

The impact of the Covid-19 crisis on Dutch regional labour markets*

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1 Abstract

Crises tend to accelerate economic change ([Hershbein and Kahn, 2018](#)). The most notable forms of economic change since the 1980s are routine-biased technological change, *i.e.* automation, and offshoring, which are strongly linked to labour market polarization, the decline of middle-skilled occupations in favour of low-skilled and high-skilled occupations. This polarisation is particularly strong in large innovative cities, where middle-income jobs disappear the fastest ([Brynjolfsson and Hitt, 2000](#); [Autor et al., 2003](#); [Goos et al., 2009](#); [Balland et al., 2020](#); [Davis et al., 2020](#)).

Most of the labour polarisation occurs during economic crises when less competitive more outdated firms close and employment is set free ([Hershbein and Kahn, 2018](#)). The Covid-19 crisis is very different from previous economic shocks as it not only reduced spending by consumers and investments by firms like previous crises in general do but also through the particularity of the corona measures, which disproportionally affect activities dependent on being close to other persons. First signals suggest that jobs that do not allow for remote work or aren't deemed essential enough to remain operational during lockdowns are most strongly hit ([Barrero et al., 2020](#); [Dingel and Neiman, 2020](#); [Barrero et al., 2021](#)). However, the consequences for (regional) labour markets remains unclear.

In this paper, the traditional measures of, respectively, manual, routine, or abstract task content of jobs are supplemented with measures on the feasibility of remote work, following [Dingel and Neiman \(2020\)](#), and if a job is nominated as essential by the Dutch government. First, it is shown that essential jobs are roughly equally distributed over the wage distribution of jobs. Remote work, on the other hand, is strongly concentrated among higher incomes. Employment dynamics during the Covid-19 crisis shows reveal that generally jobs above the 55th percentile grow strongly, whereas those below this line show a strong decrease. This suggests that this crisis has led to a rise in income inequality rather than labour polarisation, until now.

The regression results confirm that a higher abstract task content, remote work ability, and essential requirement leads to growth. Whereas manual tasks rather routine tasks are associated with a employment loss. The small employment decrease in routine jobs is due to the fact that some of these jobs are designated as essential for production purposes. I also show that this starkly differs from the financial crisis when routine tasks are a strong predictor of employment

loss and remote work and essential jobs are irrelevant. Further analysis shows that the rapid rise in income inequality occurs mostly in large cities and that these new high-skilled jobs are generally taken up by young highly educated workers and expats, whereas older less-educated workers are more likely to exit the work force or move from high-income jobs to lower-income jobs.

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