



Job Creation and Local Economic Development 2020: Rebuilding Better examines the impacts of COVID-19 on different types of local labour markets. It also considers their performance prior to the pandemic, and how COVID-19 could impact other ongoing local labour market transitions such as digitalisation, automation and the polarisation of jobs. Finally, it discusses the role local actors will play in rebuilding better. Consult the full publication [here](#).

Japan¹

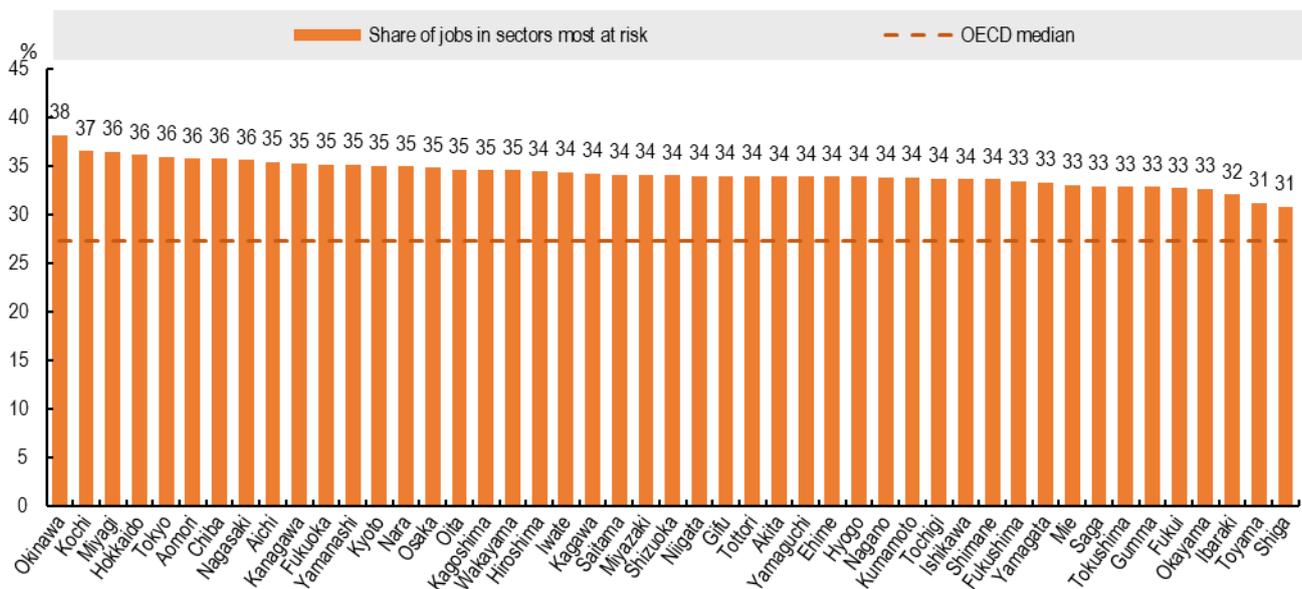
All sub-regions in Japan have a higher share of jobs in the sectors most at risk from COVID-19 than the OECD median region.

Only Southern-Kanto (the capital region) saw net employment growth between 2008 and 2018. All other regions saw decreasing levels of employment.

The share of middle-skill jobs decreased 12 percentage points or more in all Japanese regions between 2009 and 2018. In Tohoku and Tokai, this represents a net loss of over 600 000 and 900 000 middle-skill jobs respectively.

The potential impacts of COVID-19 on local labour markets

Jobs in sectors most at risk



Note: Share of jobs at risk is based on estimates of sectors most impacted by strict containment measures, such as those that involve travelling and direct contact between consumers and service providers. The sectoral composition of the regional economy is based on data from 2017 or latest available year. For this graph, data at the TL3 level is shown.

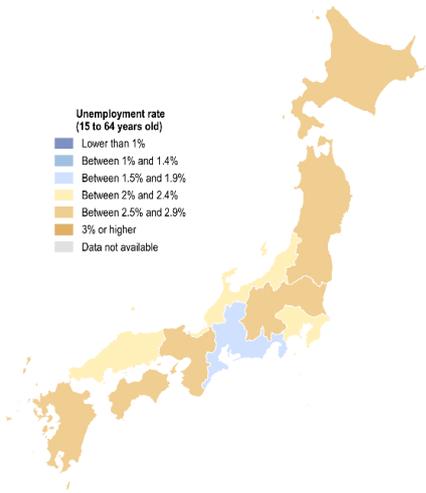
Source: OECD calculations on OECD (2020), "Regional economy", *OECD Regional Statistics (database)*, <https://doi.org/10.1787/6b288ab8-en>.

COVID-19 has put unprecedented pressure on local labour markets and economies. The share of jobs in the sectors most at risk from containment measures (e.g. accommodation and food services, and wholesale and retail trade) varies from less than 15% to more than 35% across OECD regions. In Japan, disparities between sub-regions are relatively small: the share of jobs in sectors most at risk ranges from 31% in Shiga and Toyama to 38% in Okinawa. All sub-regions had a higher share of jobs at risk than the OECD median region.

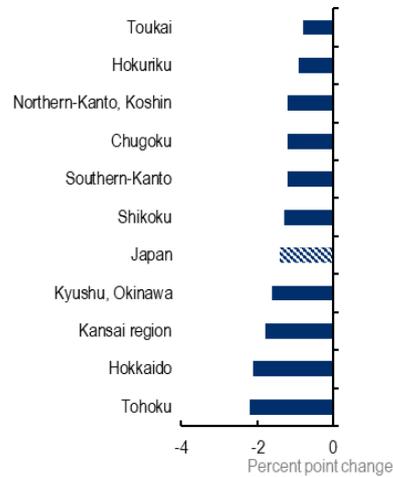
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Local labour market performance prior to COVID-19

Unemployment rate, 2019



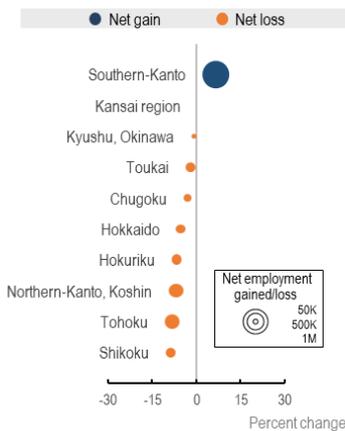
Change in unemployment rate, 2008-2018



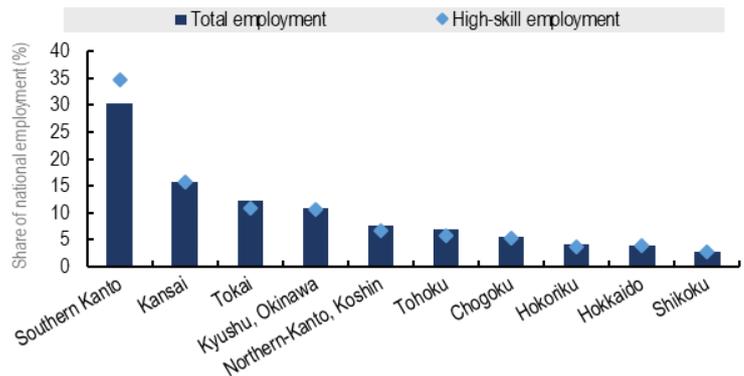
Note: The unemployment rate is computed as the share of unemployed people over the labour force, for the age group 15-64.
 Source: OECD (2020), "Regional labour markets", *OECD Regional Statistics (database)*, <https://doi.org/10.1787/f7445d96-en>.

Before the COVID-19 pandemic, unemployment rates in Japan were generally low. They only varied by 0.9 percentage points across regions, from a low of 1.9% in Toukai to a high of 2.8% in Tohoku and Kyushu, Okinawa in 2019. Looking at the decade following the 2008 crisis, all regions had unemployment rates lower in 2018 than in 2008, a pattern seen in only one-third of OECD countries. Regional gaps in unemployment also shrank over this period, thanks to relatively larger declines in the regions with the highest rates in 2008. For example, the unemployment rate decreased by 2.1 percentage points in Hokkaido, which had the highest unemployment rate in 2008.

Change in net employment, 2008-2018



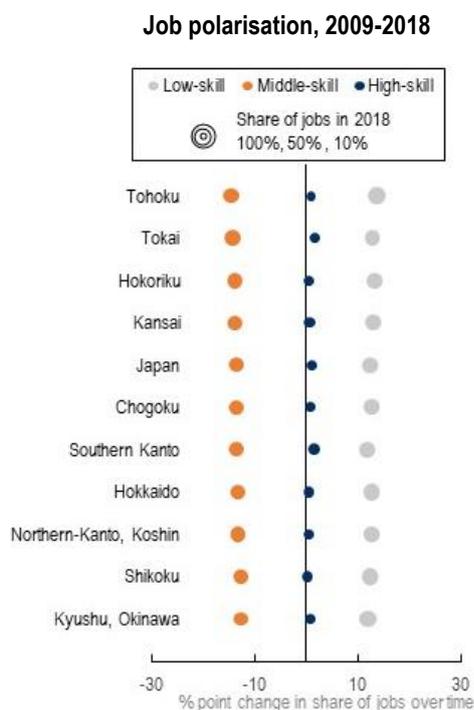
Employment by region and skill level, 2018



Source: OECD (2020), "Regional labour markets", *OECD Regional Statistics (database)*, <https://doi.org/10.1787/f7445d96-en> and OECD calculations on Labour Force Survey.

In all regions but Southern-Kanto (the capital region), the number of people employed decreased between 2008 and 2018. In 2018, Southern-Kanto accounted for over 30% of all employment in Japan and roughly 35% of all high-skill employment. Between 2009 and 2018, the geographic concentration of jobs (as measured by the number of people employed) increased in Japan, and more strongly for high-skill jobs than jobs in general.

Local labour market transitions



Following general OECD patterns, in Japan, all regions saw the share of middle-skill jobs decrease between 2009 and 2018. The share of middle-skill jobs decreased by 12 percentage points or more in all regions. In Tohoku and Tokai, it decreased by over 14 percentage points, which represents net loss of over 600 000 and 900 000 middle-skill jobs respectively. Unlike trends in most OECD countries, decreasing shares of middle-skill jobs were predominantly offset by increasing shares of low-skill jobs in all regions.

Note: High-skill occupations include jobs classified under the ISCO-88 major groups 1 (legislators, senior officials, and managers); 2 (professionals); and 3 (technicians and associate professionals). Middle-skill occupations include jobs classified under the ISCO-88 major groups 4 (clerks); 6 (skilled agricultural workers); 7 (craft and related trades workers); and 8 (plant and machine operators and assemblers). Low-skill occupations include jobs classified under the ISCO-88 major groups 5 (service workers and shop and market sales workers); and 9 (elementary occupations).

Source: OECD calculations on Labour Force Survey.

Active labour market policies: institutional arrangements

Active labour market policies will be of growing importance as the COVID-19 response moves from emergency supports to facilitating labour market transitions. The institutional arrangements for these policies, and the role of subnational governments, varies significantly across countries.

X	Centralised, including branch offices of national ministry / agency	
	<i>Decentralised to subnational governments</i>	In Japan, the national government is predominantly responsible for active labour market policies, through the Ministry of Health, Labour and Welfare. Subnational offices of the national government (Prefectural Labour Bureaus and Hello Work offices) implement active labour market policies in the regions based on national government's instructions, with some discretion to tailor to specific labour market needs. Additionally, some subnational governments complement national policies according to their labour market needs, and the national government provides earmarked grants to subnational governments for some training programmes.
	<i>Fully outsourced or delivered through network of public, private, and/or non-profit providers</i>	
	<i>Combined system with shared competences, or different systems for different target groups</i>	

Source: OECD (forthcoming), "Local and regional variations in labour market and skills policies: A cross-country comparison", *OECD Local Economic and Employment Development (LEED) Papers*.

Notes

¹ Data is mainly presented at the TL2 level, which typically corresponds to the first administrative tier of subnational government. See Reader's Guide of the full report for more information on the methodologies behind the calculations.