

## Digital Transformation is Key to Surviving the Covid-19 Fallout: An Interview with Peter van Bergeijk of ISS

*Peter van Bergeijk is a professor of international economics and macroeconomics at the International Institute of Social Studies (ISS), based in the Netherlands. He is also the author of Pandemic Economics, which will be published in autumn 2020 by Edward Elgar Publishing. He spoke to prepaid card solution, Soldo, about why investment in digital technologies will be vital for businesses to succeed in a post-covid world.*

### What is productivity? And is it important for economic growth?

Productivity is hugely important for economic growth. Here's a quick explanation - labour productivity is defined by the amount of production per person employed. Multiply that by your number of staff and you have your overall level of productivity. Economic growth occurs if both employment and labour productivity increase at the same rate.

Productivity, in essence, is the ability to do something more efficiently. Most firms take a keen look at this because higher levels of productivity mean lower labour costs per product - and that is good for overall competitive advantage and profits. Looking at the bigger picture, labour productivity for a country is an important indicator to watch because it indicates income per head (a measure of development/economic welfare) and therefore the competitive position of a country.

### Some experts suggest that one reason for low levels of European productivity is the way that it is measured. Is that true?

Yes. This problem occurs because productivity is based on market prices. The statistical offices often do not take into consideration non-market production (goods and services that are provided free of charge).

For example, a beer is a beer, but if it is served in a crowded place then there is a high risk of infection. Serving the beer safely costs more and produces something that we do not count: safety.

Economists call these effects 'external effects' because they are not incorporated in the market price. The Covid-19 crisis has therefore made it nearly impossible to accurately determine European levels of productivity. We know that existing production facilities have become less productive, because with the adaptations necessary in a post-covid world often more staff are required. There are more cleaning and security personnel needed. For example, here in the Netherlands shopping carts are cleaned regularly and supervisors ensure that social distancing measures are followed.

In the same way the effectiveness and efficiency of the treatment of COVID-19 has increased sharply, but the production is not being measured properly. Statistics are always

weak for new activities and for new sectors and industries. It takes time to survey small businesses. It takes time to redefine new outlets and products. So as we are living in a world that has changed so drastically, we must allow time for the statistics to catch up.

It seems that there is a serious problem in the way that we are measuring productivity. What can we change about it?

Yes, our outlook on productivity is crazy. But changing how we measure productivity is like steering an oil tanker – it's not easy! It's been done in the past when the National Accounting rules were changed bit by bit. Gradually, measures for depletion of natural resources and intangibles assets have been included, but it's taken a lot of time. Since pandemics are now a recurring phenomenon, I predict that we will see change in how and what the bureaus of statistics measure in regards to productivity, but it won't happen overnight.

How can businesses boost productivity now, at a time when many are likely to be mindful of costs?

It is a matter of survival. Your competitors will invest and be on the look-out for better strategies, so you must do the same. This is the time when entrepreneurship is the determining factor in whether businesses sink or swim.

What do you think the Covid-19 pandemic has taught us about efficiency in the workplace?

It has taught us a lot about stress, the resilience of people and about flexibility. Flexibility has been the biggest surprise of the pandemic and it has made me happy to see the ingenuity of solutions and adjustments of business strategies take place in shops and factories. From one day to another we moved to a new environment – this would have taken a decade under normal conditions.

*This interview is part of a series by [Soldo](#), the prepaid [company card](#) solution that makes your [expense accounting](#) simple. You can read the original article [here](#).*