

Transition steps to stop COVID-19 without killing the world economy

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The world economy cannot survive the current social distancing for more than a few weeks. This column proposes a viable strategy to address the joint health and economic crisis caused by COVID-19, which involves gradually sending the young who face the lowest risks back to work on a voluntary basis. This should happen as soon as the congestion of healthcare systems is less critical, but while a large fraction of the population is not yet immune. All of these workers in centrally relevant sectors must be temporarily separated from the old and the immunocompromised. They must also be frequently tested for COVID-19 and for subsequent immunity as well as monitored to immediately trace the contagion they may induce or receive.

The world economy cannot survive the current social distancing for more than few weeks (Monras 2020). In this column, we sketch a viable strategy to address the joint health and economic crisis caused by COVID-19. We focus on the transition phase that begins when the health care system exits critical congestion and yet a very large fraction of the population is not immune, with the risk of a new wave of infections. We do not consider other policy tools that are complementary to this one (e.g. macro policies to sustain demand).

1) Given the risk of a dramatic recession, we need a transition strategy

Starting with Italy, if the improvements we begin to see are confirmed and the health system is again able to cope with the demand for intensive care, we must implement a transition strategy to avoid entering into a long-term deep recession while we wait for a vaccine.

2) We need to get the young back to work soon

The transition strategy requires gradually sending the young (20-49 years of age) back to work, on a voluntary basis, as they face the lowest fatality rate and the lowest risk of needing healthcare. According to a report by the Imperial College COVID-19 Response Team (Ferguson et al. 2020), the infection fatality rate of SARS-CoV-2 in the 20-29 age bracket is about 0.03% and rises to 0.08% and 0.15%, respectively, in the 30-39 and in the 40-49 age brackets. The corresponding probabilities of requiring hospitalisation are 1.2%, 3.2% and 4.9%. These probabilities are likely to be lower in reality because of the large fraction of asymptomatic infected people that are not counted in their denominators.

3) At the same time, we need to know more about COVID-19: A prospective study of

young workers

Everyone who goes back to work (or a large random sample, depending on resources) must be frequently tested for COVID-19, as in prospective longitudinal studies. If they become infected, after recovery they must receive serological tests to establish if they are immune from SARS-CoV-2. This is also crucial because massive testing of the young going back to work would help answer the many as yet unanswered questions about SARS-CoV-2 (Is immunity acquired after a first contagion? Does infection have long-term consequences?).

4) We need to separate the young from the old and the immunocompromised

Those who gradually go back to work must be separated from the old, the immunocompromised and patients with chronic pulmonary diseases, as these groups face a high risk and should remain in isolation. Therefore, the young going back to work should temporarily move into the many hotels that are currently empty, while working in their normal locations. The first group of young workers should start the transition period as soon as possible. They may get infected, but as soon as they become immune they will be able to return home.

5) Incentives for the young to go back to work

The young going back to work face a risk and also the discomfort of being temporarily separated from their families. They should be incentivised, for example by allowing them to participate in the profits of their companies and/or by integrating substantially their earnings with a significant cut of the tax wedge (see also point 11 below).

6) Healthcare for the young volunteers going back to work

The safety of the volunteers who return to work should be guaranteed by a careful monitoring (see point 3) based on a combination of serological and diagnostic (RT-PCR) tests (as suggested on Vox by Dewatripoint et al. 2020). They must also have priority in receiving the healthcare they might need (probably not much, given their low risk of infection) through dedicated structures. This provision, together with the hotel capacity, will be crucial in determining their number in each round of the transition.

7) The education sector

In selecting the young to go back to work in each round of the transition, care should be taken to ensure that children at home are assisted by an adult, while education at all levels continues online until necessary.

8) A smartphone app to track contagion

The young who go back to work (as well as the rest of the population) should receive smartphone apps to immediately track the contagion they may induce or receive.

9) Centrally relevant sectors, firms and workers resuming production

The selection of firms that should resume production, and of the corresponding employees to go back to work, must take place rationally (for example, based on input-output tables and on the analysis of production network centrality).

10) Older expert workers should continue to work from home

Once the strategic sectors and firms to resume activities have been identified, the minimum set of employees needed to get them into condition to work must be identified, taking into account that older and expert workers can still be in telematic contact with the young personnel that are effectively operating the businesses.

11) An emergency fiscal system to redistribute the profits of restarting firms

In an emergency like this one, firms that continue or resume production will earn profits (possibly large profits) and their workers will earn wages, while other firms and workers may remain without earnings. Appropriate redistributive fiscal tools and earnings integration programmes (like the Italian CIG) must be designed to alleviate these disparities during the transition.

12) Extension to other countries

With modern global value chains, many if not all sectors rely on international trade, within and across firms. The strategy described above will work best if many countries adopt it. If it begins to work in Italy, it can later be applied to other countries as soon as they get over their initial critical phase of high diffusion of the virus.

13) A task force to coordinate this effort

Each of the points above requires specific experts from different disciplines for the appropriate design of the tasks. For this purpose, a specific task force, possibly at the international or at least at the EU level, must be convened and authorised to take actions.

References

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