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Productivity and the Pandemic: Challenges and Insights from COVID-19

Edited by Philip McCann and Tim Vorley

Book Review Contributed by Pinky Joseph

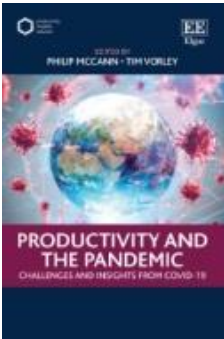
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A Book Review of Productivity and the Pandemic: Challenges and Insights from COVID-19

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The impacts of the COVID-19 pandemic have been extensive. Essentially, a new normal has been developed, impacting both the labour market and the business sector, which are intricately linked to productivity. Traditionally, productivity has been heralded as one of the main drivers of economic growth and consequently, it is viewed as the primary tool for economic recovery post-COVID-19. Given the contractionary short-run impacts of, and the long-term uncertainty surrounding the pandemic, policymakers must now determine how productivity can be amplified in such an environment.

McCann & Vorley in the book entitled "Productivity and the Pandemic: Challenges and Insights from Covid-19" examine how this global pandemic has impacted productivity through the compilation of twenty-one research papers written by forty-four members of the UK-based, Productivity Insights Network. The authors utilise empirical evidence from UK-based studies to demonstrate the pandemic's direct and indirect impacts on productivity. They also propose new productivity paradigms and strategies that can be adopted to drive productivity during and post-COVID-19. Productivity, as mapped out by the various papers, is a function of technology, innovation, skills development, system interconnectedness and investment.

Productivity as stated by Yadav & Marwah (2015) is a measure of the efficiency of production. That is, how much output can be produced given a set of quantifiable inputs. In chapter two, Harris (2020) provides a similar perspective on productivity defining it as "the ability of a firm to produce output with minimal use of inputs". However, Ernst (2020) and Webber & Dymski (2020) challenge readers to redefine their perspective of productivity in chapters fifteen and seventeen, respectively. Webber & Dymski criticise the use of the metric Gross Value Added (GVA) per worker as a measurement of productivity, claiming that its interpretation is often one-dimensional, solely focusing on the supply of output. Through graphical analysis, the authors illustrate that GVA per employee, and productivity itself, is two-dimensional. That is, the metric contains aspects of both supply and demand. If demand for a firm's commodity is low, the firm receives less revenue and demands less inputs from other businesses. Consequently, firm productivity and sector-wide productivity, measured through GVA, is reduced. Hence, it is important to look at both demand and supply aspects when analysing productivity.

Furthermore, while productivity is widely adopted as an indicator of efficiency, measured as output per unit of input, Ernst (2020) protests against this efficiency-based view of productivity. Rather, he advocates for building resiliency into productivity. According to him, resiliency can be achieved through investing in remote work technology and building “just-in-case” supply chains. A just-in-case supply chain comprises alternative companies that can fulfil distinct roles in a supply chain should an adverse shock result in disruptions (Boming, Rigobon, & Rigobon, 2022). Ernst (2020) substantiates his argument using evidence from the UK where areas with lower proportions of white-collar jobs faced relatively high levels of unemployment as such jobs could not be performed remotely, and businesses’ supply chain decisions were constricted due to the trade relations lost as a result of Brexit.

While remote work technology has proven to be beneficial during the pandemic, it is not a solution for all sectors. For instance, tourism was heavily impacted by restrictions and could not be delivered remotely. Despite sector-wide remote work being impossible, there are niches within the sector that could benefit from Ernst’s view of boosting remote technology. In establishing its first metaverse embassy, Barbados as a small tourism-dependent economy has tapped into the technological advancements within the growing area of metaverse tourism. Additionally, given the feedback from the 2022 Agri-Investment Forum & Expo held in Guyana, it appears that the Caribbean is moving towards building provisional food supply chains within the region which can help mitigate the commodity shortages usually faced in the region after adverse global events.

Waning demand and capital shocks emanating from the pandemic dampened the outlook for Small and Medium Enterprises (SMEs). SMEs were most vulnerable since their financing was already constrained (McCann & Ortega-Argiles, 2020). The demand shock led to lower revenues for SMEs while the capital shock made it more difficult for them to access much-needed finance. Fiscal responses in the UK took on a similar shape to those in the Caribbean and comprised financial help through grants and other income support schemes. However, one must question whether those indefinite and narrow schemes were adequate to build SME resilience. The authors found that while emergency schemes can support short-term survival, the support services should also include action plans regarding business continuity insurance, contingency planning, crisis management and access to non-debt financing, as evidence from the UK shows that such factors are critical for SME survival, especially in a crisis environment.

The book also explores the role of technology and innovation during and post-pandemic. Chapter seven adds to the literature focusing on the impacts of the pandemic's restrictions on the retail sector. With the move towards online consumption, many retail firms used e-commerce and automation to maintain operations. Despite the continuity of operations, Mills, Whittle & Brown (2020) argue that technology can be disruptive in the long run. First, it has the potential to displace front-line retail workers who can be replaced by automation (British Retail Consortium, 2020). This assumption is valid as retail businesses may continue to use strategies that limit interaction between employees and customers as COVID-19 persists. While the author fails to mention this, it can be expected that the amount of displacement will be intricately linked to the level of automation as well as the number of departments where technology is used in a business. Secondly, the digitisation of industries requires employees to possess new skill sets which means that employers and the government must invest in the immediate retraining and reskilling of individuals during recovery. The authors, however, do not consider the possible impact of labour turnover. Employers may need to implement other strategies to minimise labour turnover to ensure that the firm and its operations sufficiently benefit from technological investments. Anne Greene (2020) further dissects the impact of the pandemic on skills development by examining the impact of school closures and the lack of apprenticeships which are unique to this crisis. While there has been a shift to online learning, Greene (2020) hypothesises that online learning will not be very effective in delivering workplace and vocational skills that were transferred in the classroom and through apprenticeships. Based on her hypothesis, reforms of syllabi and curriculums should be considered in the recovery phase.

Chapters three and thirteen posit that the pandemic has exacerbated the technology divide. Businesses and cities with high levels of innovation and technology appeared to maintain their productivity levels given their open innovation practices which involve building relationships and partnering with other innovation-driven firms to develop commercially viable innovative products. Additionally, such businesses were able to function remotely. This outcome signals the need for SMEs to allocate more funds to research and development to increase their access to innovation and technology which can drive their productivity upward. Cook & Vorley (2020) iterate that a collaborative approach must be employed when utilising innovation as a tool for recovery to foster its diffusion. Although not emphasised by the authors, taking a collaborative approach will be advantageous to SMEs as it allows for shared investment expenditure, shared access to innovation and shared knowledge which will contribute to overcoming the financing and knowledge barriers to technological advancements and innovation.

When it comes to recovery, the productivity experts cited in this book have iterated that policies must adopt a systems-based approach. This is important as the evidence throughout the book demonstrates how impacts on one sector or variable can flow through to another. Consequently, policymakers must understand how the various markets interact with one another and this must then be incorporated into policy responses. This is an important lesson for Caribbean leaders as the shocks emanating from the COVID-19 pandemic highlighted factors that are often overlooked in policy formulation; such as the critical relationship between a healthy population and a productive economy, the magnitude of the connection between tourism and other industries and the importance of developing an adequate level of self-sufficiency in various sectors.

Overall, the 21 papers compiled in this book provide a well-rounded discussion of the shocks resulting from the pandemic, their effects on productivity and possible recovery strategies. While the analysis of this book could be expanded by including regions of different income levels, the incorporation of spatial impacts into the discussions by the authors increases the applicability of the book's insights to various countries (companies) with similar characteristics. The strategies proposed to build overall SME resilience and the diffusion of innovation are pertinent to the Caribbean as SMEs form the core of the business community and low innovation rates persist in the region (Caribbean Development Bank, 2016; Mohan, Watson, & Strobl, 2016). Furthermore, the new paradigm of resilient productivity is critical given the region's heightened vulnerability to global shocks. Finally, the book missed the opportunity to provide insight into the effects of remote-working on productivity, which is likely to remain a permanent feature post-pandemic.

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