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Digitalization during the COVID-19 Crisis

Implications for Productivity and Labor Markets in Advanced Economies

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Research Department**Digitalization during the COVID-19 Crisis: Implications for Productivity and Labor Markets
in Advanced Economies**Prepared by Florence Jaumotte, Longji Li, Andrea Medici, Myrto Oikonomou, Carlo Pizzinelli,
Ippei Shibata, Jiaming Soh, and Marina M. Tavares*Authorized for distribution by Pierre-Olivier Gourinchas
March 2023**IMF Staff Discussion Notes (SDNs) showcase policy-related analysis and research being
developed by IMF staff members and are published to elicit comments and to encourage debate.**The views expressed in Staff Discussion Notes are those of the author(s) and do not necessarily
represent the views of the IMF, its Executive Board, or IMF management.**ABSTRACT:**

Digitalization induced by the pandemic was seen both as a possible silver lining to the crisis that could increase longer-term productivity and a risk for further labor market inequality between digital and non-digital workers. This note shows that the pandemic accelerated digitalization and triggered a partial catch-up by less digitalized entities in advanced economies. Higher digitalization levels substantially shielded productivity and hours worked during the crisis. However, the extent to which pandemic-induced digitalization led to structural change in the economy is less clear. Less digitalized sectors have rebounded more strongly, albeit after stronger declines, and while workers in digital occupations were more shielded from the crisis, there does not appear to be a structural change in the composition of labor demand. Meanwhile, shifts in labor supply are more likely to be permanent, driven by the increase in working from home.

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