



# THE ROLE OF COVID-19 ON PRODUCTIVITY AND BUSINESS DYNAMICS

Flavio Calvino (OECD)

Fuelling productivity and business dynamism: long-term trends and the post-pandemic economy – 29<sup>th</sup> April 2021



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No. 811181. The European Commission is not responsible for any use that may be made of the information produced by the project.



Based on work by

---

Stefano Agresti, Sara Calligaris, Flavio Calvino,  
Chiara Criscuolo, Lilas Demmou, Isabelle Desnoyers-  
James, Dennis Dlugosh, Guido Franco, Peter Gal,  
Clara Kögel, Timo Leidecker, Francesco Manaresi,  
Nathalie Scholl, Rudy Verlhac



# Roadmap

---

- The role of the Covid-19 crisis on productivity and business dynamics: some of the mechanisms at play
  - Aggregate implications: positive vs. negative mechanisms
  - Sectors and regions: between vs. within dynamics
- Initial evidence
  - Some relevant sources of data and analyses
  - Teleworking
  - Liquidity and insolvency
  - Bankruptcies
  - Business registrations
- The role of policy
  - From dealing with the emergency to tackling long-term challenges and shaping an inclusive and sustainable recovery



Some of the mechanisms at play



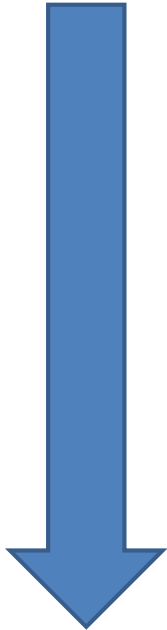
# Aggregate implications

---

## Negative factors

## Positive factors

Short term



Longer term

- Government restrictions
- Short-term disruptions in GVCs
- Limited interactions (knowledge spill-overs)
- Short-term changes in demand
- Liquidity shortages / financial constraints (limited by emergency measures)
- Disruptions in human capital (schooling, re-training)
- Uncertainty and investments

- Boosting digital transformation in traditional sectors
- New opportunities
- Radical / disruptive innovation
- Shifts to remote working (mixed evidence)
- Possible cleansing effects



## Sectors and regions: between vs. within dynamics

---

- Some sectors and regions are more vulnerable than others
  - Differences in exposure to health crisis
  - Differences along the factors in the previous slide (e.g., [aviation](#), [retail](#), automotive)
  - May lead to possible composition effects
- Winners and losers may emerge within sectors
  - Digital readiness
  - Frontier vs. non-frontier
  - Small vs. young vs. large
  - COVID-19 may amplify long-term increasing divergences



# Initial evidence





## Some relevant sources of data and analyses

---

- **Business surveys: some examples**
  - Bloom et al. (2021) – UK
  - Riom and Valero (2021) – UK
  - Buffington et al. (2020) – USA
- **Real-time and high-frequency data**
  - E.g., Google trends (e.g., Woloszko, 2020)
  - Increasing efforts by National Statistical Offices
- **Focus: contributions on the OECD COVID-19 Hub**  
<https://www.oecd.org/coronavirus/en/>





## While teleworking has been crucial during the crisis...

---

- Different channels may lead to higher/lower productivity (OECD, 2021a)
  - Lower interactions (-), higher communication costs (-), lower oversight/motivation (-), possibly non-linear patterns in workers' satisfactions (+/-), possible reductions in fixed costs (+)
- Remote working is probably here to stay: call for complementary organisational change
  - Ongoing OECD work exploring evidence on experience and expectations (GFP)
- Not all firms/sectors/workers are equally able to organise their activities remotely



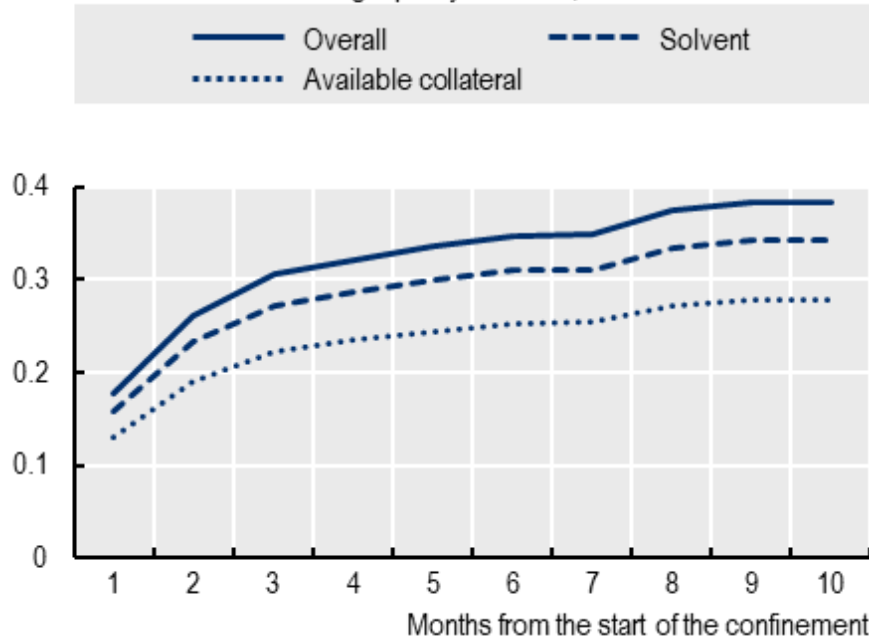
# ...a high share of firms risks facing liquidity and insolvency crises...

... especially in less *teleworkable* sectors

## A. High liquidity shortfalls without government intervention

### Downside scenario

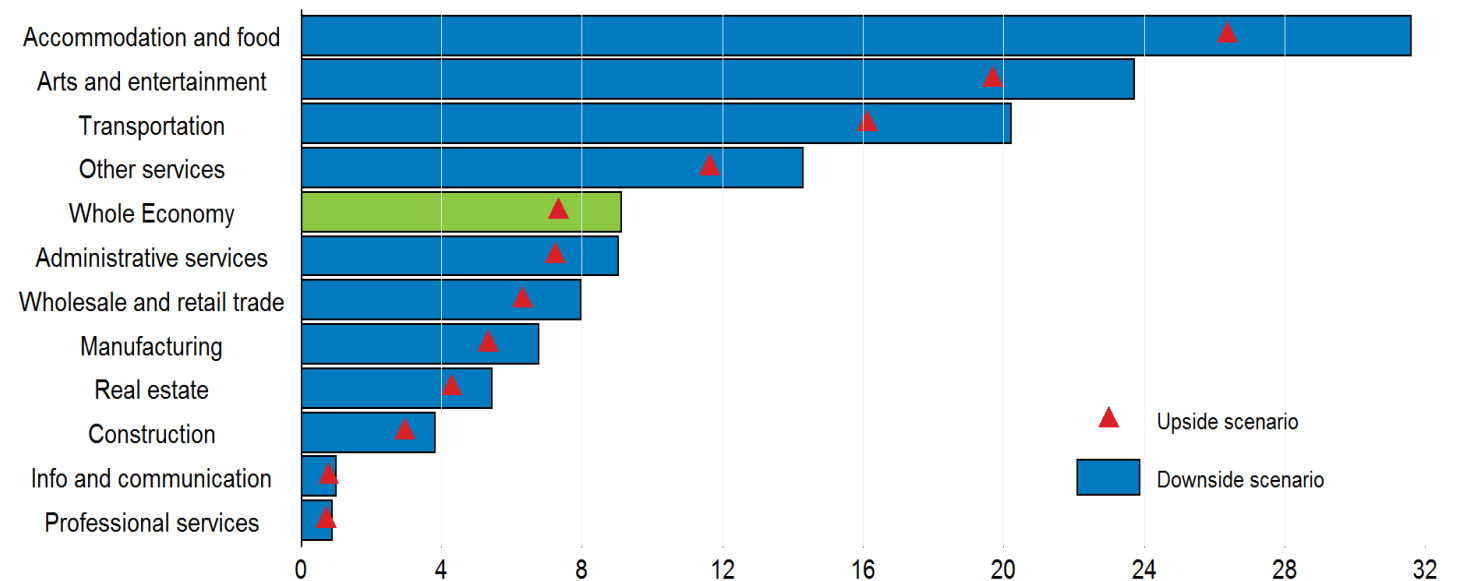
Share of firms facing liquidity shortfalls, but solvent



Source: Demmou, Franco, Calligaris, Dlugosch (2021)

## Percentage of otherwise viable firms turning distressed

Whole economy and sectoral disaggregation



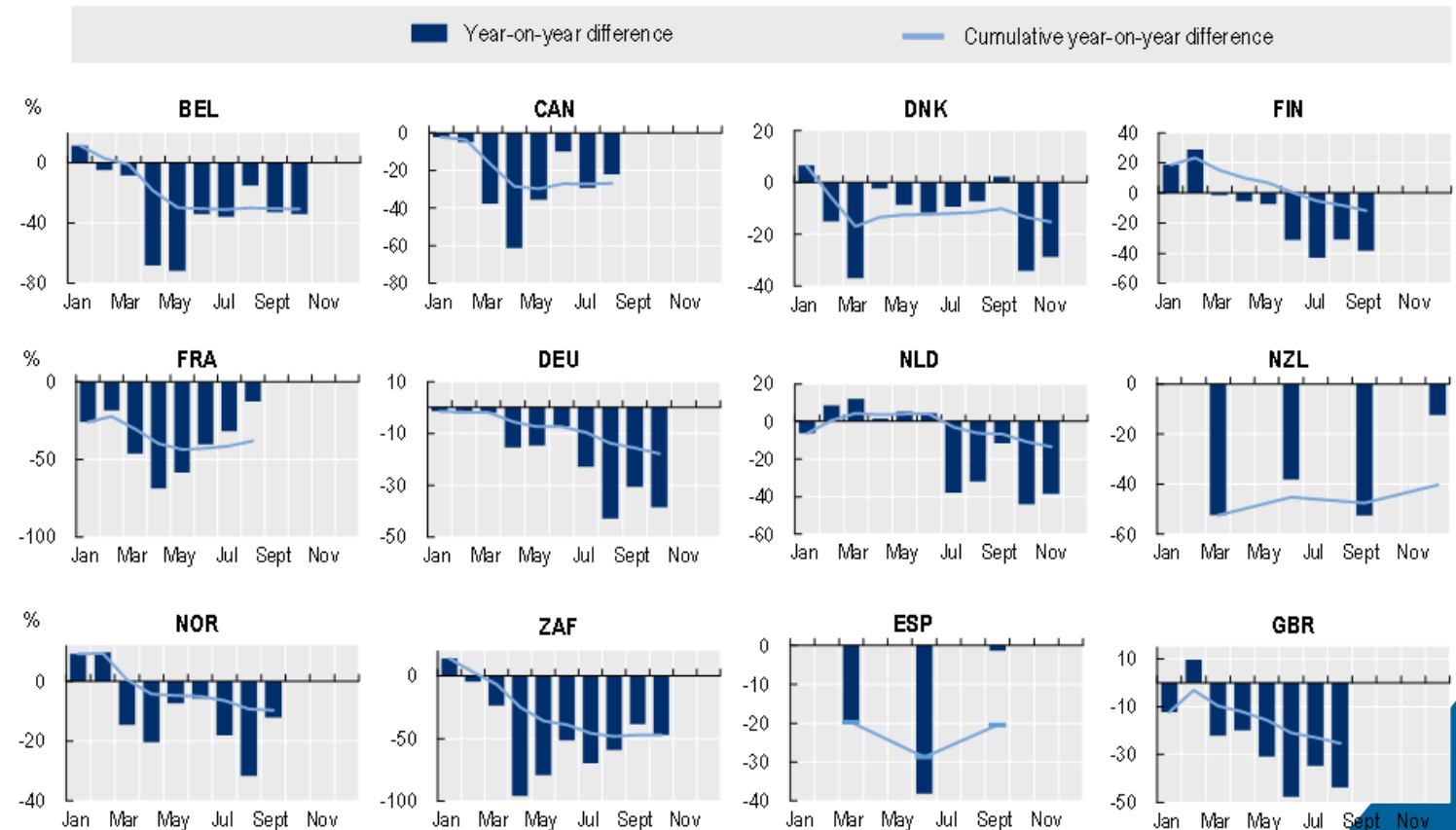
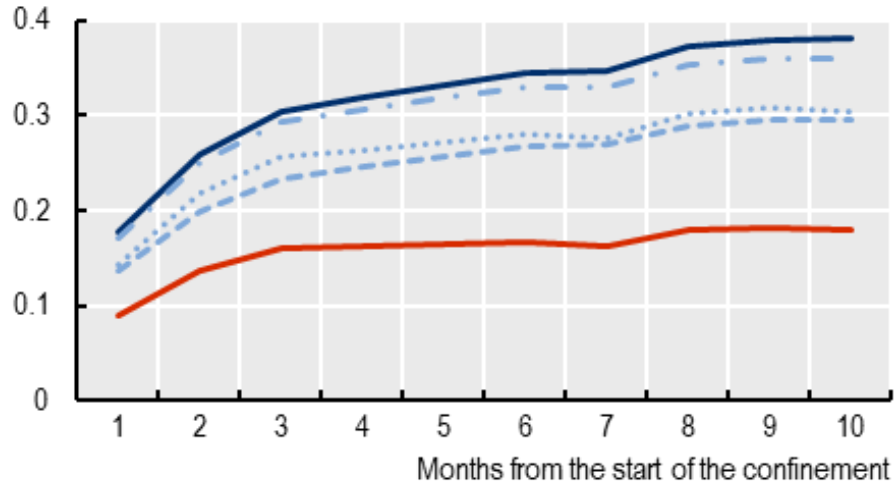
Source: Demmou, Calligaris, Franco, Dlugosch, Adalet McGowan, Sakha (2021)



# ...but policy interventions have helped tackle these so far...

## Changes in monthly bankruptcies, 2019-20

### B. Policies can significantly reduce liquidity shortfall Downside scenario, short-term work scheme Share of firms facing liquidity shortfalls



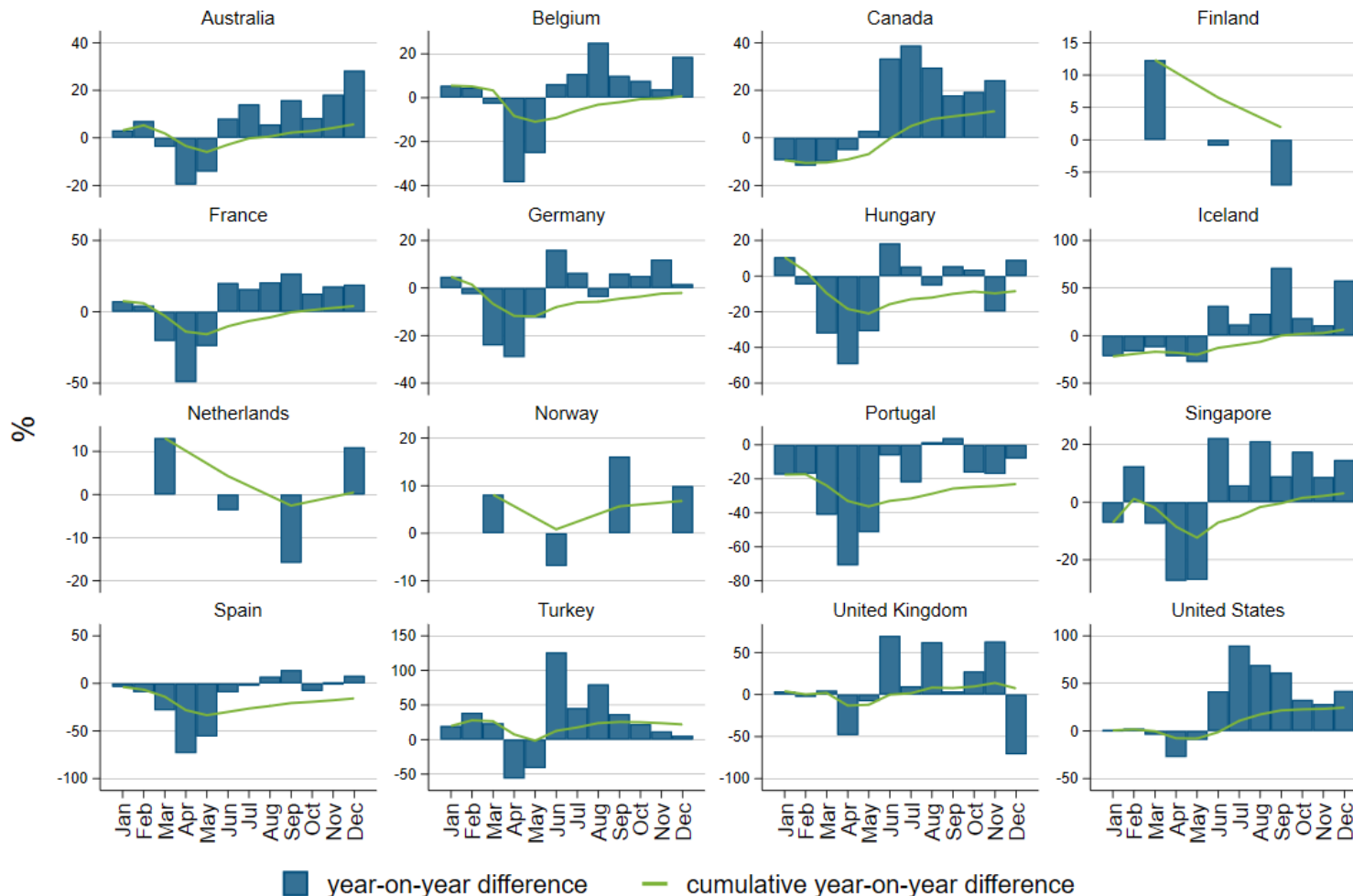
Source: Demmou, Franco, Calligaris, Dlugosch (2021)

Source: OECD (2021b)



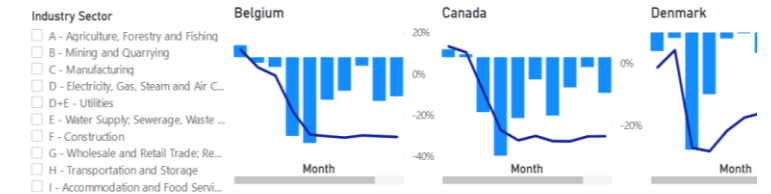
# ...although some countries are still at risk of a missing generation of new firms...

## Percentage change in number of entries per month in 2020 vs. 2019

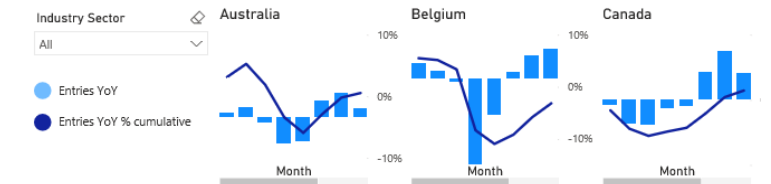


**! NEW VISUALISATION TOOL COMING SOON !**

## Bankruptcies Comparison 2020 vs 2019



## Entries Comparison 2020 vs 2019



<https://www.oecd.org/fr/sti/dynemp.htm>

Source: Agresti, Calvino, Criscuolo, Manaresi, Verlhac (forthcoming); updating OECD (2021b) based on timely DynEmp



# Policy is key

From dealing with the emergency, to tackling long-term challenges and shaping an inclusive and sustainable recovery



## From dealing with the emergency...

---

- Tackling the health crisis: vaccinate fast
- Emergency measures...
  - Supported workers and firms
  - Effective in lowering bankruptcies in 2020
- ...may not last forever
  - Trade off about phasing out: too soon vs. too late? Refocus?
  - A gradual approach may involve
    - Restoring equity, encouraging timely debt restructuring of viable firms, reducing uncertainty (including policy uncertainty), ensure efficient liquidation of unviable firms, while supporting transitions for displaced workers



# ...to tackling long-term challenges and shaping an inclusive and sustainable recovery

---

- COVID-19 accelerated structural processes
  - Uncovered the importance of going digital and to improve resilience
  - Available funds should reduce digital & green investment gaps...
  - ...while tackling long-term challenges and fostering inclusiveness
- 1. Boost technology diffusion for an inclusive green and digital transformation
  - Improve connectivity, data privacy, foster shifts to renewables
  - Increase technology awareness, improve skills, ensure access to finance, support R&D
- 2. Ensure business-friendly framework conditions
  - Preserve competition, contestability of markets and openness
  - Foster experimentation and innovation, ensure efficient resource reallocation
- 3. Support transitions into new jobs, especially for more disadvantaged groups of workers
  - Increasingly focus on people, improve training and access to labour markets



# “Building back better”

Looking forward to the keynote and the policy panel. Thank you!

[Flavio.CALVINO@OECD.org](mailto:Flavio.CALVINO@OECD.org)





## Key references and further readings

---

- Demmou L., G. Franco, S. Calligaris, D. Dlugosch (2021). “Liquidity shortfalls during the COVID-19 outbreak: Assessment and policy responses”, *OECD Economics Department Working Papers*, No. 1647, OECD Publishing, Paris, <https://doi.org/10.1787/581dba7f-en>.
- Demmou, L., S. Calligaris, G. Franco, D. Dlugosch, M. Adalet McGowan, S. Sakha (2021). “Insolvency and debt overhang following the COVID-19 outbreak: Assessment of risks and policy responses”, *OECD Economics Department Working Papers*, No. 1651, OECD Publishing, Paris, <https://doi.org/10.1787/747a8226-en>.
- OECD (2021a). “Productivity gains from teleworking in the post COVID-19 era: How can public policies make it happen?”, *OECD Policy Responses to Coronavirus (COVID-19)*, OECD Publishing, Paris, <https://doi.org/10.1787/a5d52e99-en>.
- OECD (2021b). “Business dynamism during the COVID-19 pandemic: Which policies for an inclusive recovery?”. *OECD Policy Responses to Coronavirus (COVID-19)*, OECD Publishing, Paris, <https://doi.org/10.1787/f08af011-en>.
- OECD (2021c). *OECD Economic Outlook, Interim Report March 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/34bfd999-en>.