COVID-19 and the great reset: Briefing note #32, November 18, 2020

In the pandemic, capitalism’s adherents are reconsidering its recent history and its future direction. Two new reports can illuminate the path.
This week, McKinsey experts took a step back to consider the effects of the COVID-19 crisis on the economic system in which much of the world operates: capitalism. Two new reports offer complementary views. In “Rethinking the future of American capitalism,” James Manyika, Gary Pinkus, and Monique Tuin trace the extraordinary achievements of the American system and the work still to come, including the need to rectify unequal and increasingly disparate outcomes for people and places, increasing “superstar” effects, and declining investment in public goods.

“The case for stakeholder capitalism” considers the role of business in society—a role that companies should not resist, lest they “find themselves on the wrong side of history … and also at a competitive disadvantage.” Vivian Hunt, Bruce Simpson, and Yuito Yamada examine the rising expectations for business, detail five principles for companies to follow, and offer many practical insights as they take action. One tactic is simply to publish your targets: a Danish power company put forth a ten-year plan to switch from coal to renewables; they did it in nine years, while simultaneously increasing profits by 43 percent.

Employees may be the stakeholders that need the most attention. According to our latest research, almost a year into the crisis, employees—especially women, LGBTQ+ employees, people of color, and working parents—are crying out for more support (exhibit). Nearly all employers are aware of the challenges and have established policies to help, but they are finding it hard to execute their diversity, equity, and inclusion (DEI) strategies. Asking and answering a set of tough questions can help companies close the gap.

Our experts also considered the future of corporate training, an expensive and often ineffective activity—when it did succeed, it was through in-person, hands-on learning. The COVID-19 pandemic brought that to a halt, forcing companies to innovate. In our latest research, we chronicle the advances companies have made in the pandemic and the ways in which the new capabilities they have built have secured their competitive position.

Also this week, our industry researchers looked at data’s critical role in two transport industries, bulk and tanker shipping and airlines; considered the effects of the COVID-19 pandemic on supply chains in retail; and outlined our latest findings on consumer behavior, this time in Europe.

Employers struggling to execute their diversity, equity, and inclusion strategies can address those challenges by answering a set of tough questions.
Globally, employees in emerging economies are more likely to report challenges during the COVID-19 pandemic.

**Challenges during COVID-19,** % of respondents who answered 'significant' or 'somewhat'

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<td>Healthy and safe on-site workplace</td>
<td>Mental health</td>
<td>Connectivity and belonging</td>
<td>Workload increases</td>
<td>Growth and progress opportunities</td>
<td>Household responsibilities</td>
<td>Fair performance evaluation</td>
<td>Job insecurity</td>
<td>Physical health</td>
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Note: Countries included in the survey are Australia, Brazil, Canada, China, France, Germany, India, Ireland, Mexico, United Kingdom, and United States.

1. Question: Please indicate which of the following has been challenging for you as an employee during the COVID-19 crisis.

2. All respondents, n = 2,656; Brazil and Mexico, n = 406; China and India, n = 641; France, Germany, Ireland, and UK, n = 667; US and Canada, n = 737.

3. All women respondents, n = 1,356; Brazil and Mexico, n = 201; China and India, n = 337; France, Germany, Ireland, and UK, n = 321; US and Canada, n = 400.

4. All LGBTQ+ employees, n = 334; Brazil and Mexico, n = 52; China and India, n = 147; France, Germany, Ireland, and UK, n = 62; US and Canada, n = 62.

5. All people-of-color respondents, n = 429; Brazil, n = 66; France, Ireland, and UK, n = 66; US and Canada, n = 250.

We have updated our comprehensive COVID-19 briefing materials. The new 129-page report is now available for download on McKinsey.com.

Executives everywhere are thinking about the potential for successful vaccines to deliver the next normal. Start with the McKinsey Download Hub to find McKinsey’s latest research, perspectives, and insights on the management issues that matter most, from leading through the COVID-19 crisis to managing risk and digitizing operations. Also consider our special collection The Next Normal: The recovery Will Be Digital. The first two installments—a 172-page report on technology and data transformation and a 130-page report on the path to true transformation—are available now. Three more are coming as part of Our New Future, a multimedia series we created with CNBC.

You can also see the full collection of our coronavirus-related content, visual insights from our “chart of the day,” a curated collection of our first 100 articles related to the coronavirus, our suite of tools to help leaders respond to the pandemic, and how our editors choose images that help readers visualize the impact of an invisible threat.
The COVID-19 crisis is hitting diverse employees hard.

All employees are struggling
- 62% of respondents are concerned with their own mental health
- 60% of respondents are concerned with a lack of belonging and connection

Emerging economies face the biggest challenges
- 75–90% of respondents in Brazil, China, and India are concerned with workplace health and safety and mental health, compared with 50–60% of those in France, the UK, and the US

Female employees are
- 1.5× as likely as male employees to be concerned about challenges with mental health and balancing household responsibilities

LGBTQ+ employees are
- ~1.4× as likely as straight and cisgender employees to be concerned about fairness of performance reviews, workload increases, and a lack of connectivity and belonging

Employees of color are
- ~1.5× as likely as white employees to be concerned about career progression and balancing household responsibilities

Parents are
- up to 5× as likely as employees without children to be concerned about career progression and challenges in the home

Companies are trying to match employee needs, but gaps remain
- 40% of companies are raising investment in diversity, equity, and inclusion initiatives
- 96% of companies are innovating HR policies and supports in real time, focusing on expanded flexible and remote work
- 90% of employees expect employers to engage externally in diversity, equity, and inclusion initiatives, with those in emerging economies expecting it most
- 86% of companies report challenges in executing diversity, equity, and inclusion strategies
- 1 in 6 employees across all geographies feel more supported by their companies now than before COVID-19 crisis

Employers have a clear agenda for action.

1 Sharpen diversity, equity, and inclusion priorities: set aspirations and address execution challenges
2 Resist business as usual: consider COVID-19 pandemic’s implications on diversity, equity, and inclusion agenda
3 Tackle new challenges, such as mental-health support, head on
4 Rethink workplace flexibility and boundaries
5 Expand diversity agenda beyond company walls