NEETs (-21%).

Finally, the young labour market is particularly vulnerable in the southern regions of France. In particular, the Provence-Alpes-Côte d'Azur and Auvergne-Rhône-Alpes regions recorded large increases in NEETs in the year to 2020Q2 and 2020Q3 (59% and 71%, and 14% and 57%, respectively). In contrast, areas of the French North seem to have a more resilient youth labour market, including the Pays de la Loire and Nord-Pas de Calais-Picardie regions (reduction in NEETs -10% and -33% in the year to 2020Q2, and among the lowest increases of 29% and 50% in the year to 2020Q3).

### The change of employment by industrial sector

The above analysed differences of total employment change between national and regional economies are not surprising, since spatially-sensitive socio-economic factors, such as the different industrial structure, have major role in the impact of the pandemic on work. Considering that different sectors have recorded different levels of the

application of mitigation measures and lockdowns, the productive base of each region becomes crucial in the employment change. We analyse the sectors with the most significant geographical disparities related to the change of employment.

- Mining and manufacturing

Manufacturing activity has been a major point of spread for Covid-19, due to its nature but also the limited implementation of mitigation policies, as the sector contains many essential sectors, such as food production and pharmaceuticals. Italy provides relative evidence, when noting that manufacturing employment contraction in regions of northern Italy is at levels below -5% in the year to 2020Q2, while regions of southern Italy have greater reductions.

Spain, which was also hit hard by the pandemic, provides interesting figures. The Madrid region restrained the annual decline in manufacturing employment in the second quarter of 2020 (-0.5%). However, in the third quarter, the sector recorded a larger annual employment contraction (-7.3%). In other regions with a strong industrial base, the annual reduction of manufacturing employment has been already evident from 2020Q2 (Catalonia -7.6%, Valencian Community -3.4%, Andalucía -4%) and continued during the third quarter of 2020 (-7.1%, -8.3%, -0.2% respectively).

In France, the region with the strongest manufacturing base (Auvergne-Rhône-Alpes) had limited job losses in the sector in both the second (-3.5% year-on-year) and third quarter (-2.9%), as well as the metropolitan area of Paris (-0.3%, -5% respectively). However, it should be noted that regions with weak manufacturing met higher losses (Normandy -21% annual contraction in the year to 2020Q2 and -32.3% in the year to 2020Q3, Occitanie -30.3% and -21.8% respectively).

In Greece, the picture is reversed. Regions with high specialisation in manufacturing, such as Kentriki Ellada (Central Greece) (-5.8% decline in the year to 2020Q2 and -15.6% in the year to 2020Q3) and Kentriki Makedonia (Central Macedonia) (-8.2% and -7.6% respectively), had more losses in manufacturing employment, compared to regions with a weaker manufacturing sector (e.g. Peloponnisos recorded growth of 1.5% and 7.5% in the year to 2020Q2 and 2020Q3). Portugal has a similar picture, with Norte (-4.6% and -2.4%) and Área Metropolitana de Lisboa (-6.4% and -2%) declining in the year to 2020Q2 and 2020Q3. Cyprus demonstrates an annual increase in manufacturing employment (7.4% growth between 2019Q2 and 2020Q2 and 2.2% from 2019Q3 to 2020Q3).

- Transportation and storage

Transportation and storage have been hit hard by the pandemic crisis, particularly in the branch of passenger transport, with airlines being the most important example. The International Civil Aviation Organisation (ICAO) announced a 60% annual reduction in air passenger traffic worldwide in 2020, falling from 4.5 billion passengers in 2019 to 1.8 billion in 2020, reaching the 2003 levels. However, product shipments have increased sharply, thus restraining the negative effects on the industry, as a whole.

In France, transportation employment recorded annual decline in most regions during the second quarter mainly, with the exception of the metropolitan area of Paris. In Italy, the employment in the sector contracted by -20% in many regions, on an annual basis during the second quarter of 2020. Regions of Southern Italy saw a large decline in the year to 2020Q3 (Campania -6.7%, Basilicata -30.2%). Several peripheral regions in Spain recorded an annual decline in transportation employment for the second quarter of 2020 (Cantabria -20.8%, Navarre -16.3%, Extremadura -18%). By contrast, regions with a strong transportation sector (Madrid, Catalonia, Andalucía), the annual employment contraction in 2020Q2 is kept below or close to 5% (-4%, -6%, 2.3% respectively).

In Portugal and Greece, the metropolitan areas (Área Metropolitana de Lisboa, Attiki, Central Macedonia), seem to restrain the job cuts in the sector, in contrast to other regions, where especially in the third quarter of 2020, transportation employment fell by -20% on an annual basis. Indicatively, air passenger traffic in Greece declined by 70% on an annual basis in 2020, falling from 64 million passengers in 2019 to 20 million in 2020, at levels equal to those of 1991, according to ICAO data. In Croatia (annual change in the year to 2020Q3: Jadranska Hrvatska -9.6%, Kontinentalna Hrvatska -3.4%) and in Cyprus (annual change in the year to 2020Q3: -5.8%), employment in the sector is shrinking, while Malta is the only country with an annual increase in employment in transportation (2019Q2-2020Q2: 28%, 2019Q3-2020Q3: 13.3%).

- Hospitality and tourism

Hospitality and tourism are by far the most affected sectors during the pandemic crisis, due to the mitigation policies, a fact that is also documented by employment data. More specifically, Greece, and especially the insular regions, with a high specialisation in tourism, saw a large annual decrease in employment in hospitality and tourism for the second quarter of 2020: Voreio Aigaio (North Aegean) -12.8%, Ionia Nisia (Ionian Islands) -61.6%, Notio Aigaio (South Aegean) -47.1%, Kriti (Crete) -43%. During the third quarter, the most important period of the year for the Greek tourism, employment contraction in the sector remained at high levels (-10.7%, -6.3%, -19.7% and -24.2%), due to the limited tourist period for 2020. According to ELSTAT, the turnover of firms active in accommodation shrank significantly from 4 billion euros in the third quarter of 2019 to 1.55 billion euros in the third quarter of 2020, down by 61%. More broadly, total tourism revenues in the first three quarters of 2020 were 3.5 billion euros, or about 25% of revenues in the corresponding period of 2019 (16.1 billion euros).

Italy and Spain, economies with strong tourism industries, were hit equally. For example, the Spanish statistical authority estimates that the number of tourists visiting the country in 2020 was 80% lower than in 2019. The annual reduction of jobs for the second quarter of 2020 in tourist regions, both in Spain (Illes Balears -31.9%, Andalucía -23.1%, Canarias -3%) and Italy (Sicilia -18%, Sardegna -11%) was important. In the third quarter, Italian regions manage to restrain the annual employment contraction to

some extent (Sicilia -16.8%, Sardegna -10.4%), while in Spain the picture remains stagnant (Balearic Islands -27.6%, Andalusia -19%, Canary Islands -31%).

In Portugal, all regions saw a negative change in employment in tourism and hospitality in the year to 2020Q2, except for the tourist and insular region of Região Autónoma da Madeira (0.6%). The largest employment contraction is observed in the two tourist regions of the Portuguese South (Alentejo -23.4% and Algarve -18.9%). In the third quarter of 2020 the situation improves in Algarve (annual decline of -12.3%) and in Alentejo (annual increase of 14.3%) but worsens in the Região Autónoma da Madeira (annual decline of -10.4%). Croatia and Malta saw a large jobs' loss in the sector, especially in the third quarter of 2020.

Cyprus recorded an employment contraction of -31.6% in the year to 2020Q3, due to the sharp drop in tourist arrivals on the island stemming caused by the travel restrictions in Cyprus imposed in March 2020 and expired after 15 July. Specifically, air arrivals in the first three quarters of 2020 represented only 21% of the arrivals in the corresponding period of 2019. However, even the limited entry of tourists may have been decisive for the increase in Covid-19 infections in Cyprus, which from 2 per day on average in June and July, rose to 13 in August. Tourists' entry, alongside the increase in indoor activities, from September onwards, contributed to the second wave of the pandemic since October. About 1,500 Covid-19 cases were recorded from the beginning of the pandemic until August 31, while from the beginning of September until the end of November, Cyprus recorded 8,500 cases. In November alone, the country recorded half of all deaths (24 out of 48 by the end of November), forcing the government to take new restrictive measures.

## **Summary**

The health and subsequent economic crises have greatly affected the real economy and employment volumes. Lack of preparation and budget cuts have made horizontal lockdowns necessary, with serious consequences, highlighted by the second wave of the pandemic, also having dire impacts on employment. Economic contraction has an uneven geographical footprint in the EU, with peripheral countries demonstrating the most significant impacts, as horizontal lockdowns and restrictive measures have mostly hit the economically weak and vulnerable economies of the EU South. Indicatively, 7 of the 8 study countries (all except Cyprus) occupy the top 7 positions regarding the largest annual decline in GDP in the EU27 during the second quarter of 2020, with the recession being relatively limited during the third quarter of the year.

The crisis has severely affected jobs in all national and regional economies. Employment contraction has been controlled due to job retention schemes; however, it is not evenly distributed across national economies, regions and sectors of economic activity. The impact on employment is geographically differentiated. The economically weak developed, peripheral and insular regions seem to be more affected than the metropolitan and wealthy regions. The impact of the pandemic on the employment of each region depends on its economic and industrial structure, as the effects of the

mitigation measures vary by sector, but are mainly evident in hospitality, tourism and transportation, thus largely affecting regions with high specialisation in these sectors.

The national economies dependent on tourism (Greece, Cyprus, Malta, Croatia, Portugal) were hit hard, especially in the third quarter of 2020. By contrast, although the strong and large economies of the EU periphery (France and secondarily Spain and Italy) recorded employment contraction in hospitality and tourism, they managed to restrain the effects of the crisis through manufacturing. Within the countries, a trend is emerging in which metropolitan centres or the economically strong regions (Attiki, Northern Italy, Kontinentalna Hrvatska) seem to have more resilient local labour markets and record small job losses, compared to peripheral, insular and tourism-dependent regions. This could imply a relative resilience of metropolitan areas in the current crisis-ridden environment, contrary to the impact of the 2008/09 global economic crisis 2008/09 which was relatively great in metropolitan areas.<sup>6</sup>

Overall, the regional issue seems to be increasingly important in the context of the pandemic, as regions, even within the same country, demonstrate different rates of infection and mortality and speed of implementing mitigation measures. However, the real impact of the health and economic crisis is expected when the restrictive measures and government support packages for companies and workers come to an end. The *Coronavirus Response & Labor Statistics* team will closely monitor and analyse this geographical and sectoral differentiation.

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<sup>6</sup> Gourzis, K. and Gialis, S. (2019) Dismantled Spatial Fixes in the Aftermath of Recession: Capital Switching and Labour Underutilization in the Greek Capital Metropolitan Region. *International Journal of Urban and Regional Research* 43, 741-759. <https://onlinelibrary.wiley.com/doi/abs/10.1111/1468-2427.12734>