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How to rebuild and reimagine jobs amid the coronavirus crisis

Public-, private-, and social-sector leaders are taking urgent steps to manage the fast-evolving crisis of jobs and work. But there is room—and need—for greater focus, speed, boldness, and innovation.

by David Fine, Julia Klier, Deepa Mahajan, Nico Raabe, Jörg Schubert, Navjot Singh, and Seckin Ungur

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COVID-19 is the most serious health crisis the world has experienced in a century—and it could also be one of the biggest destroyers of jobs in human history. That matters greatly: when people are stripped of their work, they suffer losses not just of income but also of dignity, meaning, and hope.

The International Labour Organization has forecast that the pandemic could reduce global working hours by nearly 7 percent in the second quarter of 2020—equivalent to 195 million full-time jobs.[1] McKinsey's analysis suggests that, in regions as diverse as Africa, Europe, and the United States, up to a third of the workforce is vulnerable to reduced income, furloughs, or layoffs as a result of the crisis. Many millions of jobs could be lost permanently. That, in turn, would greatly dampen consumer spending, with knock-on effects across economies.

Even in countries in which laid-off workers receive protection through unemployment insurance or wage subsidies, there will be many informal workers who fall through the safety net—and the social and psychological toll of joblessness will be widely felt. Indeed, there is a serious danger that the loss of work will disproportionately affect those who can least afford it, including lower-wage earners and small enterprises.

Leaders in the public, private, and social sectors are already taking urgent steps to manage the fast-evolving crisis of jobs and work. But we believe there is room—and need—for greater focus, speed, boldness, and innovation in this effort. Our worldwide research on emerging strategies and best practices suggests that governments and their partners need to take urgent action in the following two key areas:

1. *Create a granular view of who needs help to keep their job—or find new work.* Countries, regions, and cities can quickly develop a granular view of where jobs are at risk and where there is additional demand for labor—by sector, occupation, demographics, and geography. That view needs to put special focus on small businesses and the most vulnerable workers, including those in the gig economy and the informal sector.

2. *Build smart, cross-sector solutions to get that help to them fast.* As governments prepare to reopen economies postlockdown, they need to find smart ways to maximize employment *and* protect against new infections, following global guidelines and those of their local public-health agencies. Again, special focus will be needed on restarting and supporting small businesses, which account for the majority of jobs in most countries. At the same time, governments and businesses will need to create new mechanisms to help people whose jobs are at risk redeploy into occupations in which labor demand still outstrips supply—and rapidly build the skills needed for their new roles.

Creating a granular view of who needs help to keep their job—or find new work

Many countries have already taken decisive actions to safeguard jobs. Such actions include implementing wage subsidies, allowing freelancers and sole traders to claim unemployment benefits without shutting down their businesses, and supporting working-from-home policies through tax incentives or transfers.

To deepen the effectiveness of such efforts and to open up new job opportunities, governments and other key institutions can quickly create a more granular picture of where jobs are at risk and where there is additional demand for labor. We suggest that this picture should demarcate the extent of the challenge on three key dimensions: industry sector and occupation, demographics (such as income, education level, and age), and enterprise size.

[1] "COVID-19: impact could cause equivalent of 195 million job losses, says ILO chief," United Nations, April 8, 2020, news.un.org.

Which industry sectors and occupations are most at risk?
In recent days, our colleagues have published analyses showing the number of jobs at risk by sector and occupation in key regions of the world, as lockdowns and physical-distancing measures shutter large parts of the economy.[2] In Europe and the United States, just two service industries (accommodation and food services plus wholesale and retail) account for around 40 percent of all vulnerable jobs. Among occupations, more than 80 percent of customer-service and sales roles are at risk.

Building on these broad views of the sectors and occupations at risk, governments can develop a granular view of the jobs that are vulnerable, both by industry and service and by occupation. Each occupation can be assessed according to the level of disease exposure inherent in the role and the degree of demand shock that the occupation has experienced during the crisis. This assessment can also consider where demand for labor has increased. For example, our analysis of the Australian labor market shows that, during the crisis, there have been significant new job opportunities in the grocery, call-center, and information- and communication-technology (ICT) sectors.

A heat map can be created at the level of an entire country, a region, a city, or a suburb. The result would provide governments and their private-sector partners with an initial list of the businesses and services in which jobs could be lost—and are therefore in need of interventions to safeguard employment—as well as those in which jobs are being created. In Australia, for example, we have developed heat maps at both the national and state levels, and it is possible to refine that further to individual postcode (Exhibit 1). Their value lies in tracking where opportunities for redeployment may exist. The heat maps would need to be updated regularly to capture the dynamic nature of the labor market, given the evolution of the pandemic and governments' responses to it.

Which demographics are most vulnerable?
Decision makers need to be keenly aware of the danger that the loss of work will disproportionately affect those who can least afford it, including lower-wage earners. For example, McKinsey's analysis in the United States has found that lockdowns disproportionately affect low-income workers. People who were living paycheck to paycheck do not have the financial cushion to absorb a shock of this magnitude (Exhibit 2).[3]

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[2] Ibid.
[3] Ibid.

Exhibit 1

The number of jobs lost and gained may be estimated by postcode, with details on occupation and industry.

Job loss by postcode, detailed by industry and occupation, Australian example, %[1]

Job loss (dark cells); Job gain (light cells)

Industry	Sales workers	Community-/personal-service workers	Machinery operators/drivers	Managers	Technicians/trade workers	Laborers	Professionals	Clerical/administrative workers	Total[2]
Arts/recreation	59	67	45	41	34	48	52	17	49
Accommodation/food	43	46	28	43	7	28	14	17	34
Retail trade	36	17	27	34	22	11	10	9	29
Other	38	57	23	25	19	26	11	8	24
Transport/postal/warehousing	24	53	30	19	30	37	19	4	24
Rental/hiring/real estate	32	16	19	15	17	22	5	6	20
Mining	33	13	20	5	20	23	13	4	16
Education/training	26	11	16	6	15	13	11	5	10
Information media/telecom	18	22	17	5	11	18	12	4	10
Private households employing staff	18	10	10	7	6	12	8	2	10
Construction	20	11	12	4	11	13	7	3	10
Wholesale trade	21	2	12	6	15	9	4	3	10
Manufacturing	9	0	13	3	14	5	8	3	8
Healthcare/social assistance	20	13	18	7	11	20	4	6	8
Agriculture/forestry/fishing	15	10	8	7	7	9	6	2	7
Financial/insurance	32	15	24	12	19	25	4	5	7
Electricity/gas/water/waste	18	6	8	4	10	10	4	3	7
Administrative/support	22	29	16	13	–1	–7	6	7	4
Professional/scientific/technical	9	4	6	2	6	7	3	1	3
Public administration/safety	–5	–1	–3	–1	–1	–5	–1	–1	–1
Total[2]	32	22	20	14	13	12	7	4	14

[1] Calculated as current number of jobs multiplied by % demand shock multiplied by % vulnerability because of physical proximity. Demand shock approximated based on McKinsey consumer research, market-capitalization change (at a subindustry level), or IBISWorld impact assessment. Vulnerability because of physical proximity determined as % of layoffs because of proximity.
[2] Total calculated as net change in number of jobs divided by total current number of jobs.

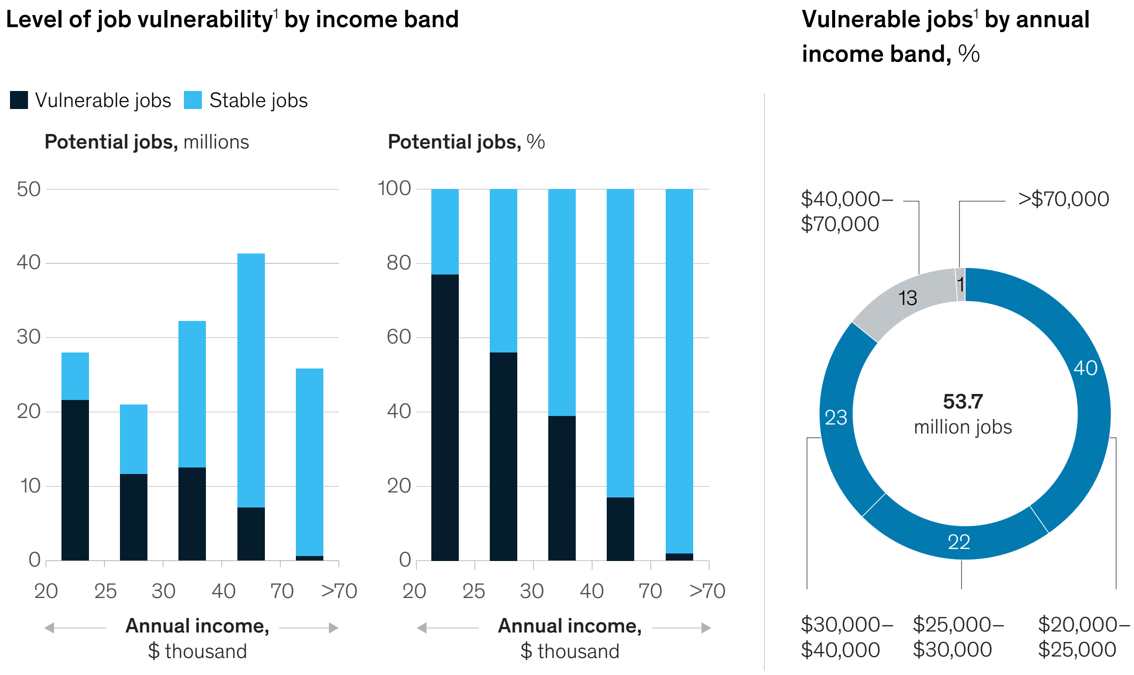
Source: ABS; IBISWorld; S&P Capital IQ; McKinsey analysis

In Europe, our analysis finds that education has a significant impact on the level of short-term job risk, potentially exacerbating existing social cleavages. Four-fifths of the total jobs at risk in Europe are positions that do not require a tertiary degree, while employees without a tertiary degree are almost twice as likely to have their job at risk than are employees with a university education. Our research in Europe also finds that the jobs of young workers—those aged 24 and younger—are at significantly higher risk in the crisis.[4]

[4] Ibid.

Exhibit 2

Eighty-six percent of vulnerable jobs paid less than $40,000 a year.



Note: Figures may not sum to 100%, because of rounding.

[1] Vulnerable jobs are subject to furloughs, layoffs, or being rendered unproductive (eg, workers kept on payroll but not working) during periods of high physical distancing.

Source: LaborCube; McKinsey Global Institute analysis

Countries in every region and at every development stage need to ensure that similar analysis is undertaken so that they can identify the most vulnerable groups—and target interventions to safeguard the employment of those groups. Interventions may include ramping up existing programs to support vulnerable groups. In Brazil, for example, 3.1 billion reais (approximately $610 million) has been provided to the Bolsa Família, a government program introduced in 2003 to support Brazilian families living in poverty, enabling it to reach an additional one million people directly affected by the COVID-19 impact on the economy. Interventions may include ramping up existing programs to support vulnerable groups. Another intervention example is the Canada Emergency Response Benefit that aims to provide a taxable benefit of 2,000 Canadian dollars (approximately $1,440) a month for up to four months to support workers who are facing unemployment and are not eligible for employment insurance.[5]

Beyond income level, education level, and age group, countries might also need to consider the particular risks to the jobs of minority and female workers. In emerging economies, in particular, special attention will need to be paid to informal-sector workers, who make up a large share of the total workforce and are particularly vulnerable.

How will small enterprises be affected?

Special focus will also be needed on small and medium-size enterprises (SMEs), which account for the majority of jobs in most economies, and many of whose viability is more likely to be put at risk by the crisis. McKinsey's analysis in Australia, for example, has found that SMEs account for 68 percent of all jobs at risk across the economy—and

[5] "Analysis of Canada's COVID-19 economic response plan," Retail Council of Canada, March 28, 2020, retailcouncil.org.

nearly 80 percent of jobs in accommodation and food services, one of the hardest hit sectors. And a recent McKinsey survey of SMEs in the United States found that half of all companies in the study had already laid off or furloughed employees (Exhibit 3).[6] Those who are self-employed or part of the gig economy are also seeing precipitous drops in their incomes.

This is an even greater consideration in developing economies. In Africa, for example, SMEs account for 80 percent of employment, compared with 50 percent in the European Union and 60 percent in the United States. Compounding this, many small businesses in emerging markets operate in the informal sector, making it critical that economic-revitalization efforts extend to informal parts of the economy.[7]

Smaller businesses, including those in the informal sector, typically have smaller balance sheets than do their larger counterparts. In the United States, for example, the median small business has a cash buffer that will last only 27 days, while one-quarter of SMEs surveyed hold a cash buffer that will last only 13 days or fewer.[8] Some SMEs are highly dependent on a few large B2B customers, while many such enterprises operate in hard-hit sectors, such as tourism and retail. Another challenge among informal enterprises and gig-economy workers is that they are typically not registered with government and regulatory agencies, making it difficult to ensure that help will reach them. Compounding the issue further, small businesses often have a disproportionately large share of the economy in rural areas.

Exhibit 3

Fifty percent of US small and medium-size businesses, predominantly smaller businesses, say they have already laid off employees.

[1] Responses collected Mar 26–Apr 2, 2020; includes businesses with <$500 million in annual revenue; n = 1,004. Question: What is your view/outlook on layoffs/furloughs at your business over the next 1–2 months?

Source: McKinsey US Small and Medium-Size Business Financial Pulse Survey; McKinsey analysis

[6] Lindsay Anan, Neha Jain, Deepa Mahajan, Marukel Nunez Maxwell, and Abhijit Singh Pandher, "Tracking US small and medium-sized business sentiment during COVID-19," April 2020, McKinsey.com.
[7] Kartik Jayaram, Acha Leke, Amandla Ooko-Ombaka, and Ying Sunny Sun, "Tackling COVID-19 in Africa," April 2020, McKinsey.com.
[8] Lindsay Anan, Neha Jain, Deepa Mahajan, Marukel Nunez Maxwell, and Abhijit Singh Pandher, "Tracking US small and medium-sized business sentiment during COVID-19," April 2020, McKinsey.com.

All of that makes it essential that governments and larger businesses understand the extent to which SMEs—and the people they employ—are vulnerable to losing their work.

Building smart solutions to help people get back to work

Governments around the world, along with private and social sectors, are redoubling their efforts to suppress COVID-19 and save lives. While the battle is far from over, there are indications that an increasing number of countries are succeeding in slowing or reversing the growth rate of infections. These countries can prepare to transition to a new phase in which physical-lockdown restrictions are carefully modified while test, trace, and track strategies remain firmly in place.[9]

Safeguarding and recreating jobs must be critical priorities as countries, regions, and cities enter this transition. A sector- and occupation-level heat map can be a key tool in this effort: for each at-risk industry or service, governments and their partners can shape bold, rapid interventions to increase business activity and recreate jobs.

One key focus of these interventions must be to stimulate consumer demand and rebuild confidence—and lessons on those topics can be learned from previous crises. For example, several countries that experienced sharp drops in tourism in the wake of terror attacks focused on rebuilding local confidence and demand before addressing global markets. A crucial tool was to offer vouchers or discounts for targeted customer groups.

We should note that many countries do not have the luxury of throwing money at the challenge of rekindling their economies, as they face serious fiscal and liquidity constraints. In these countries, solutions will require considerable creativity—and potentially the involvement of the private sector.

In South Africa, for example, businesspeople quickly established the South African Future Trust to offer an initial 1 billion South African rands (approximately $55 million) in support to SMEs affected by the pandemic. It received more than 10,000 applications in the first few days after launch on April 3, 2020, and has partnered with the country's largest banks to process applications and make payments directly to SME employees within three days. At the same time, governments and businesses will need to create new mechanisms to help those people whose jobs are at risk redeploy into occupations for which labor demand still exists.

These initiatives will require unprecedented speed and agility—and extraordinary degrees of collaboration. To make that possible, governments may need to enable companies to cooperate to keep people employed, engage in joint training programs, and work together to support the small businesses in their supply chains.

Safeguarding and recreating jobs through targeted redeployment and reskilling

Even before the COVID-19 crisis, structural shifts—for example, the adoption of automation and the move toward clean energy—that were reshaping the labor market and increasing demand for particular skills were under way. Technological advances were expected to bring large-scale change in demand for particular roles in the workforce. For example, demand was forecast to increase for ICT specialists and managers as well as for "future skills," such as digital literacy and cognitive, social, and emotional skills. Demand was expected to decline for administrative roles.[10]

The COVID-19 crisis ushers in a new paradigm for reskilling across three dimensions. First, physical distancing causes traditional formats to be replaced online, calling for creativity in delivering effective training (specifically for soft skills, such as teamwork). Second, rapid reskilling requires

[9] Tom Latkovic, Leah Pollack, and Jordan VanLare, "Winning the (local) COVID-19 war," April 2020, McKinsey.com.
[10] For example, see *Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages*, McKinsey Global Institute, November 2017, McKinsey.com.

much shorter interventions and a different system to recognize those skills. Microcredits will replace traditional degrees in many cases. Third, a crisis of this degree calls for a mindset shift toward the greater good of society as opposed to focusing on competitive advantage for a specific company. Companies that otherwise would be business competitors will need to collaborate and provide reskilling opportunities at an industry level.

We propose the following three key ideas for action:

— *Rapidly build online "talent exchanges" to create transparency on job openings and facilitate redeployment.* There is an urgent need for transparency on changing demand, growing job opportunities, and information on existing skills that may be underutilized and for better, faster matching between job seekers and employers. Industry associations, labor agencies, and groups of large companies can quickly create exchanges or portals on which employers can post new openings and displaced workers, backed by their existing companies, can find redeployment and secondment opportunities. For example, a group of companies in the US food sector created an exchange in just six days, launching it in early April 2020. Governments and not-for-profit organizations can complement online exchanges with support services for displaced workers, such as coaching, counseling, and helping polish résumés. Granted, there would be tremendous challenges in bringing talent exchanges to the scale required, but the COVID-19 crisis creates unprecedented urgency for public and private sectors to ramp up their efforts in this arena.

— *Reskill at speed and scale.* Governments, business associations, and educational institutions should be asking themselves, "How do we use the downturn to retrain and future-proof our workforce?" The temporary decline of some industries also provides an opportunity for upskilling toward future-skill-growth areas. Two discrete interventions are needed in this regard: rapid upskilling for short-term demand surges, such as in grocery retail, and longer-term upskilling or reskilling that enables individuals to move into careers aligned with future-skill trends, such as health services. Longer-term interventions could also focus on digital literacy and social and emotional skills—the building blocks that workers need to stay relevant in a more dynamic and digitized labor market.

— *Design effective, government-backed incentives for redeployment and reskilling.* As governments provide crisis support to businesses and individual workers, they can incentivize several important shifts that will help reshape economies to be more productive and equitable when they recover from the crisis. In return for financial support—such as subsidies and tax rebates—during the crisis, governments can require businesses to invest in training and upskilling their workforces. In Germany, for example, the recent Qualification Opportunities Act provides for government subsidies of companies' employee training programs—with smaller businesses receiving proportionally greater subsidies. Up to 100 percent of training costs for microbusinesses and up to 50 percent for SMEs are covered by subsidy. Governments can also achieve other objectives, such as increasing registration of informal businesses and improving female participation in the economy, in return for financial support.

Restarting vulnerable small businesses: The stalled job engine

The initiatives to reopen economies and redeploy and reskill displaced workers we have described will touch businesses of all sizes. But special focus will be needed on small businesses.

Governments around the world are already taking action to support and protect small enterprises. Some are purchasing goods and services, including through stockpiling and redirecting procurement to small vendors, directly from businesses that are experiencing revenue loss. Others are stepping up to offer direct subsidies, tax rebates, and payment deferrals.

More can be done—fast—to build on these initiatives. Ideas for action to restart and sustain the SME job engine include the following:

— *Help SMEs take advantage of online talent exchanges.* Often, small businesses do not have access to the market information and technical infrastructure that can help them quickly redeploy labor or expand their portfolios of services. Governments can create a talent exchange dedicated to SMEs. They can also counsel SMEs regarding new opportunities that would leverage their current skills and capabilities, fast-track issuance of business licenses when needed, and offer technical support to transition service offerings—for example, for restaurants transitioning to delivery services. In all such efforts, governments could consider quickly reducing regulatory barriers—even if it is on an interim basis during the crisis.

— *Build alliances among large and small businesses.* Governments and industry associations can engage large companies and industry leaders to take responsibility for entire sector ecosystems and value chains. Larger businesses can provide unique perspectives and practical advice to smaller businesses—for example, by helping a supplier, such as a sewer, transition to making cloth face masks as a short-term measure and by helping smaller businesses shift to remote work or digital channels. There are already examples of multinationals and state-owned enterprises stepping in to support SMEs, specifically in countries with fiscal constraints. In one country, a group of large companies and wealthy individuals have formed a relief fund for SMEs; the fund is considering taking equity stakes in the portfolios of SMEs in return for financial support during the crisis.

— *Protect the most vulnerable segments of SMEs.* Governments need to act fast to ensure that SMEs—including informal microenterprises and gig-economy workers—are included in relief and stimulus packages. For example, some have debated the employment status of gig-economy workers in the context of access to unemployment benefits. Minimum-wage and antidiscrimination laws may not apply to them, and retirement security is also a concern. Governments can also explore how to make sure that SMEs benefit from demand stimuli to reignite employment creation, which will entail making SMEs' procurement rules much more effective than they have been up to now.

In many countries, COVID-19 infections are still doubling each week—or even faster. Responses to save jobs need to be even swifter: solutions and interventions must be designed and deployed in days, greatly accelerating processes that, in normal times, would take months. The suggestions described in this article may seem obvious to many, but sometimes obvious is not fast. We truly believe that efforts to protect and create jobs have to move at an unprecedented speed.

David Fine is a senior partner in McKinsey's London office, **Julia Klier** is a partner in the Munich office, **Deepa Mahajan** is a partner in the San Francisco office, **Nico Raabe** is a partner in the Berlin office, **Jörg Schubert** is a senior partner in the Dubai office, **Navjot Singh** is senior partner in the Boston office, and **Seckin Ungur** is an associate partner in the Sydney office.

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