

**CompNet** The Competitiveness Research Network

**Microprod Policy Dialogue:  
COVID and productivity**

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18 March 2021

# Outline for today

- Covid has disrupted all aspects of our life and inflict tremendous costs to the economies
- Assessing the Covid **impact on productivity** will become critical, to ensure that the recovery will be balanced and sustainable
- What do we know one year after Covid-19 erupted?
- We will provide a quick and simple conceptual framework
- ...and indicate some initial results across the globe
  
- This to introduce the 3 EU country specific findings

# Dissecting productivity: a primer

Producti  
on  
function



$$Y = f(A, K,$$

N)

Total Factor  
Productivity

## Within firms

Internal efforts/  
characteristics  
(marketing, technology,  
costs...)

## Between firms

### Net Entry effect

New (more productive)  
firms entering  
Bad firms exiting

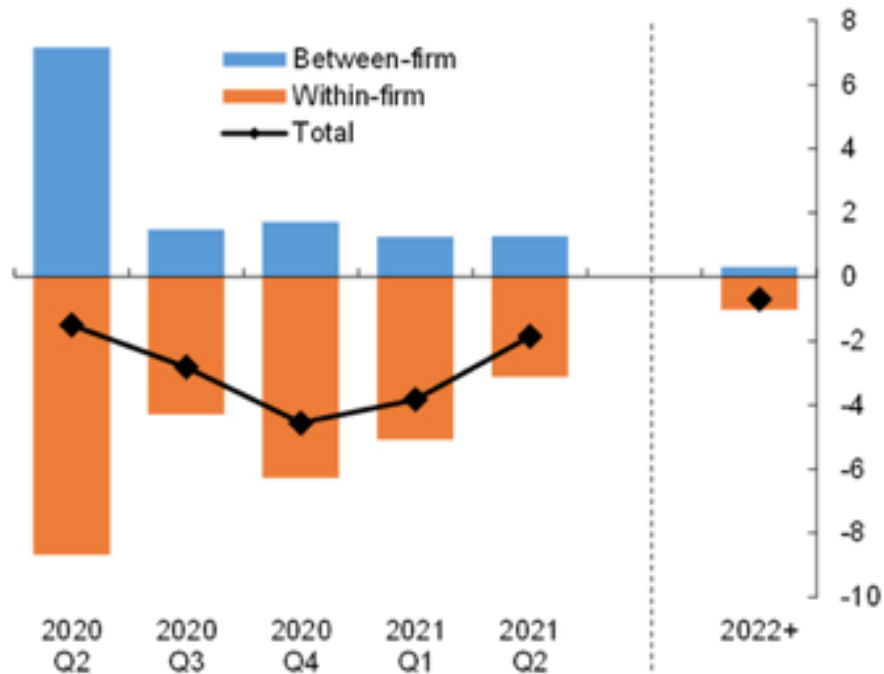
### Allocative Efficiency

Resources (L and K)  
going to most  
productive firms, which  
become larger

# Between-firms attenuates within-firms effect in the UK

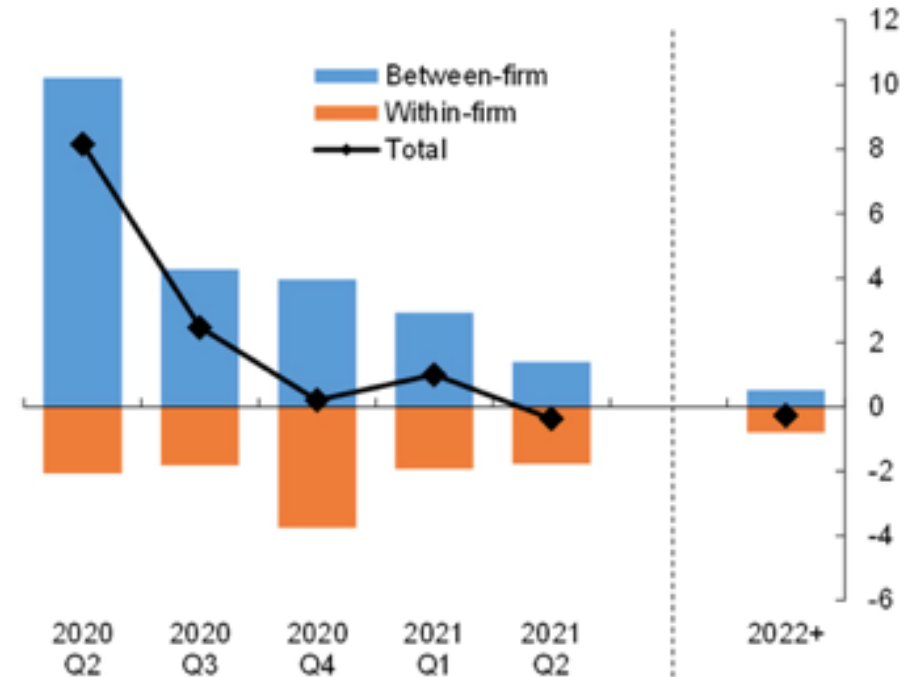
(a) TFP

Percentage impact of Covid-19 on TFP



(b) Hourly labour productivity

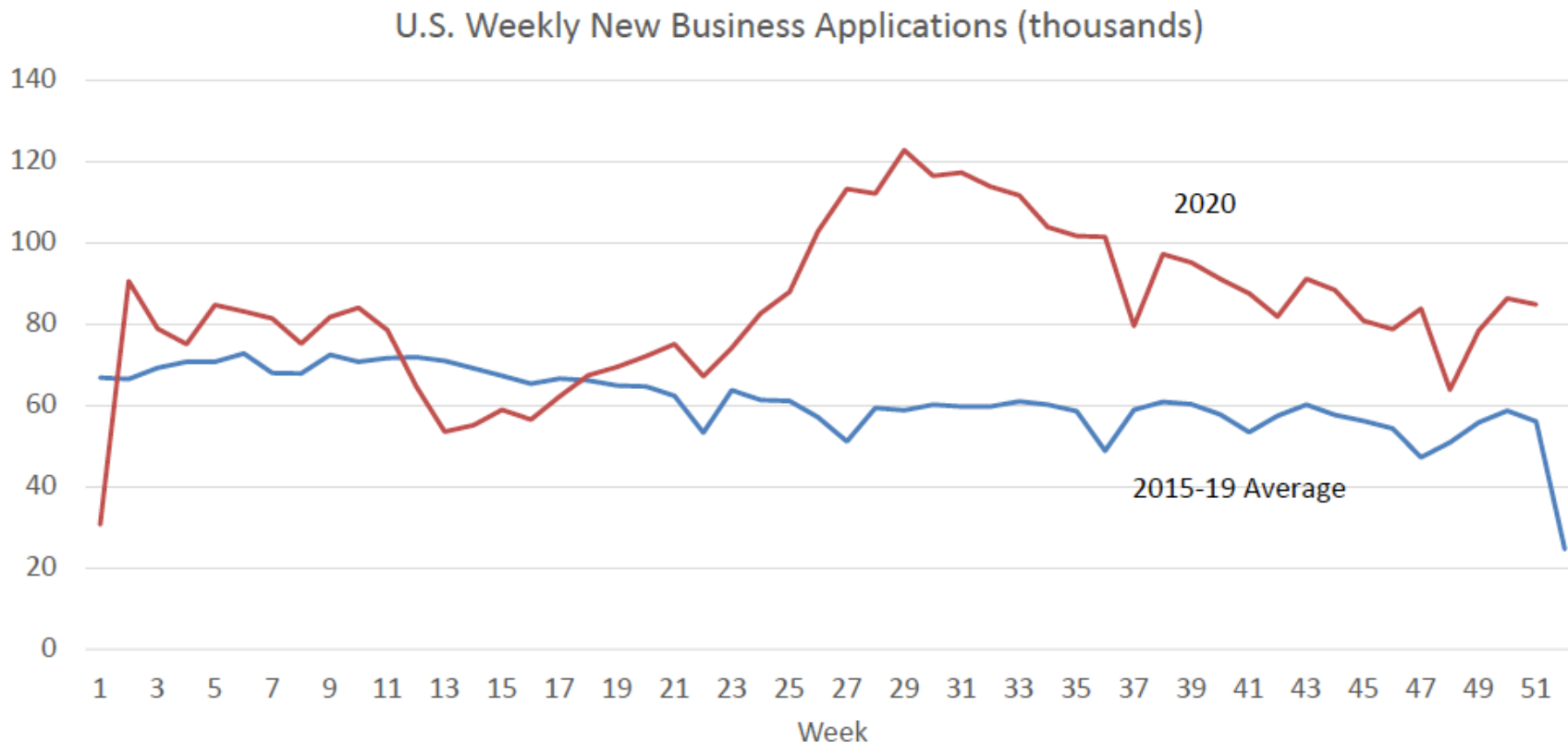
Percentage impact of Covid-19 on labour productivity per hour



- The effect on within-firm productivity is negative: firm expect to be losing efficiency partly because measures to contain Covid-19 are expected to increase intermediate costs
- These negative effects, however, are partially offset by a positive between-firm effect as low productivity sectors, and the least productive firms among them, are disproportionately affected.

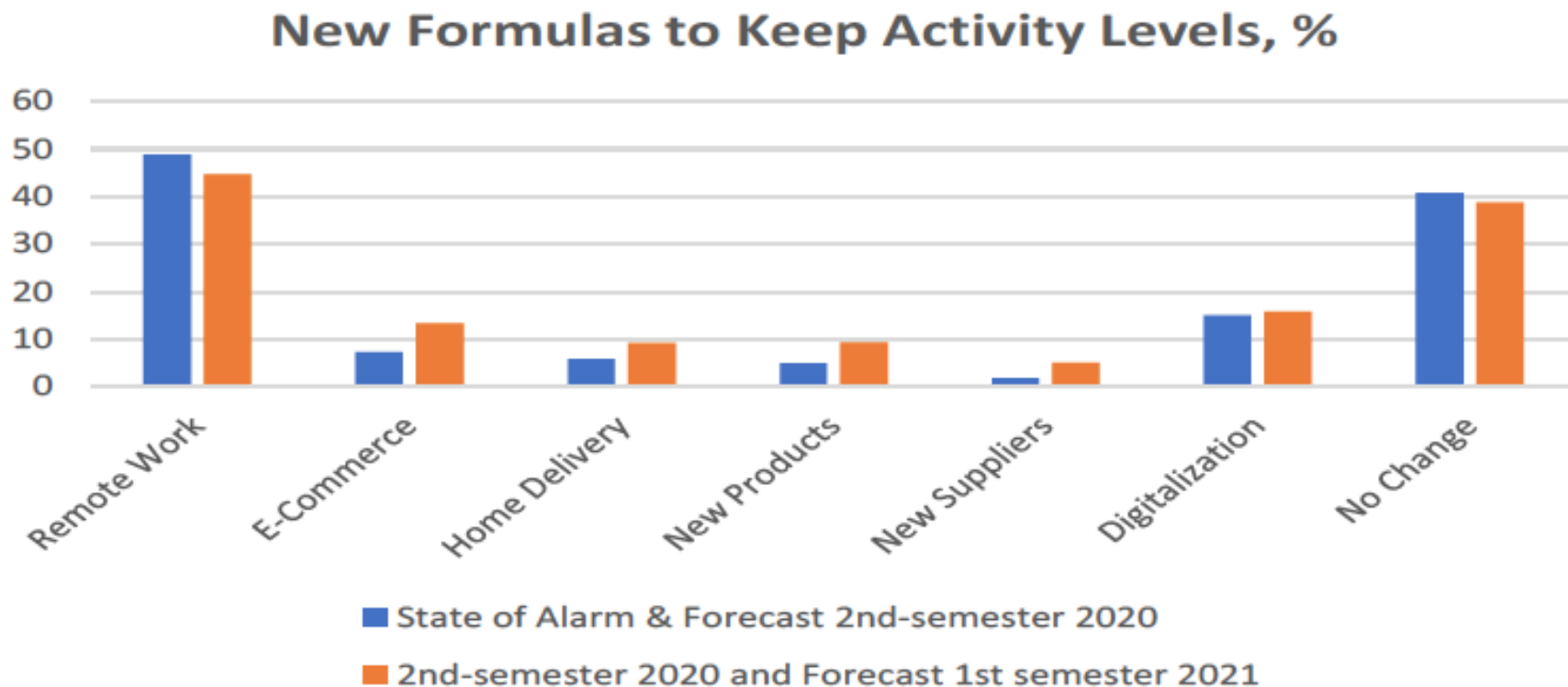
# Net entry effect unusually positive in the US

## Encouragingly Strong Business Formation



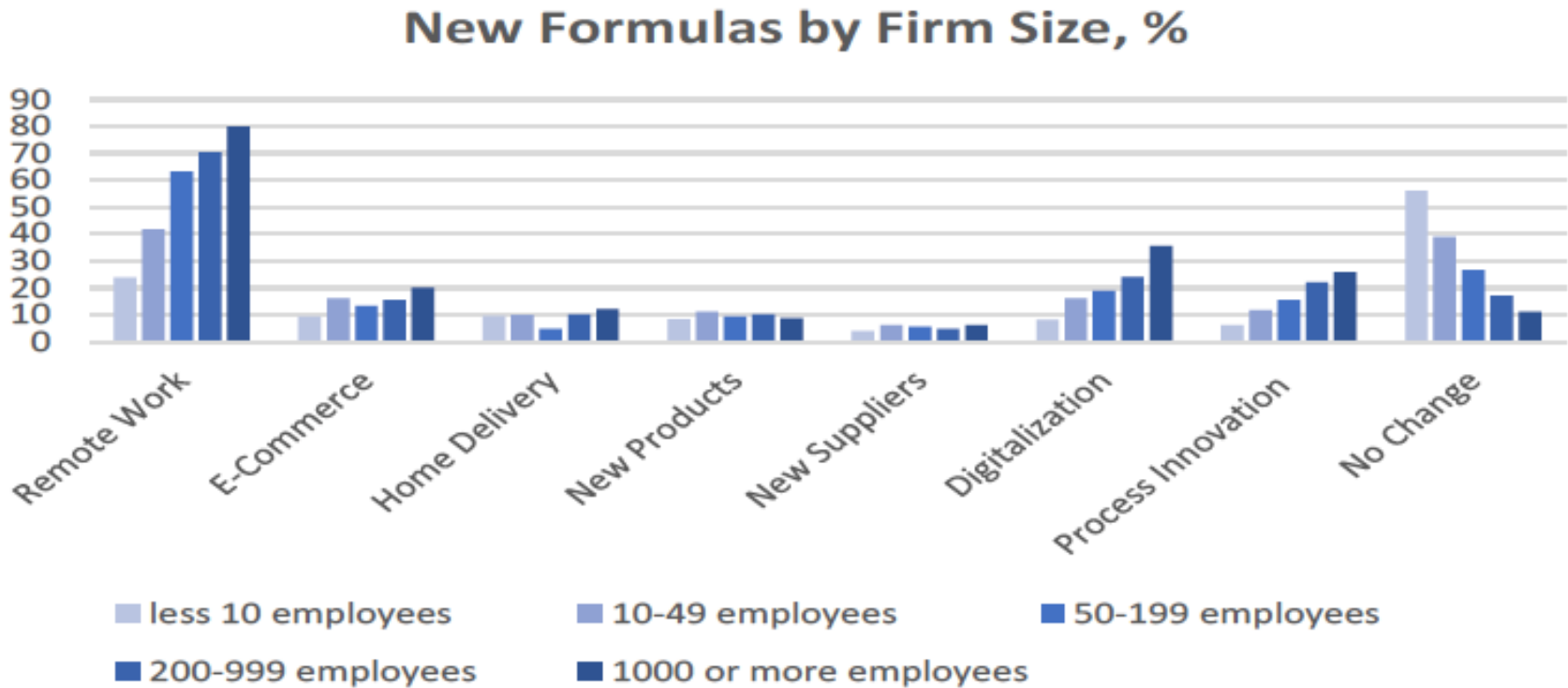
In the US a positive and encouraging business formation trend is present. We need to understand to which extent this phenomenon can boost future productivity growth

# Within-firms impact are positive in Spain for incumbents



- **Existing firms are changing the way in which they are conducting business** in order to keep pre-crisis activity levels.
- The most common change is clearly **remote work**, but other changes are present in a significant % of firms. However, a large amount of firms did not change anything.

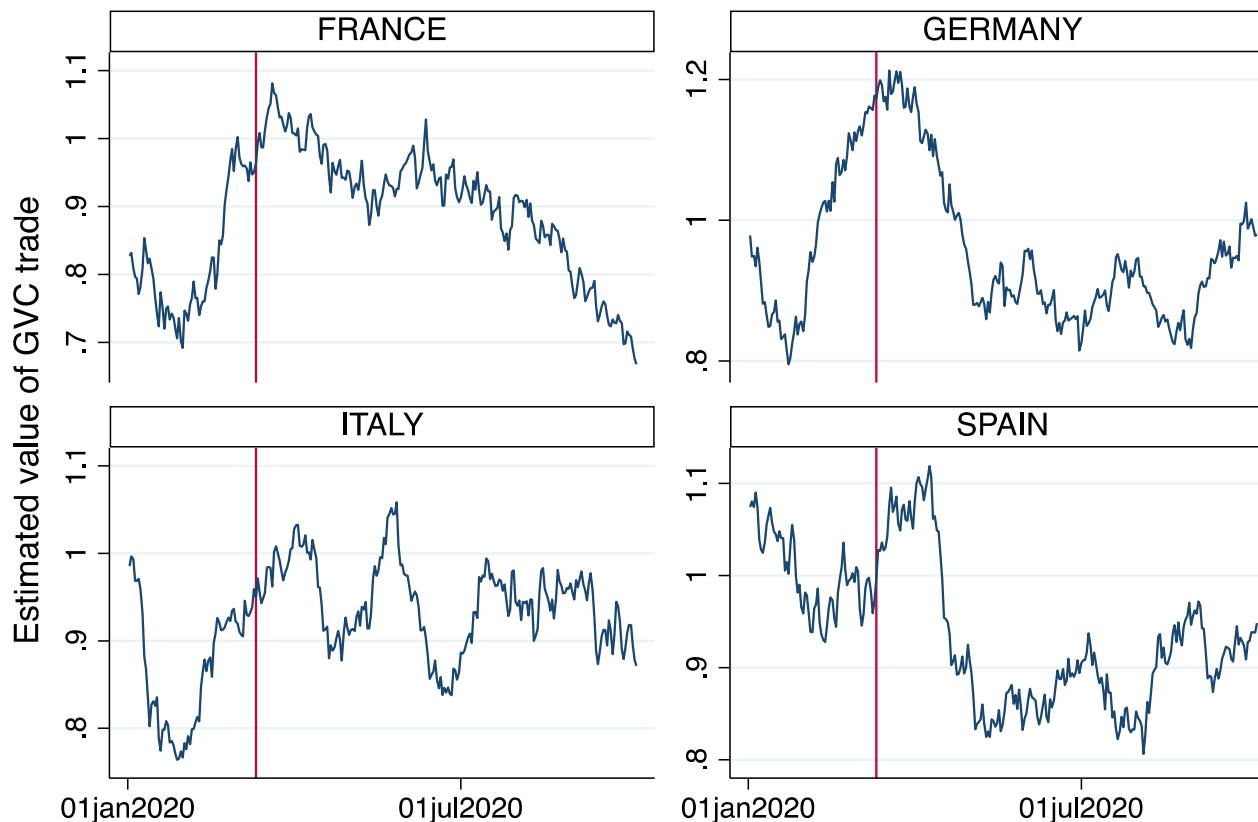
# ... but changes are concentrated among large firms



**Changes in remote work, digitalization and process innovation are concentrated among large firms.**

# No generalized signs of supply chains (GVC) disruption

Daily estimates (30-days MA) of GVC related trade for 2020 as a share of 2017-19 average



Note: the red line indicates the date in which WHO declared the COVID-19 pandemic

...but the impact varies across EU countries

- negative in France
- with some sign of recovery in GER, ITA, SPA



# Conclusions

- Possibly, so far, across the globe, the impact of COVID on productivity was less damaging than feared
- Including, because of some “cleansing effects” across firms/sectors
- Data are still scarce, but MICROPROD and CompNet will be able to offer soon some more systematic cross-country indication

➔ Let's go to some specific country findings