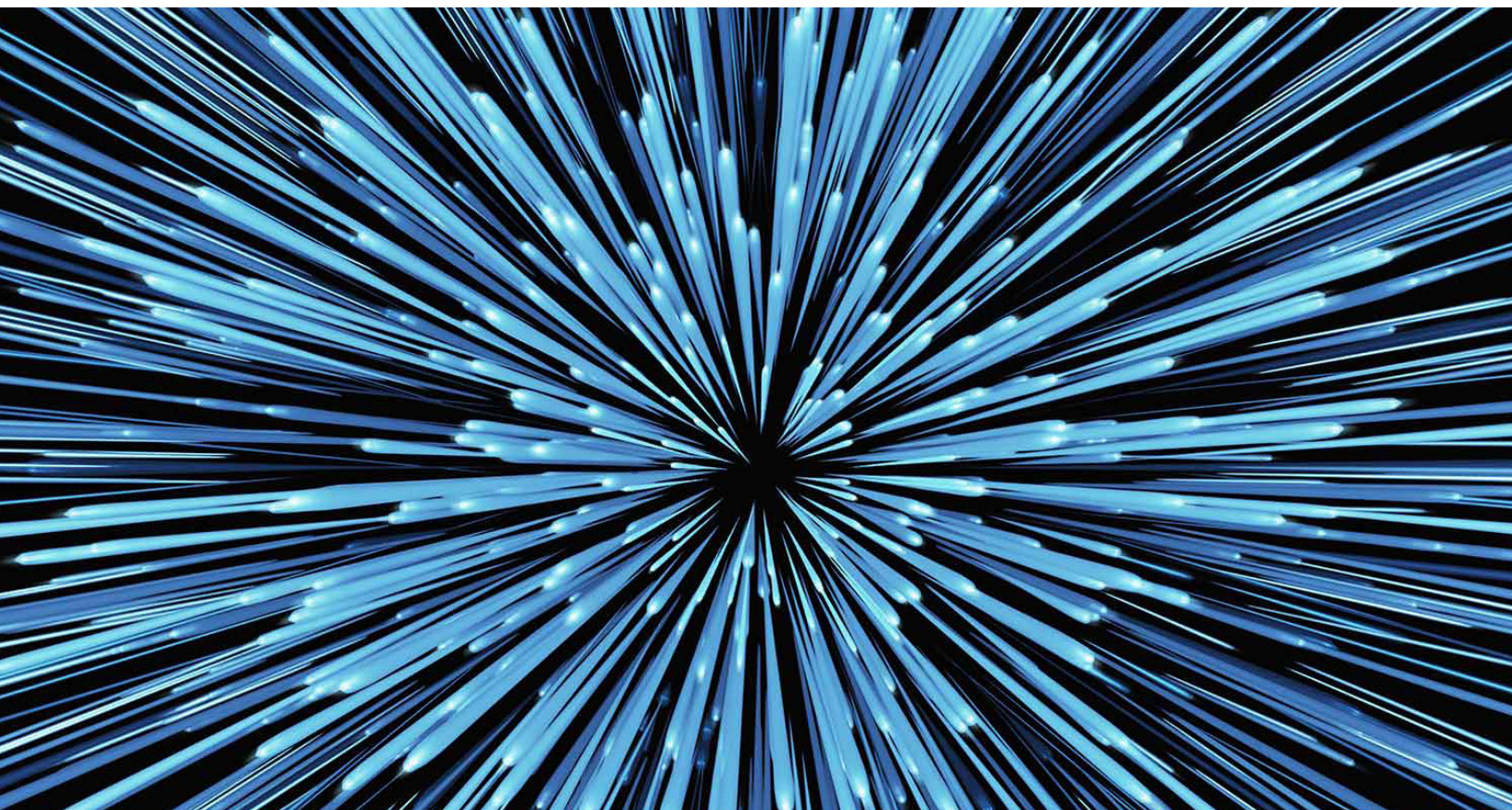


Public Sector Practice

The \$10 trillion rescue: How governments can deliver impact

Governments have announced the provision of trillions of dollars in crisis relief, but translating that into sustained recovery will not be easy.

by Ziyad Cassim, Borko Handjiski, Jörg Schubert, and Yassir Zouaoui



The COVID-19 crisis is one of the worst health emergencies the world has witnessed for a century, and its economic impact could be just as steep. While it took several quarters for unemployment to peak in other crises, the economic shock of the COVID-19 crisis has been larger than that of any previous crisis—and it materialized within weeks. Five weeks into the crisis, the weekly number of jobs lost in the United States continues to exceed any pre-COVID-19 record. In some sectors, demand came practically to a halt in a matter of days as a result of lockdown measures.

Governments' economic responses to the crisis is unprecedented, too: \$10 trillion announced just in the first two months, which is three times more than the response to the 2008–09 financial crisis (Exhibit 1).¹ Western European countries alone have allocated close to \$4 trillion, an amount almost 30 times larger than today's value of the Marshall Plan. The magnitude of government responses has put delivery into uncharted territory. Governments have included all shapes and forms in their stimulus packages: guarantees, loans, value transfers to companies and individuals, deferrals, and equity investments—as if advice from all modern schools of economic thought has been applied at the same time.

But is it working?

The crisis is far from over, and recent consumer surveys show that spending is not coming back yet.² This article, based on analysis of the economic responses of 54 of the world's largest economies, representing 93 percent of global GDP, has the following aims:

- present the breadth of measures that governments have undertaken to support companies and citizens
- assess how the distinct choices being made by countries will affect both their short-term welfare and their long-term economic trajectories

- highlight the critical questions that governments will need to consider as they shift the focus from short-term relief to the stimulation of economic recovery for the long term

Governments respond with unprecedented spending: \$10 trillion and counting

Our benchmarking of stimulus actions taken by 54 countries shows significant variation in the size of the response, with some countries committing to spend as much as 40 percent of GDP (Exhibit 2). Despite experiencing similar GDP losses and undergoing in-line lockdowns (both in stringency and duration), most emerging-market countries' stimulus packages have significantly lower spending.

Given the broad global impact of the COVID-19 crisis, few populations, businesses, sectors, or regions have been able to avoid the knock-on economic effects. That means government measures have had to support large parts of the economy in a very short time to maintain financial stability, maintain household economic welfare, and help companies survive the crisis (Exhibit 3). In addition, countries have tended to escalate their interventions as the crisis increases in severity and lockdowns persist. Nine of ten countries in our data set have already announced at least one additional financial-relief or -stimulus package. Two-thirds of countries have announced three or more packages, while a few countries have announced as many as six or seven packages.

Monetary-policy measures were the first-line response to the crisis. In early March 2020, more than 60 percent of total stimulus came from liquidity injections (Exhibit 4). At the most recent count, while more than 90 countries had used some form of liquidity injection, this had fallen to 15 percent of the total response, as other measures came online.³

¹ Includes guarantees, deferrals, loans, value transfer, and equity investments.

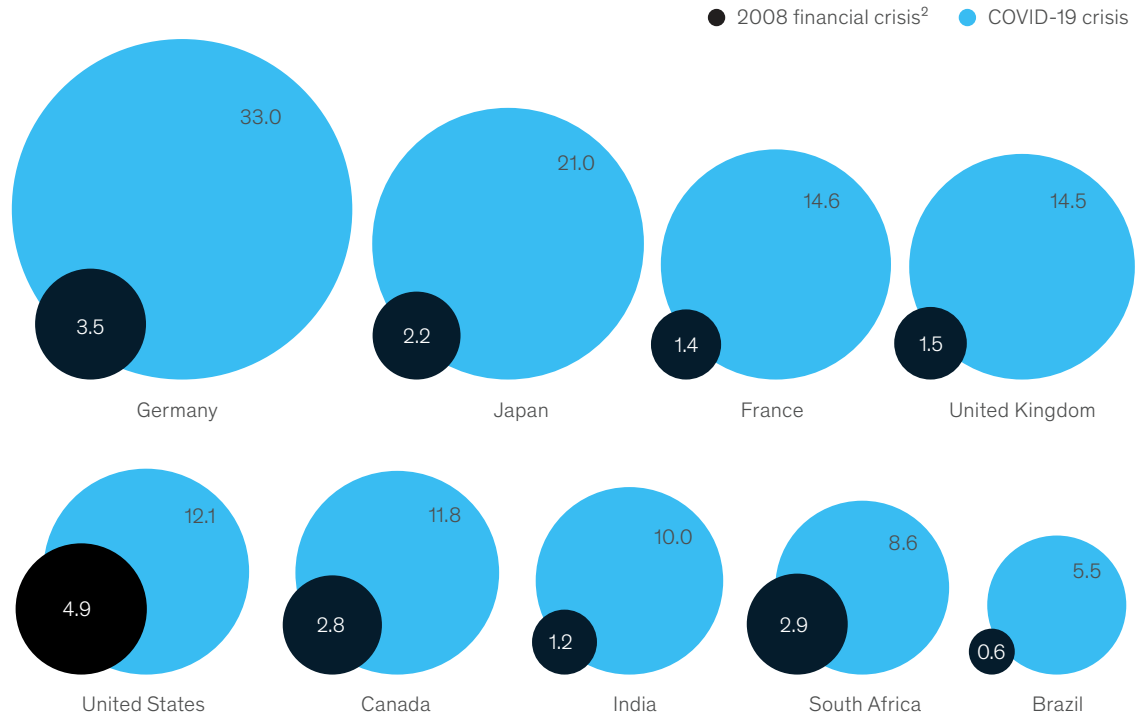
² "Global surveys of consumer sentiment during the coronavirus crisis," May 2020, McKinsey.com.

³ Forty-three countries (excluding eurozone countries, El Salvador, and Panama) have independent monetary policies.

Exhibit 1

Across countries, economic-stimulus responses to the COVID-19 crisis outsize those to the 2008 financial crisis.

Economic-stimulus crisis response, % of GDP¹



¹2019 GDP taken into account for values related to COVID-19 crisis.

²Data published by International Monetary Fund in March 2009; includes discretionary measures announced for 2008–10.

Source: *Global economic policies and prospects*, International Monetary Fund (IMF), March 2009, imf.org; government sources; IHS Markit; IMF; press search; *The state of public finances: Outlook and medium-term policies after the 2008 crisis*, IMF, March 2009, imf.org

Turning to *household measures*, the clear theme across countries has been to provide immediate relief to the most vulnerable, especially in countries without automatic stabilizers already in place. Egypt, for example, increased pensions, while several countries in South America expanded unemployment insurance. Other countries sought to protect those who were ill or homeless and to provide food security. Indonesia, for example, expanded its social-welfare program to include food assistance, while Taiwan provided coupons for use at night markets, shops, and restaurants. Some countries enacted broader income-distribution

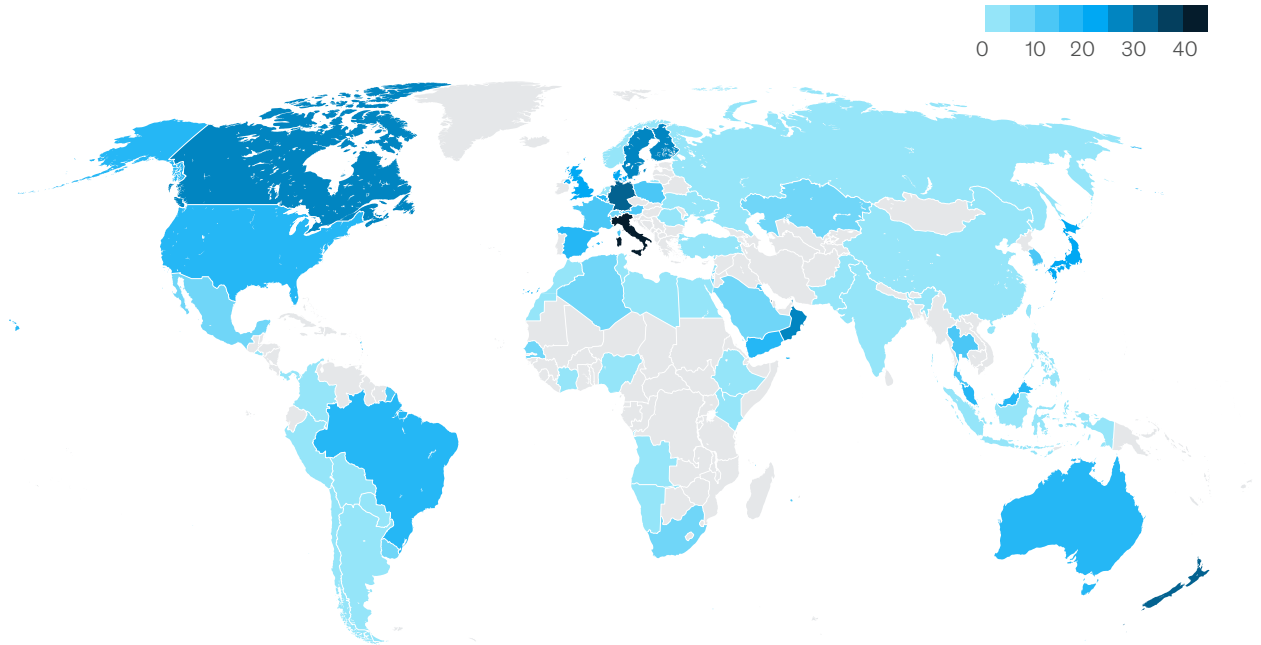
programs, primarily to support workers in the informal sector and the self-employed. Brazil, for example, provided cash transfers to informal workers, while Morocco provided staggered subsistence aid to households of informal workers, based on the size of their households. Only around 20 percent of governments we analyzed had taken steps aimed at longer-term resilience for individuals, such as jobs redeployment and reskilling.

When it comes to *business-specific measures*, the initial steps in most countries have focused on protecting vulnerable small and medium-size

Exhibit 2

Governments around the world have rolled out economic-assistance packages.

Size of stimulus package,¹ % of 2019 GDP (not exhaustive)



¹Total number made public, collected, and analyzed until May 26, 2020; includes both monetary and fiscal measures. Monetary measures included from International Monetary Fund do not include dollar values, because of challenges in measuring currency value.

Source: Government sources; IHS Markit; International Monetary Fund; press search

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enterprises (SMEs) and companies within the most affected sectors: more than 90 percent of countries have released measures that specifically target SMEs, and more than 50 percent have released measures targeting tourism, transport, and travel. The most common approach (enacted by more than 80 percent of countries studied) has been to release measures for debt restructuring and loan guarantees.

There is significant variation in how far countries have gone to protect companies' balance sheets. For example, Germany's loan guarantees amount to 29 percent of its GDP, while the average is 4 percent for other G-20 countries. Equity injections have been used by only around 10 percent of countries studied to date but may become more prevalent as we move toward recovery, as opposed to relief, measures.

Stimulus programs are split on whether they transfer value to companies through revenues or cost reductions. Germany has provided direct payments to companies based on the size of the business, and around 70 percent of countries have provided direct support or compensation to reduce salary costs. For example, Saudi Arabia is covering 60 percent of salaries for private-sector companies affected by the COVID-19 crisis, and Australia announced the extensive JobKeeper payment that aims to subsidize the wages of up to six million workers through payments made every two weeks.

Rapid execution of such measures is critical, as many SMEs struggle with cash flow. For example, the amount of time taken for funding to reach SMEs in the United Kingdom and United States shows

Exhibit 3

Thus far, the announced stimulus measures have three primary objectives.

Tools used to attain 3 primary objectives (not exhaustive)

● Liquidity injections¹ ● Regulation changes² ● Guarantees³ ● Deferrals⁴ ● Loans⁵ ● Value transfers ● Equity investments

| | | |
|--|---|---|
| 1 Maintain financial stability | Monetary-policy actions | ● Provide quantitative easing/liquidity injections ● Reduce interest rates |
| | Prudential and financial measures | ● Relax adequacy requirements |
| 2 Maintain household economic welfare | Support of critical needs | ● Maintain household disposable incomes ● Provide in-kind support ● Ease household expenses/financial obligations |
| | Employment measures | ● Relax labor-market regulations ● Perform job redeployment |
| 3 Help companies survive the crisis | Liquidity/cash-flow improvements | ● Postpone government fees/receivables ● Accelerate government payables ● Ease nondebt obligations |
| | Balance-sheet interventions | ● Provide equity interventions ● Restructure debt and defer loans ● Guarantee funds |
| | Value transfers to companies through revenues | ● Stimulate demand/government purchasing ● Transfer cash to companies |
| | Value transfers to companies through cost reduction | ● Reduce/eliminate government fees ● Compensate/reduce salary costs ● Stabilize supply-chain costs |

¹From central bank.

²Includes labor, monetary, and macrofinancial regulations.

³Includes credit and loan guarantees.

⁴Includes postponement of outstanding payments and debt obligations (governmental and nongovernmental expenses).

⁵Includes new government loans provided to companies and households.

that 25 to 32 percent of those enterprises had insufficient reserves to survive until loan funding from support programs could be accessed. And a recent Organisation for Economic Co-operation and Development (OECD) survey found that three-quarters of small businesses in OECD countries had cash reserves for two or fewer months.⁴

Three archetypes: How countries' responses today will influence their pathways out of the crisis

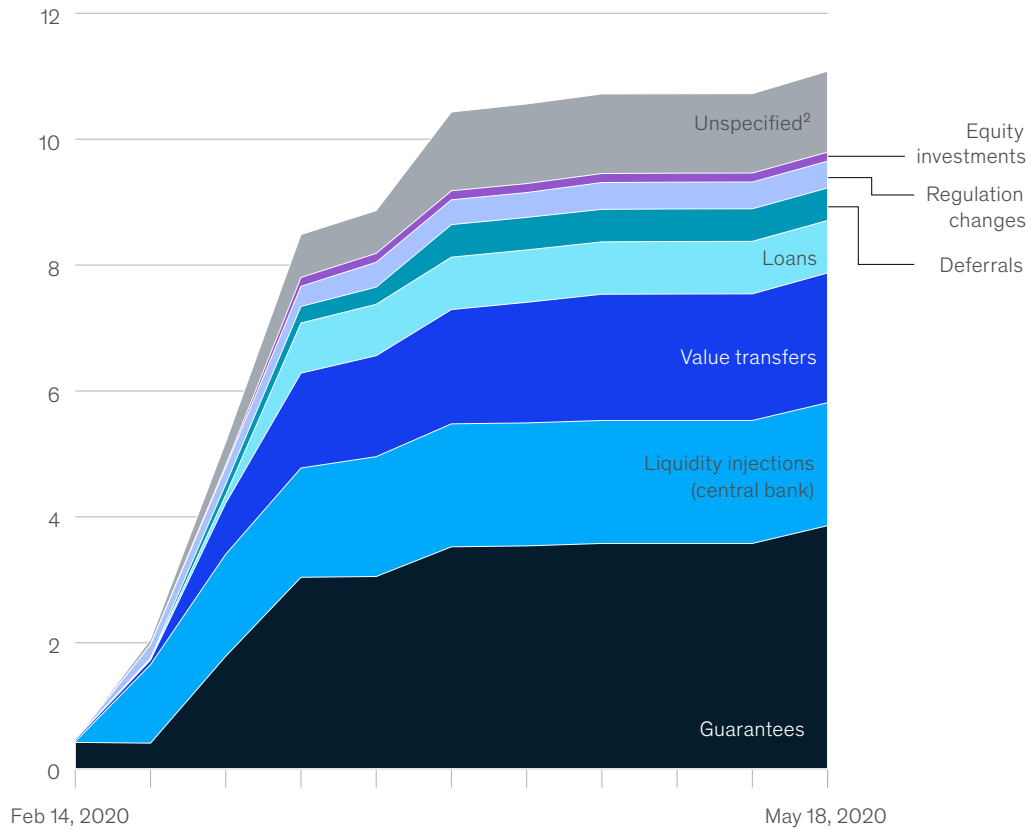
Despite the similarity of origin, governments have taken different strategic approaches in their responses to the COVID-19 crisis. In our analysis of 20 countries, we found three factors that seem

⁴Alexander W. Bartik et al., *How are small businesses adjusting to COVID-19? Early evidence from a survey*, National Bureau of Economic Research working paper, number 26989, April 2020, nber.org; "BCC Coronavirus Business Impact Tracker: Businesses not yet successfully accessing government loan and grant schemes," British Chambers of Commerce, April 8, 2020, britishchambers.org.uk; *Coronavirus (COVID-19): SME policy responses*, Organisation for Economic Co-operation and Development, May 19, 2020, oecd.org; "Help for small businesses needs to be scaled up to prevent collapses as they face cashflow crisis," blog entry by Carsten Jung and Oscar Watkins, April 9, 2020, ippr.org.

Exhibit 4

The global governmental stimulus response to the COVID-19 crisis exceeds \$10 trillion.

Cumulative size of stimulus response¹ by week, \$ trillion (not exhaustive)



¹Total number made public, collected, and analyzed to date (across 54 countries for which stimulus-package-size information is studied).

²Difference between stimulus-package sizes announced and sum of measures for which exact size is available or can be estimated.

Source: Press search; WHO

to shape how economies have responded: the degree of outbreak and intensity of lockdown (a proxy for the severity of the crisis), the preexisting social- and business-support measures already in place, and the structure of the economy—for example, the mix of self-employed workers, SMEs, and large corporations.

The combination of those three factors gives rise to three response archetypes: coordinated-, liberal-, and emerging-market economies. While the archetypes are not necessarily exhaustive, and countries may have characteristics of more than

one, they provide useful frameworks for helping governments consider how the distinct choices being made now will affect both the short-term welfare of their people and companies and their countries' long-term economic trajectories. The archetypes also provide guidance on the constraints and policy options available, in each context, as governments pilot their countries through the crisis and onto a sustainable recovery path.

Coordinated-market economies

Countries with coordinated-market economies have leveraged strong balance sheets and existing

Countries with liberal-market economies face greater short-term risks than do those with coordinated-market economies but have greater flexibility for long-term dynamism.

measures to respond rapidly and at scale to protect businesses and jobs, but they must shift to longer-term measures and beware of future stagnation. Austria, Denmark, Finland, Germany, the Netherlands, Sweden, and South Korea all fit this archetype. The countries generally have strong budget policies (several have had a recent budget surplus) and strong institutions that can implement measures quickly. Their economies are more regulated than are those with liberal-market economies, and they have stronger labor policies and a large SME footprint. The gross value add generated by their SMEs is more than 60 percent of GDP, compared with an average of 43 percent in liberal-market economies.⁵

Often, such countries already have initiatives in place to assist vulnerable households, help finance wages, and shift workers to part-time work when demand falls. More than 90 percent of their populations are covered by social-protection floors, with Germany and the Scandinavian countries spending 25 to 29 percent of GDP on social protection (which is more than the 20 percent average in OECD countries). Their responses are swift, large, and aimed at shoring up business through loan guarantees, equity injections, and fiscal-policy adjustments. Scandinavian countries have been able to leverage their high tax revenues—39 to 45 percent of GDP (compared with 24 percent in the United States,

14 percent in Malaysia, and just 6 percent in Nigeria)—as an effective means of response to alleviate household expenses.⁶

Business-specific measures in such countries have been focused on SMEs, given their clear importance in the fabric of economies. Looking ahead, the current emphasis on immediate relief means they may need to make a shift to enact longer-term measures. Additionally, as businesses are supported across the board, the countries will still need to ensure that companies they fund do not stagnate—and that they are encouraged to invest in strategic priorities (such as R&D, energy efficiency, reskilling, and employment) to maintain competitiveness and “future proof” their economies.

Liberal-market economies

Countries with liberal-market economies face greater short-term risks than do those with coordinated-market economies but have greater flexibility for long-term dynamism. The group includes Australia, Canada, the United Kingdom, and the United States. A key feature here is a limited framework of preexisting measures to protect households—the countries in this archetype spend 17 to 20 percent of GDP on social protection. Their economies skew more heavily toward big corporations than do those with coordinated-market economies, with a comparatively smaller role for SMEs, and flexible labor policies are dominant.

⁵ “Small and medium-sized enterprises: An overview,” Eurostat, November 25, 2019, ec.europa.eu; “Small businesses generate 44 percent of U.S. economic activity,” U.S. Small Business Administration, January 30, 2019, advocacy.sba.gov; “SME structure and business dynamism: Trends and performance in productivity and wages,” in *OECD SME and Entrepreneurship Outlook 2019*, Paris, France: OECD Publishing, 2019.

⁶ Global Revenue Statistics Database, Organisation for Economic Co-operation and Development, April 15, 2020, oecd.org.

The limited degree of automatic coverage for workers and businesses drives a focus on emergency support-of-wage bills for companies and direct transfers to individuals. More companies will fail in such economies, and the reliance on massive cash transfers in those countries will increase the pressure to build a robust digital infrastructure. However, creative destruction in the least resilient sectors will provide more flexibility to pivot and emerge from the crisis stronger and more competitive, provided that economic shutdowns do not last too long, as unemployment can become sticky, driving up costs and dampening consumption in the longer term.

Emerging-market economies

The crisis has severely affected many emerging-market economies, and the countries in that archetype will need to be innovative and highly targeted with limited funding. Examples here include Egypt, Kenya, and Nigeria. Southeast Asian countries, such as Indonesia and the Philippines, have managed to curtail large outbreaks of COVID-19 (as compared with Europe and North America) but still face many of the same challenges as other emerging markets. The countries have large informal sectors in their economies and limited resources, which has led to more modest relief and stimulus packages—typically, considerably less than 10 percent of GDP.

Countries with emerging-market economies face a funding gap: their central banks have limited “headroom” to intervene, and they have lower debt resilience because of higher debt-to-GDP ratios and higher costs of debt. Egypt, for example, spends as much as 9.6 percent of its GDP on servicing its debt. Monetary tools are also used to a lesser degree (liquidity injections are 1.7 percent of GDP to date, compared with more than 5 percent in many advanced economies), with more vulnerable currencies limiting the ability of central banks to intervene.

With very little room to support businesses, such countries are mainly relying on donor support. Efforts generally focus on vulnerable households. Typical measures include reductions in lending

rates, postponements of government fees, and increased access to financing. Looking ahead, the countries will need to be innovative with the limited funding at their disposal, targeting resources to the households and businesses that are most vulnerable and to the sectors that will be most critical in the recovery.

Different archetypes, different trade-offs and choices

The shape of post-COVID-19 economies may depend on governments’ actions today. Notably, there could be a trade-off between buying stability and competitiveness. For example, some countries with coordinated-market economies have protected the status quo by enacting longer-term measures (large-scale guarantees and equity injections) to provide sustainability and protect jobs, while some countries with liberal-market economies have provided relief to those who have lost income or become unemployed. This can be seen in the type of funding: countries with liberal-market economies have provided approximately 60 percent of total relief measures in direct value transfers and loans, compared with only around 10 percent in countries with coordinated-market economies, which have spent around 80 percent of stimulus measures on guarantees.

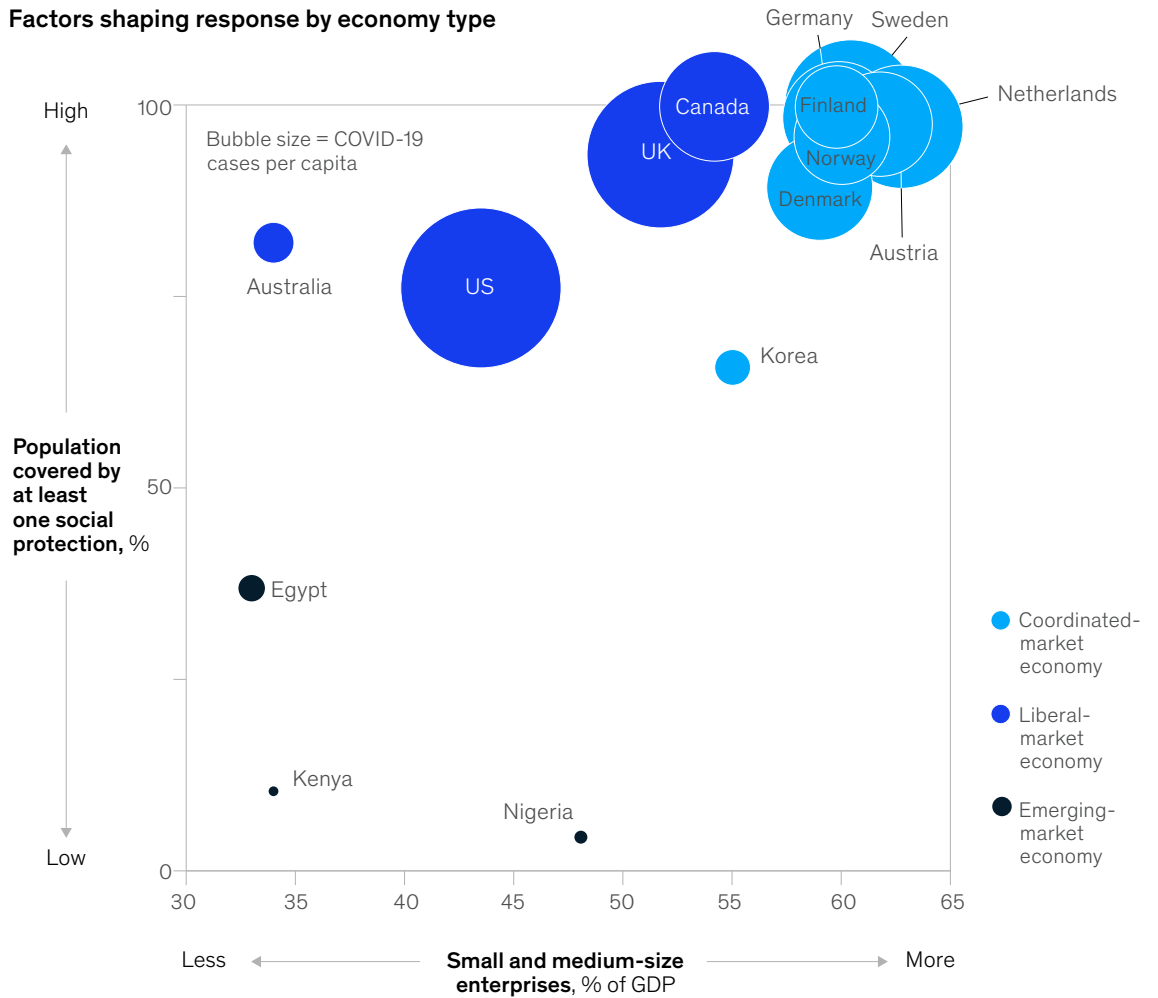
The effects are already starting to emerge. According to the International Monetary Fund, the unemployment rate in the United States is expected to increase threefold (to 10.4 percent, from 3.7 percent) from the fourth quarter of 2019 to the fourth quarter of 2020. The unemployment rate in Germany is expected to increase marginally (to 3.9 percent, from 3.2 percent) over the same period.

However, keeping unviable companies alive may prevent seizing the crisis as an opportunity to adapt and pivot to lasting changes, such as an increased requirement for digitization and automation. Countries with fewer protections in place that are focusing on protecting employees while providing lower long-term support for companies may give themselves the opportunity for a fresh start—and shape more future-proof economies as a result (Exhibit 5).

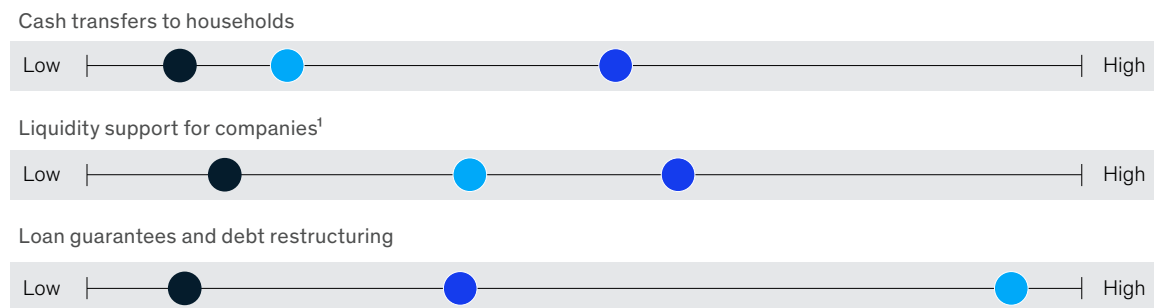
Exhibit 5

Several factors shape how countries respond to the COVID-19 crisis.

Factors shaping response by economy type



Stimulus focus by type of economy



¹Includes loans, cash transfers, salary compensation, and waving of governmental fees and taxes.

Optimizing the effectiveness of delivery: Considerations for governments

Ensuring the effective delivery of financial relief will need to be a key priority for all countries. The unprecedented size of the financial measures announced to date poses major challenges in pushing the money to those who need it first—and fast. Our review of selected countries' delivery mechanisms (Exhibit 6) shows that income-support measures have taken from one day to more than two months to reach vulnerable populations. And despite the surge in unemployment in many countries, large portions of recently unemployed people have not been able to make claims on unemployment-insurance funds.

Our global scan of countries' approaches to delivery suggests that there are three crucial success factors. The first is to *scale up social-support infrastructure*. Countries without sufficient infrastructure need to repurpose existing structures or create new and innovative disbursement channels rapidly. Morocco, for example, has enrolled in its RAMEd system more than two million households that were previously not eligible.

Countries with existing social-support infrastructure have managed to support vulnerable populations immediately without the need for special response measures. That resolves the need for special distribution mechanisms to be built, as well-tested systems are already in place. In Denmark, for example, *kontanthjælp* has already designated current accounts for citizens, who are paid at the end of the month if they require social assistance.

A second key success factor for delivery, which supports the first, is to *strengthen digital delivery*. Digital delivery platforms have emerged as key instruments in delivering funds to households. Some of the quickest delivery vehicles have come from emerging markets and are the more inspiring success stories of the global response to date.

In Peru, for example, authorities are leveraging earlier successes in channeling government-to-person payment through accounts to increase payments to old and new beneficiaries during the emergency and are expanding the set of financial-service providers.⁷ Pakistan has mobilized rapidly, using existing digital infrastructure to identify 12 million vulnerable households (70 million to 80 million people). Applications for benefits have been enabled through mobile phones, and funds are disbursed through 18,000 locations that have physical-distancing measures in place and use biometric verification of all beneficiaries. Around 70 percent of the support to date has gone to women. As part of setting up that relief effort, Pakistan is in the process of adding 3.5 million families to the government database of the most deserving and helping more than seven million people open bank accounts for the first time.⁸

Real-time tracking is critical to enable effective delivery. Traditional monitoring systems cannot do this job, because of the low frequencies and lengthy time lags of data collection and processing (for example, most countries will not find out until July 2020 what happened with GDP growth in the first quarter of 2020). Two tools can help governments make more effective decisions throughout the crisis: dashboards with nontraditional, advanced analytics and data (updated daily or weekly) and regularly conducted surveys of core segments of households and businesses (for example, SMEs) to check their pulse and identify any need for course correction.

Of course, the use of digital platforms needs to be coupled with stringent security measures, such as raising user awareness on data leakage and increasing monitoring capacity to prevent cyberattacks and fraudulent access of relief funds. Certain countries have already fallen victim to fraudulent parties gaining access to funds.

Last, but by no means least, it is critical that governments *design interventions in a way*

⁷ World Bank Blogs, "Responding to crisis with digital payments for social protection: Short-term measures with long-term benefits," blog entry by Michal Rutkowski et al., March 31, 2020, blogs.worldbank.org.





⁸ Sania Nishtar, "COVID-19: Using cash payments to protect the poor in Pakistan," World Economic Forum, May 5, 2020, [weforum.org](https://www.weforum.org).

Exhibit 6





Governments around the world have used quick-acting and innovative-delivery mechanisms in their stimulus packages.

Stimulus-mechanism examples (not exhaustive)

QUICK-ACTING MECHANISMS

| | | | |
|--|---|---|---|
| <p>Malaysia</p>  <p>15% discount on monthly electricity bills for hotels, travel agencies, airlines, shopping malls, conventions, and exhibition centers</p> | <p>France</p>  <p>Suspension of water, gas, electricity, and rent bills and tax and social-contribution payments for small businesses heavily affected by COVID-19 crisis</p> | <p>Indonesia</p>  <p>Deferral of import taxes, relaxation of rules on value-added-tax refunds, and 30% reduction in corporate taxes approved for companies in 19 manufacturing sectors</p> | <p>South Africa</p>  <p>Acceleration of employment-tax-incentive reimbursement payments (from biannually to monthly) to increase liquidity of compliant employers</p> |
|--|---|---|---|

INNOVATIVE-DELIVERY MECHANISMS

| | | | |
|---|--|--|--|
| <p>Peru</p>  <p>A growing number of financial-service providers (eg, private banks, mobile money providers) conduct government-to-person payments</p> | <p>Kenya</p>  <p>GiveDirectly online platform assists in providing digital cash transfers to low-income individuals by using geographic targeting data to identify vulnerable groups</p> | <p>India</p>  <p>Combined use of national online ID system, mobile-phone numbers, and certain types of financial accounts helps lay out a digital pipeline for transferring benefits to beneficiaries</p> | <p>Germany</p>  <p>Online portal allows employers to fill out detailed end-of-month time sheets to apply for short-term work compensation from Federal Employment Agency</p> |
|---|--|--|--|

Source: Government sources; International Monetary Fund; press search; World Bank

The boundaries and names shown on this map do not imply official endorsement or acceptance by McKinsey & Company.

that accelerates delivery. While broad income distribution can be challenging when delivery mechanisms do not exist, several countries have led the way by enacting immediate relief measures, such as eliminating waiting periods before people can claim unemployment benefits and subsidizing or discounting basic utility fees for companies and households. Furthermore, stimulus will only be effective if individuals and businesses spend,

rather than save, what they receive. Some countries have increased recipients' propensity to spend by providing in-kind support through coupons and food vouchers.

Expense mechanisms, even if deferring expenses, can be a much faster-acting measure when automatic social-support measures are not in place. Our analysis of the total support provided

to households showed that some countries have managed to provide up to 40 percent of the average assistance to households by waiving nondiscretionary and government expenses and thereby offering households instant relief. Several countries have implemented particularly rapid measures. France, for example, has suspended water, gas, electricity, and rent bills, as well as tax and social-contributions payments for small businesses affected heavily by the COVID-19 crisis. Malaysia has provided a 15 percent discount on monthly electricity bills for hotels, travel agencies, airlines, shopping malls, and convention and exhibition centers.

Looking ahead: Planning now for the recovery

As we have discussed, the world's economic response to date has focused on relief. Further interventions will likely be necessary to revive aggregate demand once economies reopen if consumer and business sentiments do not fully rebound, resulting in muted spending and investment.

In the United States, for example, the \$3 trillion economic response to the COVID-19 crisis has been allocated almost entirely to immediate relief measures. In contrast, the American Recovery and Reinvestment Act of 2009 allocated 55 percent of its total funding—approximately \$450 billion—to stimulate industries and revive aggregate demand by investing in infrastructure expansions in the transport, healthcare, education, and energy sectors.

While many of the lessons learned from recovery in earlier economic crises can be helpful in designing a recovery plan for the COVID-19 crisis, there are at least four areas that are specifically relevant to the current context:

1. **Green energy.** Accelerate government investment in clean energy and incentivize companies to improve energy efficiency.

Why it matters. Although COVID-19 is not directly linked to climate change, public opinion is in favor of recovery actions that also address the green agenda. Close to 70 percent of surveyed respondents say climate change should be prioritized in recovery efforts. Environmental and economic impact can be complementary: creating a low-carbon stimulus program for one European country has been estimated to require an investment of between €75 billion and €150 billion, which would produce €180 billion to €350 billion of gross value added and create up to three million jobs.⁹

2. **Digitization and the next technology wave.** Accelerate government digitization and support companies in adopting new technologies.

Why it matters. Adoption of digital technology and artificial intelligence (AI) was a fast-accelerating trend even before the COVID-19 crisis. Digital technology is forecasted to rise to 66 percent absorption, from 37 percent, by 2030, whereas AI absorption is expected to increase to 50 percent, from 7 percent, over the same period.¹⁰ The shift to a contactless economy, driven by the pandemic, will contribute to that acceleration. The United States has seen a 20 percent increase in preference for contactless operations, with numerous industries adapting to this change.¹¹ Payment, retail, food, accommodation, education, and health are among the areas that will be significantly affected by the trend.

3. **Shaping the workforce of the future.** Upskill the workforce to be able to remain productive in a future of increased automation.

⁹ "How a post-pandemic stimulus can both create jobs and help the climate," May 2020, McKinsey.com.

¹⁰ Jacques Bughin, Michael Chui, Raoul Joshi, James Manyika, and Jeongmin Seong, "Notes from the AI frontier: Modeling the impact of AI on the world economy," McKinsey Global Institute, September 2018, McKinsey.com.

¹¹ Rachel Diebner, Elizabeth Silliman, Kelly Ungerman, and Maxence Vancauwenbergh, "Adapting customer experience in the time of coronavirus," April 2020, McKinsey.com.

Why it matters. Automation and AI will prompt large-scale workforce transition over the coming years. Even with today's technologies and knowledge, 60 percent of occupations have around 30 percent of tasks that are technically automatable. Many occupations will see growing demand, while others will shrink, leading to 75 million to 375 million workers potentially needing to switch occupational groups by 2030.¹²

4. Resilience of supply chains and security of essential goods. Support the creation of local industries that will increase countries' resilience.

Why it matters. From early on in the COVID-19 crisis, governments and businesses alike were forced to go into emergency mode to mitigate the impact on supply chains. The crisis revealed weaknesses or risks in various market segments, such as governments banning exports of food

or medical products and businesses struggling to maintain production. Looking ahead, governments and businesses will seek to build resilience against future shocks.

Governments have acted quickly, with an unprecedented outlay of fiscal spending, to respond to the immediate effects of the COVID-19 crisis, such as the surge in unemployment among low-income groups. Immediate next steps include ensuring that what is announced gets delivered at the expected pace and efficiently. Governments will need to consider and adapt to a range of longer-term trends that have been accelerated by the crisis when shaping their recovery packages. Implementing an evidence-based approach that considers the themes discussed in this article can make a significant difference in recovery programs' magnitude of economic impact.

¹²Parul Batra, Jacques Bughin, Michael Chui, Ryan Ko, Susan Lund, James Manyika, Saurabh Sanghvi, and Jonathan Woetzel, "Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages," McKinsey Global Institute, November 2017, McKinsey.com.

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