

The Resilience of Firms with High Digital Intensity During the First Lockdown in 2020

Daniel Roash
Bar-Ilan University

Abstract

The global COVID-19 pandemic has led to widespread physical distancing to decelerate the spread of the virus. Many businesses scaled back or ceased operations in the regular workplace because of government-mandated closures and stay-at-home orders, concerns for the health of their employees, or a lack of customers. While some businesses ceased most of the activities during the strict lockdown, others manage to maintain a small share of activity by using remote work. A small share of businesses seems to manage to maintain most of the economic activity by using work from home efficiency and continue with that step also when the limitations are released. We argue in this paper that those businesses had remote work before the crisis or had the technological capability to implement remote work quickly in contrast to other businesses. In order to test our assumption, we merge data from flash surveys that were conducted by the Israeli Central Bureau of Statistics during the second quarter of 2020 with an ICT survey that examined the different telecommunications technologies before the crisis. We show that firms that continue to employ remotely also in June 2020 when all the limitations diminished are firms that had higher technology intensity before the crisis and probably use remote work before the crisis. Our key finding is that those firms manage to reduce the negative effect of the lockdown in various dimensions (employment, sales, survival) in comparison with firms that apply work from home only during the severe lockdown.