

Macro Roundup Article

Headline: Does Worker Scarcity Spur Investment, Automation and Productivity? Evidence from Earnings Calls

Article Link: <https://www.stlouisfed.org/on-the-economy/2024/jun/worker-scarcity-spur-investment-automation-productivity-evidence-earnings-calls>

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Publication	Federal Reserve Bank of St. Louis
Publication Date	June 21, 2024

Tweet: A @stlouisfed analysis finds that since 2021 an increase in labor issues has spurred an additional \$55B in investment, driven by firms that heavily employ routine manual tasks like assembly and warehouse packaging. @AakashKalyani @serdarozkanEN

Summary: A one-unit increase in a firm's labor issues [as measured by earnings calls] leads to a 28 basis point increase in its investment. To put this investment effect into perspective, our estimate implies that since 2021, the increase in labor issues (due to, for example, tighter labor markets) has spurred approximately an additional \$55 billion in investment in the U.S. economy. This is a significant amount and one that's similar in size to funding appropriated through the 2022 CHIPS and Science Act for boosting domestic semiconductor research and manufacturing. We also found that the increase in investment has been driven by firms in industries that heavily employ routine manual tasks, such as assembly line work in the manufacturing industry or packaging and labeling in the warehousing sector. Industries that don't heavily employ routine manual tasks tend not to experience a significant increase in investment resulting from labor issues.

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Primary Topic: Investment

Topics: Business Cycle, Database, GDP, Growth, Investment, Op-Ed/Blog Post, Productivity

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