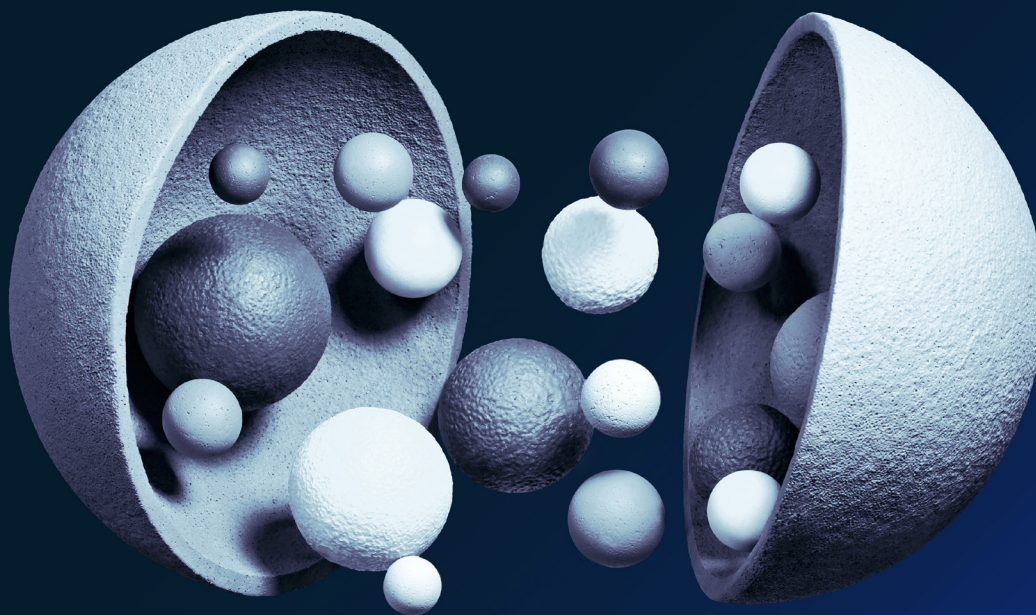McKinsey
& Company

Risk Practice

COVID-19: Briefing note #80, November 10, 2021

Bouncing back higher requires tackling underlying obstacles.

This week, McKinsey continued its exploration into how to grow economies sustainably and inclusively by focusing on the United States, its regions, and specific programs. We also examined the global fight against climate change in interviews with the authors of two books on the topic and with an article on building resilience.

The United States can achieve sustainable and inclusive growth if it can address issues including the struggles of young people, who are building wealth at a much slower pace than their peers did half a century ago, and large gaps in workforce participation, wages, and higher-education attainment (exhibit). Other challenges include climate change, which is affecting people in different geographies in the United States in various ways, and slower productivity growth. McKinsey proposes a series of no-regrets actions to create the conditions for economic growth that mitigates climate change and benefits a wide swath of the population.

Though the region enjoys a strong economy and lower unemployment than the national average, Minneapolis–St. Paul has dramatic prosperity gaps between Black and White residents. Median Black household income is less than half the median White household income ($42,200 compared with $90,100, respectively), and workers of color were one and a half to two times likelier to report loss of income during the pandemic. To address root causes of inequities, leaders can increase access to capital for entrepreneurs, eliminate policies and practices that result in bias and exclusion, expand mentorship, and support the reskilling of workers.
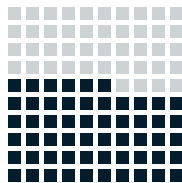
States can leverage data to prepare for the US Treasury's $10 billion Homeowner Assistance Fund program, intended to help homeowners avoid defaults and delinquencies through assistance with mortgage, insurance, and utility payments. A well-designed strategy to gather and analyze data will help states support homeowners most at risk. Going further to build dynamic models of the impact of different decisions and scenarios can also help states test various potential policies.

This week, we spoke with three authors for our Author Talks *series, two of whom tackle climate change. Katharine Hayhoe, chief scientist for The Nature Conservancy, discusses her new book,* Saving Us: A Climate Scientist's Case for Hope and Healing in a Divided World *(Simon & Schuster,*

Exhibit

Large gaps in workforce participation, wages, and higher-education attainment persist across demographic groups in the United States.
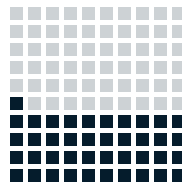
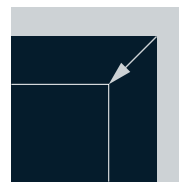| Participation of women in US workforce	Men enrolled in higher education in US	Wages for Black US workers	Young adults' share of wealth in US
56%	**41%**	**−30%**	**−38 pp**[1]
participation rate of women in US labor force in 2021 (lowest in 3 decades)	proportion of students in US colleges in 2021 who are men (all-time low)	gap in median annual wages for Black US workers when compared with full parity (annual earnings gap of $220 billion)	decline in share of average adult wealth of 30- to 34-year-olds in US between 1984 and 2017 (69% vs 31%)

[1]Percentage point.

Source: Douglas Belkin, "A generation of American men give up on college: 'I just feel lost'," *Wall Street Journal*, September 6, 2021, wsj.com; National Women's Law Center; "The economic state of Black America: What is and what could be," McKinsey Global Institute, June 17, 2021, McKinsey.com; "The social contract in the 21st century," McKinsey Global Institute, February 5, 2020, McKinsey.com

September 2021). Hayhoe examines the facts of climate change and suggests personal and policy changes that can improve the situation.

In his new book, Speed & Scale: An Action Plan for Solving Our Climate Crisis Now *(Penguin Random House, November 2021), John Doerr, investor and chairman of venture capital firm Kleiner Perkins, highlights ten big, global objectives by which we can cut carbon emissions. These include how we electrify transportation, decarbonize the grid, and manufacture concrete and steel.*

Even in a scenario in which aggressive decarbonization results in just 1.5°C of warming above preindustrial levels by 2050, the number of people exposed to severe climate hazards could still increase to a quarter of the global population. Leaders need to build resilience against climate events into their plans. Insurance, civil-engineering, agricultural, and financial-services companies all have roles to play in encouraging and enabling investment in sustainability and resilience.

Here are some of this week's other key findings from our research:

— The global economy is exhibiting strong overall demand, according to McKinsey's Global Economics Intelligence executive summary for October. The public-health situation has improved in most surveyed economies, especially as COVID-19 vaccination programs make real progress. The main economic challenges are supply-chain bottlenecks and rising inflation. Fortunately, most economists and forecasting institutions expect that these difficulties will be relatively short lived.

— In McKinsey's new report, *The Internet of Things: Catching up to an accelerating opportunity*, we estimate that by 2030, the IoT could enable $5.5 trillion to $12.6 trillion in value globally. We found that the factory setting will account for the largest amount of potential economic value from the IoT, about 26 percent, in 2030. The human-health setting is second, representing about 10 to 14 percent of estimated value in 2030.

— Sue Barsamian is a seasoned software executive who serves on the boards of companies including Five9, Box, and NortonLifeLock. In a wide-ranging interview, she discusses product–market fit, why unit economics always matters, and what's making her optimistic about board diversity.

Our new edition of McKinsey for Kids *starts with the mess scattered around a typical kid's bedroom and ends in Asia where K-pop is influencing the world's popular culture. What ties it all together? A deep dive for young people into global trade. We go back to ancient Mesopotamia, through the Industrial Revolution, and onto container ships to explain why and how the socks on your floor, the songs on your playlist, and the food in your lunch box come from all over the world.*

Our third Author Talks *features Azeem Azhar, creator of the* Exponential View *newsletter, on his new book,* The Exponential Age: How Accelerating Technology Is Transforming Business, Politics and Society *(Diversion Books, September 2021), which in the United Kingdom is titled* Exponential: How to Bridge the Gap Between Technology and Society *(Random House Business, September 2021). Azhar hopes the book will serve as a road map for how societies can deal with the effects of AI, automation, and big data.*