Impact of the pandemic on us productivity growth

GROUP7

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overview

The impact of the historical pandemics on the United States ("the U.S.") productivity growth has shown an inverse relationship by generating higher labor productivity and economic growth of the United States as a whole

From the past 15 years until the COVID-19 pandemic started, the U.S. labor productivity grows relatively slowly due to a fall in the country's GDP growth.

However, the U.S. labor productivity growth experienced a steep increase during the COVID-19 outbreak, which is considered to be usual as similar trends occurred during the period of the Great Recession. The research takes the following components of productivity growth into account:

labor quality

Reflects skills of workers arising from education and experience.

Capital deepening

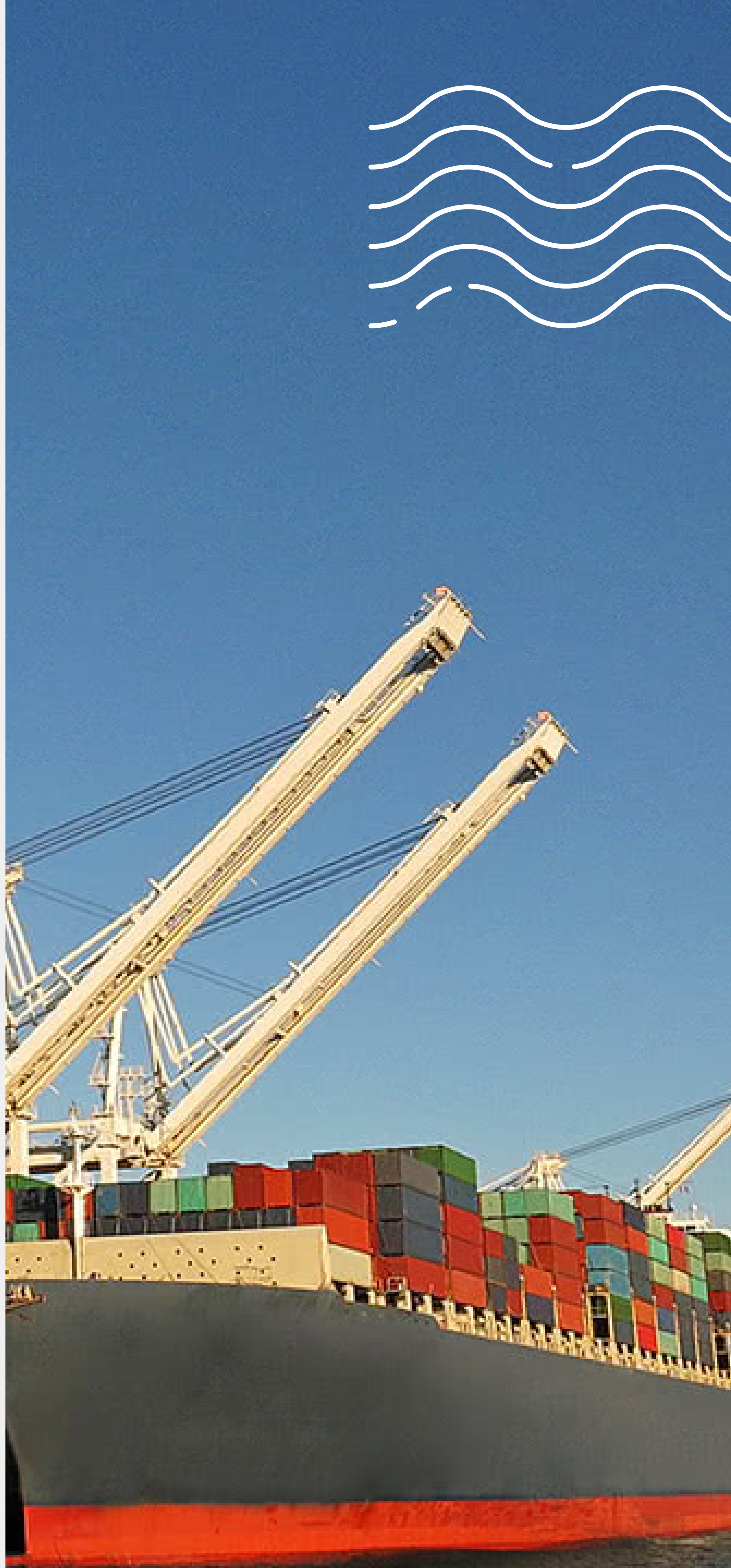
Reflects growth in equipment, structures, and intellectual capital used by workers.

Total Factor Productivity

an indirect measure of innovation, which captures labor productivity growth and other productivity benefits.

Key Issues and Challenges

Even though the U.S. productivity growth rises rapidly, the pace is unlikely to be sustained. The main reason a strong productivity growth, which is likely to be considered a short-term impact, is the cyclical effect.



The overall effects on the key component of the U.S. productivity growth resulting from the COVID-19 outbreak includes:

Labor quality:
Reflects a growth in worker skills arising from a higher level of education and experiences.

Capital deepening:
Companies invest more in modern and innovative technologies, resulting in a rise in the level of production.

Total Factor Productivity :
Due to the COVID-19 outbreak, firms with higher-productivity expand, while firms with low-productivity struggled and/or decided to exit.

Since the COVID-19 outbreak led to a significant increase in unemployment rate, especially in service sectors whose target employees are those with less educated and younger than average. As a result, the experience of people who kept their job rose, contributes to a higher rate of low skilled labour returning to work in the future.

Moreover. labor hoarding is one of the key restrained to the U.S. total factor productivity growth. This is because part of labor input is partly utilized by a company during the production process to meet fewer demands in the market.

Even though the U.S. experienced rapid growth in total factor productivity (TFP), the rapid rise is not going to be sustained. Moreover, the growth in productivity does not indicate the changing in trends and people's behavior brought about by the COVID-19 outbreak.

Government Strategies

Congress approved national labor laws to assist individuals, groups, and companies. (The government aided in the expansion of human resources and facilities). As a result, labor supply increases and lower in cost factor of production with the help of national labor laws.

Allocate subsidies into capital and labor expenses to help companies produce at the quantity to meet the demand.

Implement measures and policies to reopen the economy and increase production. The measures implemented by the U.S. government include:

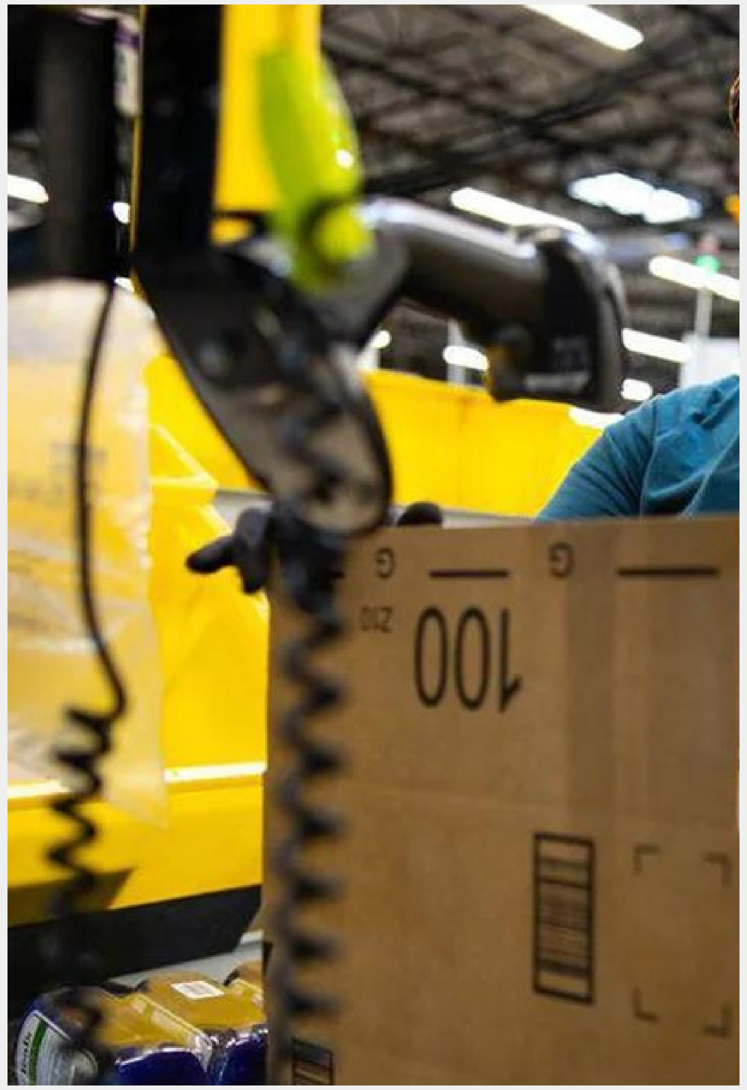
- Easing restrictions on business and related activities
- Enhance competition
- Allow for in-person instruction and/or a hybrid form of gathering together
- Improve the allocation of funding for research and development

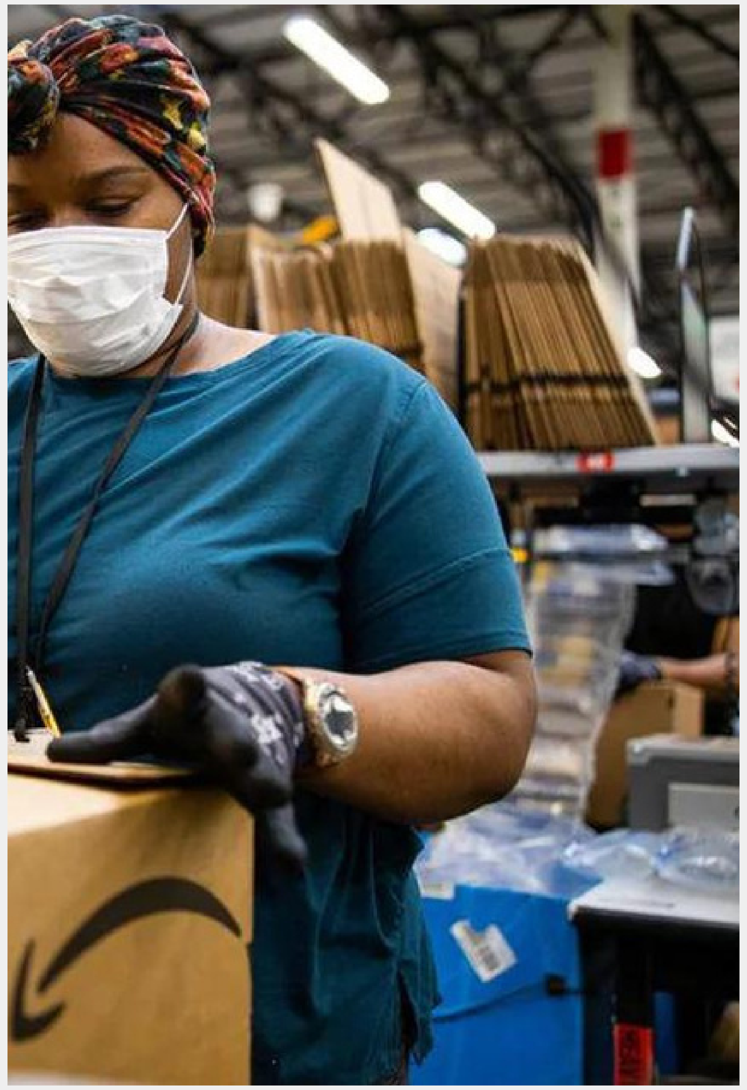
CONCLUSION

The COVID-19 epidemic in 2020 affected people's health and also their economic prospects in the immediate term, with long-term implications. The world economy endured an unexpected slump. In other words, the spreading of COVID-19 and the actions used to control it are expected to have serious consequences on productivity.

During the epidemic, labor productivity has been quite rapid. According to growth budgeting, the key drivers of labor productivity growth are cyclical effects and are likely to be unsustained. However, the experience from the Great Recession shows that this transitory boost is likely to revert.

Overall, since the job decrease was more dramatic among individuals with less education and experience, the average labor productivity of those who retained their positions improved. Moreover, an increase in the unemployment rate led to a significant increase in capital deepening. Hence, this resulted in the growth of the country’s overall productivity





CONCLUSION

THANK YOU

Q&A

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