

Reallocation Post-Covid: Global Forum on Productivity

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July 2022

Introduction

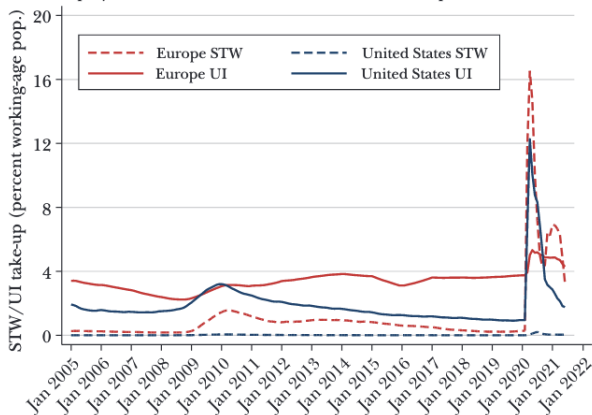
- ▶ Covid shock is **multi-dimensional**
 - ▶ Sectoral: social distancing & patterns of demand
 - ▶ Occupational: ability to work from home
 - ▶ Spatial: changing location of work & consumption
 - ▶ Generational: youth education disruption, elderly exits
- ▶ Covid shock is **persistent**
 - ▶ Virus endemic: rates of sick leave & long covid
 - ▶ Firm investments: reduce need for co-located workforce
 - ▶ Individual preferences: WFH, job amenities (somewhat)

Policy Challenges

- ▶ **Inefficient separation v. efficient reallocation**
 - ▶ Temporary shock: value in preserving existing matches
 - ▶ Persistent shock: need to reallocate resources from low to high productivity units
- ▶ **Insurance v. distortion**
 - ▶ Workers: Low search effort & switching
 - ▶ Firms: Hours reductions or hiding, reduce incentive to invest in new technologies
- ▶ **WFH productivity v. inequality**
 - ▶ Benefits: flexibility to sickness & long covid, reduce commuting time, reciprocity
 - ▶ Costs: monitoring, training, job design, regressive & spatial

Short Time Work v. Unemployment Insurance

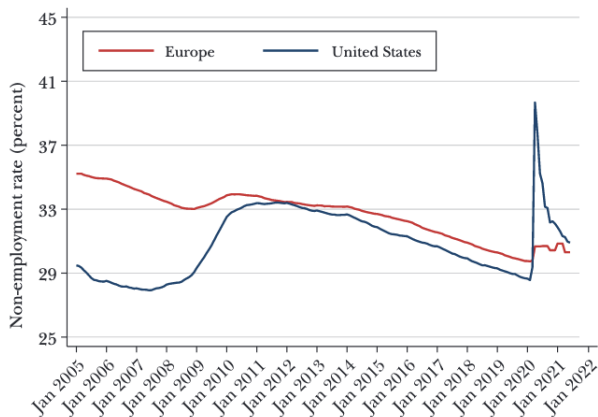
A: Unemployment insurance and short-time work take-up



Giupponi, Landais, = & Lapeyre (2022)

Short Time Work v. Unemployment Insurance

B: Non-employment rate



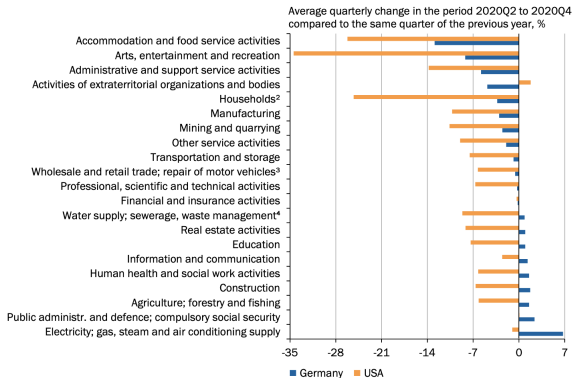
Giupponi, Landais & Lapeyre (2022)

Preservation of Existing Matches

- ▶ Subsidize labour hoarding in the face of liquidity constraints due to:
 - ▶ Firm-specific human capital & hiring costs
 - ▶ Greater flexibility to allow employment on a part-time basis
 - ▶ Potentially lower administration burden
 - ▶ Recall not credible

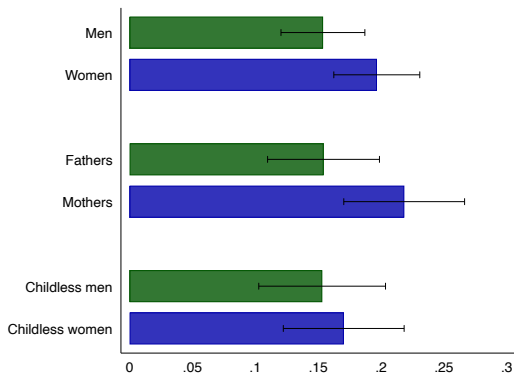
Short Time Work & Employment Change

Changes in employment by sector in 2020 were highly heterogeneous¹



Arnadt, Von Ruden & Thiel (2021)

Short Time Work & Gender

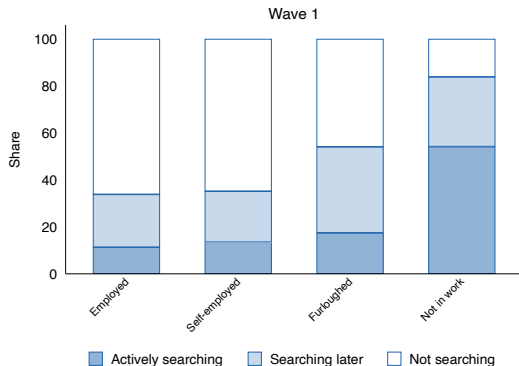


Adams-Prassl, Boneva, Golin & Rauh (2020)

Reallocation

- ▶ Heterogeneity in covid shock across sectors, occupations, firms & geography
- ▶ Require reallocation of resources from low to high productivity units
- ▶ Schumpeter (1939): recessions as a time of creative destructive, forcing lower productivity firms from the market
- ▶ Mechanisms to insure workers & firms reduce search effort and hiring incentives
- ▶ Interacts with market tightness: with rationing, could get a rat race & congestion

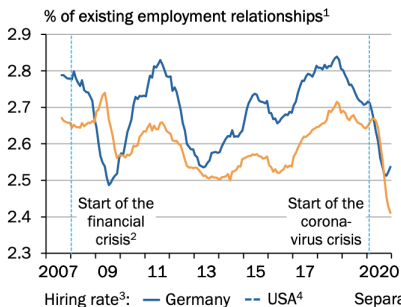
Search Intentions



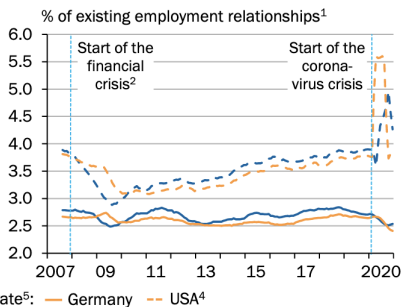
Adams-Prassl, Boneva, Golin & Rauh (2022)

Hiring & Separations: Germany & US

Worker reallocation in Germany (enlargement)

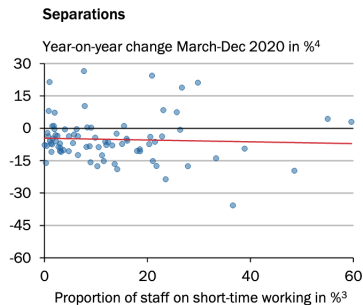


Worker reallocation in the USA and Germany



Arnadt, Von Ruden & Thiel (2021)

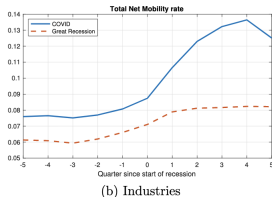
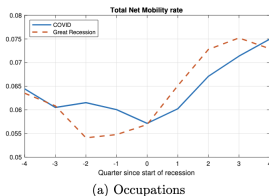
Hiring & Separations: STW



Arnadt, Von Ruden & Thiel (2021)

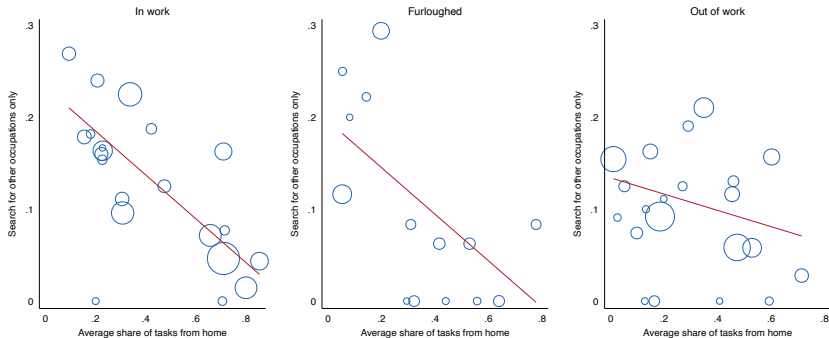
Patterns in Reallocation

- ▶ Overall reallocation depressed compared to GFC
- ▶ David (2021): if all sectors grow/shrink proportionately, then sectoral reallocation measure zero
- ▶ Germany & UK: evidence of higher sectoral reallocation (Arnadt et al, 2021; Carrillo-Tudela et al, 2021)
- ▶ Inequality across education groups



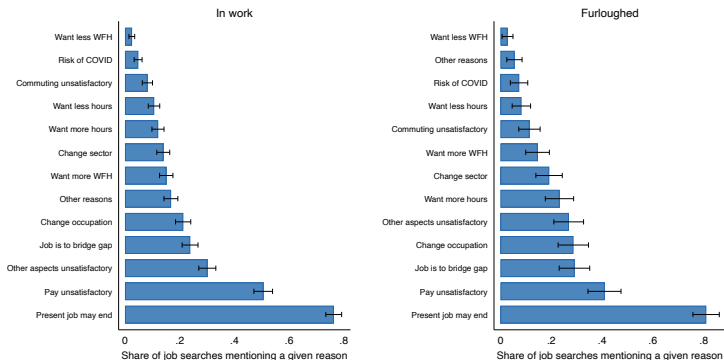
Carrillo-Tudela et al (2021)

WFH & Switching



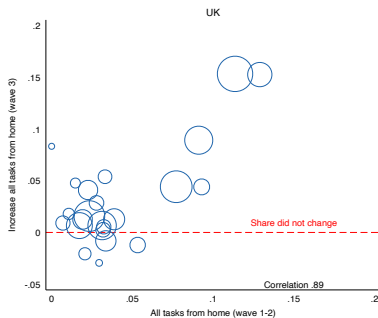
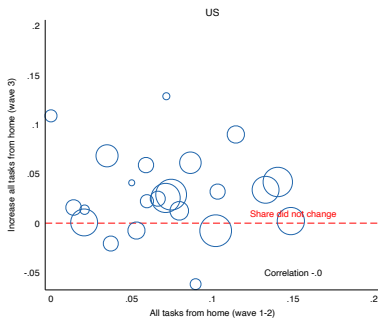
Adams-Prassl, Boneva, Golin & Rauh (2022)

Reasons for Search



Adams-Prassl, Boneva, Golin & Rauh (2022)

WFH Change - 2020



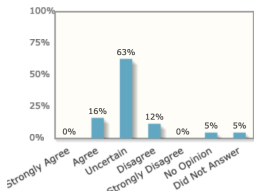
Adams-Prassl, Boneva, Golin & Rauh (2021)

WFH & Productivity

Question A:

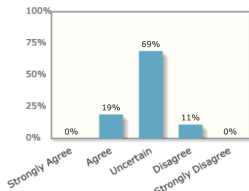
Employees who spend two of their days each week working from home are, on average, likely to be more productive over the longer term.

Responses



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Source: IGM Economic Experts Panel
www.igmchicago.org/igm-economic-experts-panel

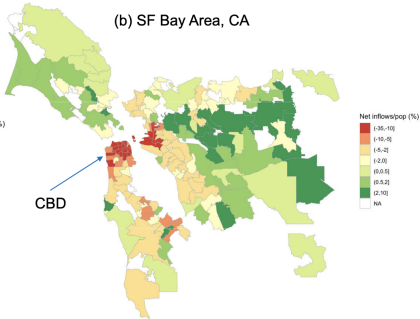
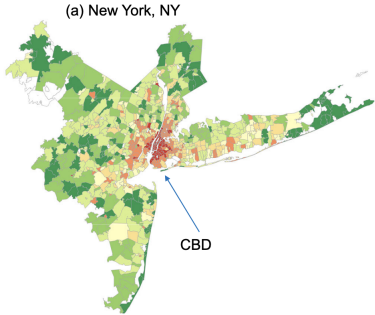
Responses weighted by each expert's confidence



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Source: IGM Economic Experts Panel
www.igmchicago.org/igm-economic-experts-panel

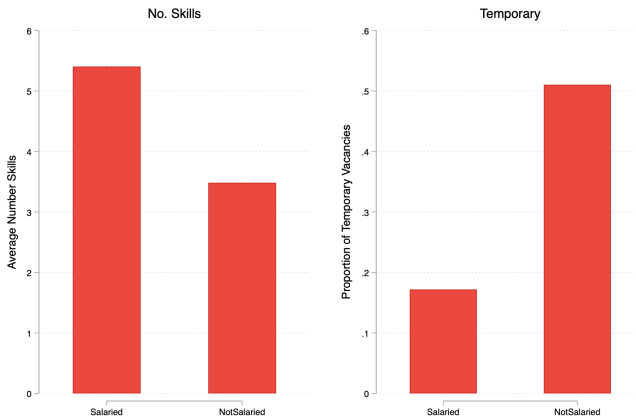
Chicago Booth Initiative on Global Markets, Feb 2022

Donut Effect



Ramani & Bloom (2021)

WFH & Job Definition



Adams-Prassl, Balgove, Qian & Waters (2021)

Summary

- ▶ Covid shock is multi-dimensional and persistent
- ▶ Short time work schemes saved jobs but slowed reallocation
- ▶ Ex-ante v. ex-post perspective important when considering optimal policy mix
- ▶ WFH will influence other aspects of job design — productivity and inequality consequences uncertain