

Public Sector Practice

Europe needs to prepare now to get back to work—safely

The next coronavirus challenge for European policy makers is to restore both lives and livelihoods.

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As the coronavirus crisis has deepened, European governments have established virus-control commands and economy-protection commands, but few—if any—have a similar structure in place for exit command. The same is true for business. Most have established war rooms with teams assigned to cope with issues related to the supply chain, workforce management, and finances. But there has been less effort directed at establishing the detailed protocols that will be necessary to bring employees back to work safely. There is still little clarity, for example, on the most effective ways of ensuring compliance with the physical-distancing and other health protocols that will be necessary for everyday life and work to resume. We believe that in order to protect lives and livelihoods, Europe's public and private sectors need to accelerate their exit planning so that they are ready to act when lockdown restrictions lift or loosen.

In this article, we describe how European policy makers and business leaders can think about how to prioritize both protecting lives and restoring livelihoods. Even in countries where lockdowns are unlikely to be lifted for several weeks, governments and companies need to be planning and preparing to restart their economies.

We start from three observations:

- Countries are working hard to establish enablers, especially testing, contact tracing, and quarantining.
- There is much to learn from what other countries are doing as they ease restrictions; it is important to think through how to adapt those efforts to the European context.
- A localized approach, down to the region or district level, is well suited to address the demand shocks that have, so far, inflicted the most hurt on Europe's economies.

The spread of COVID-19, the disease caused by the coronavirus, has been uneven. In some parts of Europe, health systems are overwhelmed, and death rates are high; others have seen lower levels of

infection and mortality. Even so, the efforts to control COVID-19 have been imposed uniformly within most countries. These measures have been draconian enough that the continent is likely to see the largest quarterly decline in economic activity (from 8 to 11 percent for the eurozone) since 1933. According to recent McKinsey estimates, the unemployment rate could increase 20 to 35 percent this quarter. This is the direct impact on Europe's livelihoods. What cannot be measured—but is just as important as figures such as GDP—is the value of restoring a sense of normality and well-being, with children back in school and physical isolation eased. It is about getting Europeans back to the lives they loved.

Although most European countries are still deep in lockdown, a few are beginning to discuss publicly how to restart their economies. Austria announced that, starting in mid-April, some shops will be allowed to reopen. The Czech Republic is doing something similar—and also allowing some sports activities. Denmark and Norway are opening some schools later in April. For most countries, however, any significant loosening is at least a few weeks away.

Exiting from lockdown will be more complicated than entering it was. The risk of resurgence will have to be continually managed, including by increasing the capacity to care for critical patients if necessary. Protecting lives depends on minimizing the risk of infection to the most vulnerable (the elderly, the immune compromised, and those with serious conditions) while keeping the health system functioning. At the same time, given the complexity of the issue, European authorities need to be developing detailed plans to reopen their economies to secure people's livelihoods well before easing lockdown restrictions begins to be possible.

So far, most of the economic harm that Europe has suffered has resulted from weak demand. Lockdown has meant that sectors such as aviation, entertainment, hospitality, nonessential retail, and manufacturing are simply not doing much business because consumers are staying home. In 17 of 25 industries studied, demand shock, not supply shocks—the availability or productivity of the

workforce or materials—accounted for most of the damage (Exhibit 1). In a smaller number of sectors, such as construction, the reduction of economic activity is largely because of the lack of a workforce; in others, the disruption of supply chains is the most pressing problem.

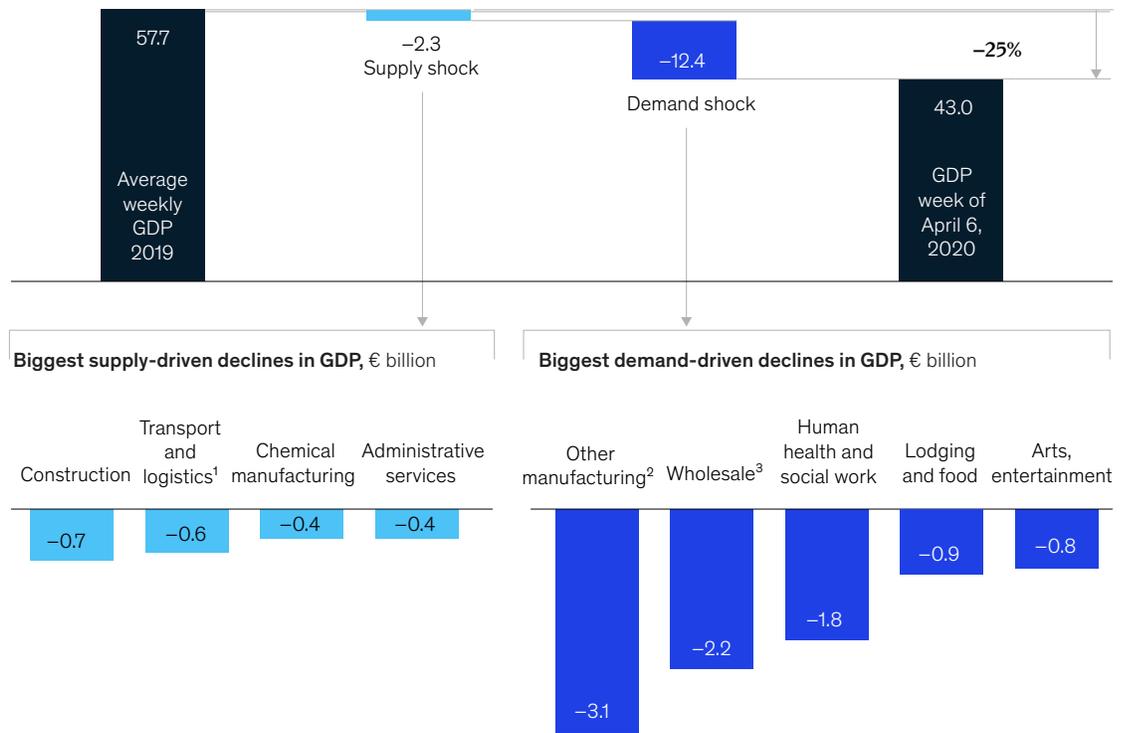
We expect demand problems to continue to be the main bottlenecks to economic recovery in the short term. In a sense, this is good news because addressing demand issues is relatively straightforward. It is about enabling people to shop

and interact with each other, confident in their safety. Addressing supply shocks may be more difficult. Different industries will reopen at different speeds, and global supply chains, which are already suffering, may not keep pace. In that case, serious supply-side challenges will emerge as lockdowns continue. While the immediate focus should be on handling demand shocks, in part because of the major impact they are having on people’s well-being and social lives, supply-side issues will also need to be addressed over the coming weeks.

Exhibit 1

Demand shocks from COVID-19 are taking a toll on German GDP.

Estimated change in German GDP during the lockdown for week of April 6, 2020, € billion



¹Excluding airlines.

²Covers mining as well as the remaining manufacturing activities (ie, manufacture of motor vehicles, of machinery and equipment, and other manufacturing).

³Including retail of motor vehicles.

Source: Eurostat; O*NET OnLine; McKinsey analysis

Learning from Asia's lockdown-exit strategies

When it comes to enabling people to emerge from their homes to shop, travel, and entertain themselves, some Asian countries are ahead of the curve, particularly China and South Korea. They have implemented measures in two broad categories to manage a gradual release from lockdown: refining physical-distancing rules and applying effective, large-scale testing combined with contact tracing to contain contagion chains. Both sets of measures aim to stimulate demand by getting consumers out of their homes and businesses back to work.

In China, restaurants have been allowed to reopen in some areas, but only at 50 percent capacity to ensure physical separation between customers. Many factories, malls, and restaurants have installed thermal scanners at their entrances; people with high temperatures are denied access. The Alipay Health Code, use of which is compulsory for those who want to leave COVID-19-affected areas, is an app that allows users to track their health status. Users with green codes can move freely, while users with amber or red codes must go into quarantine for seven or 14 days, respectively. Governments in both China and South Korea are using apps, location data, and other means to enable contact tracing and to enforce compulsory quarantines.

Europe's public-sector leaders should evaluate these initiatives, identify the best ideas, and then determine how to adapt them to local norms, which may be very different. Already, governments are building their testing capacity and looking for technology tools that can help them trace contact. Some are beginning to develop protocols that provide the framework for physical distancing as economic activity picks up, such as those for segmenting the workforce and creating physical separation over both time and space. A variety of technological approaches that seek to take into account the European context, particularly the challenge of data privacy, are also in development. One example is the Pan-European Privacy-Preserving Proximity Tracing platform, to which governments have no access. Apps built on this

platform do not store location data, but they do note if two people were in proximity. If one later tests positive for COVID-19, the other is informed.

There is no consensus yet on the most effective way to trace and isolate people exposed to COVID-19 while protecting their privacy. Given the scale of innovation under way, however, there is reason to be optimistic that a variety of effective approaches will be devised and adopted.

The public-sector imperative: Creating a localized steering mechanism

As European countries begin to consider how to exit lockdowns, local leaders are often the ones best placed to evaluate conditions and impose measures that maximize economic recovery while protecting public health. The decisions on which measures to deploy when and where should be made locally—when possible, district by district—because there are material differences in the severity of the crisis and economic circumstances (Exhibit 2).

As previous McKinsey work has noted, the first and most obvious factor in determining readiness to exit lockdown is the number of new cases. Until that number falls to manageable levels (that is, well within the capacity of the local healthcare system to manage cases individually), infection suppression will remain the priority. The second important factor is how well systems can detect, manage, and prevent new cases. Exhibit 2 shows how this looks today on a country-by-country basis. But the same data can be gathered at the state, province, or even submunicipal level. Doing so will allow national and local leaders to determine when they can begin to ease restrictions. For example, COVID-19 has been brutal for Spain, but some provinces have been much harder hit than others. After considering these two factors, both individually and in relation to each other, leaders in a less-affected province could make a case to restart the local economy, even if the country as a whole were not ready to do so.

Modeling of conditions in France also found wide divergences in the scale of COVID-19 cases, the availability of critical-care beds, and the level of

household income (Exhibit 3). All these factors will inform when and how leaders can ease lockdown conditions.

While local decision making, or steering, is likely the best option to maximize benefits, it will be challenging to implement. Authorities will need to integrate rapidly national and local decisions, communicate with their residents, and implement gradual changes to rules around physical distancing.

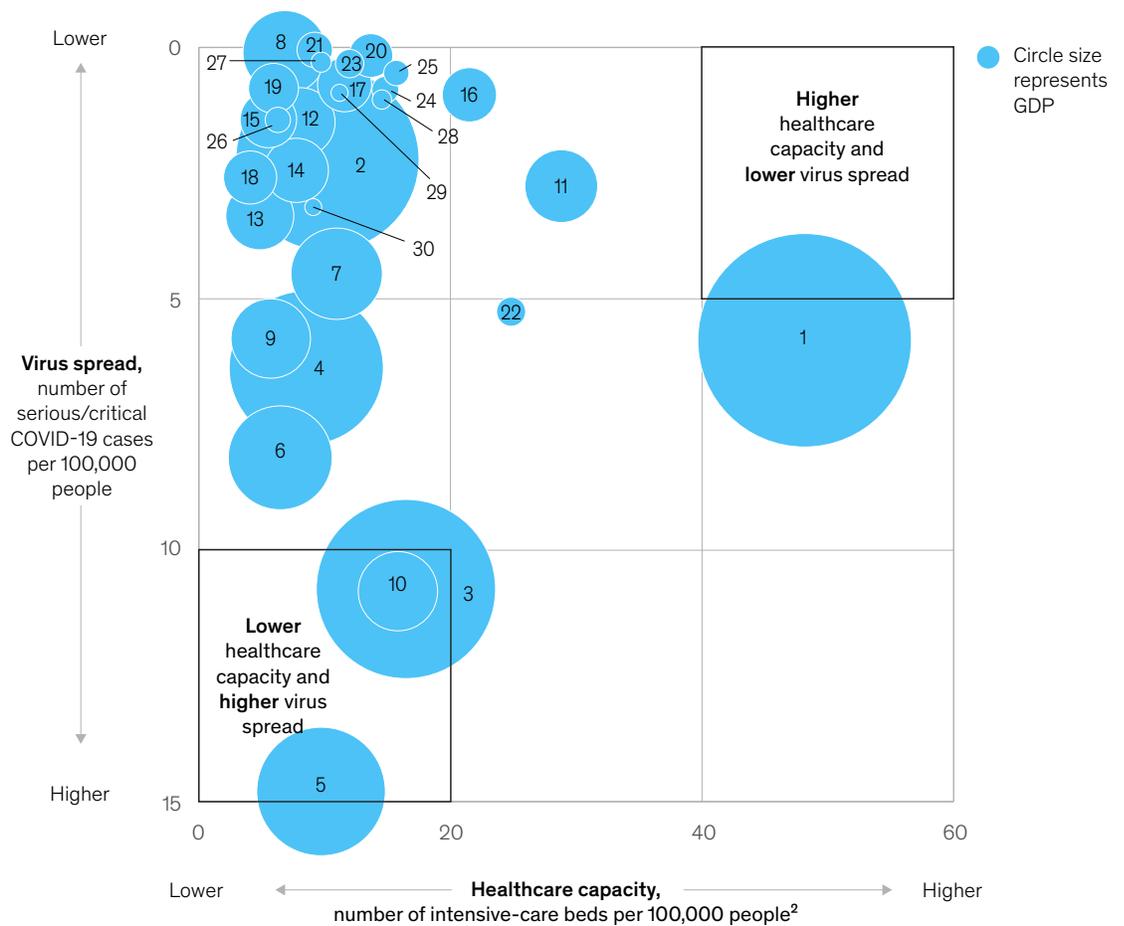
In taking these steps, they need to address three essentials to ensure that implementation is robust.

First, effective local-authority structures need to exist and to be ready to act. For example, in Italy, regions have operative competence in health matters. But at the beginning of the coronavirus crisis, the national government established, by law, measures for some parts of the country that were then extended nationwide. At the same time, the

Exhibit 2

A snapshot of 30 European countries shows that conditions surrounding COVID-19 are very different.

Serious and critical COVID-19 cases, by country,¹ numbered in order of GDP size



¹As of April 6, 2020. Differences in medical assessment of serious and critical COVID-19 cases may contribute to spread in numbers.

²Based on precrisis capacities and available data on expansions because of COVID-19 pandemic.

Source: "Beyond containment: Health systems responses to COVID-19 in the OECD," Organisation for Economic Co-operation and Development, March 25, 2020, read.oecd-ilibrary.org; Deutsche Krankenhausgesellschaft; Eurostat; A. Rhodes et al., "The variability of critical care bed numbers in Europe," *Intensive Care Medicine*, 2012, Volume 38, Number 10, pp. 1647–53, link.springer.com; Worldometer

regions were allowed to establish more stringent rules, based on their analyses of local conditions and the risk of spreading the infection. The regions of Lazio and Lombardy, for example, established “red zones” in specific areas or cities in which stricter lockdown rules were imposed.

Second, solutions and directives need to be clear and simple so that the public and businesses can understand them. This might require creating new communication channels for more localized and targeted communication—for example, via cell-phone messaging.

Third, measures need to be consistent. If the guidance one day is that shops can open to five people at a time for six hours a day and the next week to two people for eight hours, the results will

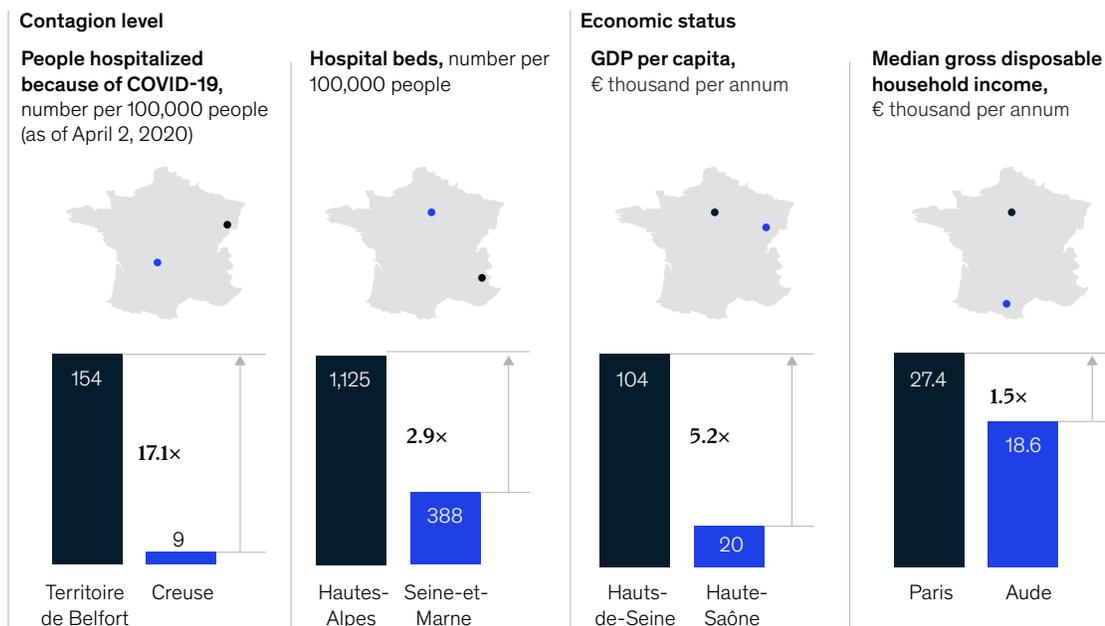
be irritation, noncompliance, and the erosion of trust in public authorities. Also, businesses often operate across multiple sites and countries; they need a degree of certainty and advance warning to begin to plan.

By preparing now, authorities will have at their disposal the full range of policy options when it becomes possible to loosen or leave lockdown. The local dimension is paramount as long as the main problem is lack of demand. When supply-side issues—meaning the reestablishment and strengthening of regional and international supply chains and addressing if issues related to international trade—become relatively more important than demand-side issues, national or European policies will become more important.

Exhibit 3

Because local conditions can differ widely, local steering may be the best approach to restart economies after the COVID-19 crisis.

Differences in contagion levels and economic status in France



Source: Eurostat; GÉODES, Géo données en santé publique, April 2, 2020, geodes.santepubliquefrance.fr; GHD; “Health facilities—2019 edition,” Ministère des Solidarités et de la Santé, March 7, 2019, drees.solidarites-sante.gouv.fr; “Household income and poverty in 2015,” June 19, 2018, “Localized social and tax revenue system,” April 7, 2020, and “Population estimate as of January 1, 2020,” January 14, 2020, all from Institut national de la statistique et des études économiques, insee.fr

In addition, authorities need to think through policies regarding other parts of public life. For reopening schools and childcare facilities, for example, leaders could adapt many workplace measures, such as staggering class schedules and play breaks and minimizing group work. Staff could also undergo COVID-19 testing regularly, and monitoring of the temperatures of children and staff could occur. For public transport, a return to confidence and more service will require strengthening of the cleaning and disinfection protocols; passengers might be asked to disinfect their hands when boarding, and staff and passengers might be asked to wear masks. For some time, it will continue to be important to minimize large concentrations of people. Extended or staggered working hours and a greater frequency of public transportation could spread out usage; there might also be limits on the number of passengers.

Public policy makers are beginning to equip themselves for this task in three ways:

- ***Compiling high-quality, detailed, and relevant local data on disease load, disease transmission, and compliance with existing public-health measures.*** Data compilation will depend on accelerating testing to a point that allows local-level early detection of growth in disease transmission and immunity by population group.
- ***Creating clear decision-making structures among different levels of government.*** Data availability, shared decision logic, and communication platforms among decision makers, from the federal to the local level, need to be established. Decision rights should be tailored to allow coordinated local steering.
- ***Building communication channels with residents and businesses.*** Each individual and every company needs to have a clear view of their specific pandemic regime at any point in time. Both traditional and new digital communication channels that allow tailored local messaging are thus key enablers for robust implementation of localized measures and should be implemented as soon as possible.

The business imperative: Preparing amid uncertainty

While access to epidemiological models and data on new infections and serious cases are important indicators about when leaders can begin to relax lockdowns, how that will happen is still very much a policy in progress. Moreover, authorities must always keep in mind the possibility of disease resurgence, at least in pockets. The COVID-19 situation will be dynamic until wide-scale vaccination is available. However, even though there is a high degree of uncertainty about the future, business leaders should begin to prepare now, considering the following elements, so that they are ready when the first relaxation measures take effect.

First, business leaders need to have plans for supply chains, facilities, governance, and management reporting in place so that they can react quickly as changing government guidelines allow increased economic activity. It is unlikely that implementation of lockdown-release measures will happen all at once—and in the same way—everywhere. Regional and international supply chains need to be ready, then, to function in a variety of scenarios.

Second, business leaders should prepare detailed physical-distancing and health protocols (Exhibit 4). Again, they might be able to learn from Asia's experience. In China, as manufacturing companies resume operations, they are dividing their workforces into groups with no physical interaction among them; an entire group undergoes quarantine if one member shows COVID-19 symptoms. Companies can also learn from their European peers. Among the practices being instituted—and that could continue as economic activity begins to accelerate—are registering all entrants to offices and factories, eliminating any overlap between shifts to reduce contact, staggering lunch and break times to reduce crowding, and installing no-touch trash bins.

Third, communication channels to public authorities need to be established; businesses need to know what is happening at all levels, from their local districts to national governments and all the way up

European companies are developing a range of safety and health protocols for COVID-19.

Safety and health protocols



Access control and quarantine

- Set clear policies for workplace access
- Measure body temperature at building entry
- Conduct random visual and temperature checks during workday
- Request employee quarantine when slightest COVID-19 symptom shows up
- Track and document all building entries and exits



Remote working

- Encourage remote work in all roles that do not require physical presence
- Provide webinars on remote-working and -leadership best practices



Work and shift planning

- Create differentiated shift plans and break times for minimum congestion on work premises
- Split shifts and disperse workplaces/desks to ensure minimum distance
- Identify and isolate critical employee groups
- Define contingency plans for workplace closures



Hygiene and health

- Set clear policies for physical distancing in workplace
- Establish daily disinfection procedures
- Promote mandatory health and hygiene protocols (eg, hand washing, mask use, glove use) for employees
- Stop elevator use whenever possible
- Discontinue use of shared items (eg, pens, phones)
- Provide critical supplies



Compliance and communication

- Communicate at least once per day about purpose and changes on measures in effect
- Perform random checks in all departments on full list of measures
- Report COVID-19 symptoms to relevant health authorities
- Clear all protocols with local authorities

to the European Commission and WHO. It is the joint responsibility of public authorities and businesses to create those communication platforms now to prepare for the next phase, whether that is the gradual opening of business and cross-border activity or even another wave of lockdowns.

In mid-March, as the pandemic was taking hundreds of lives a day, Italians went at the same time to their windows and balconies—and sang. They sang the

national anthem or beloved regional melodies, in an expression of hope and solidarity.

It is that kind of spirit that will see Europe through what may be its worst crisis since World War II. But resolve and resilience will not be enough. It is the imperative of leadership, both in the public and private sectors, to identify the policies and build the institutions needed to get the European economy moving again—as fast as humanly possible and as fast as humanity allows.

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