Authors

Patrick Deutscher
Economist and Adjunct Professor
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Don Drummond
Stauffer-Dunning Fellow and Adjunct Professor
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Leo Erlikhman
MPA, MA
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Abdulla Husain
PMPA Candidate
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Saif Hussain
PMPA Candidate
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Spencer McDonald
PMPA Candidate
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Fizza Mirza
MPA, MA
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Rafayet Newaz
PMPA Candidate
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Juliana Orlando Rohr
MPA, Research Assistant
School of Policy Studies
Y µ v [• h v] À Œ •] š Ç

Hon. Hugh Segal
Matthews Fellow in Global Public Policy
School of Policy Studies
Y µ v Ç • University

Carol Trudell
JD and CFA Candidate, MPA
School of Policy Studies/ Faculty of Law
Y µ v [• h v] À Œ •] š Ç

Rebecca Wissink
MA Candidate
Cultural Studies
Y µ v [• h v] À Œ •] š Ç

Introduction to the Future of Work Post-Pandemic

Don Drummond

A common question one hears of late is, "when will things return to normal?" The COVID-19 Economic Recovery Working Group from Queen's University weighed in on this question over the summer of 2020 from the perspective of the future of work. The effort produced a series of notes reflecting the views of the authors. But certain themes emerged as common across the thought pieces.

/ v š Z } v } u Ç v • ‰] o o Ç] v š Z o } µ Œ E u Œ E l š U _ š Z h e Œ E] • v } • there are constant shifts across sectors as some advance and others fade. Within sectors and even firms, some types of jobs grow in demand, while others decline, and almost everyone is forced to adapt to these changes and reframe the way they work.

Economic shocks amplify the churn in the labour market. In previous recessions, Statistics Canada reports that 45 percent of layoffs became permanent (Morissette et al., 2020). The pandemic has produced the deepest recession of all, and we should expect very large, disruptive and enduring effects in the future of work. This will undoubtedly have serious implications for individuals, companies and governments.

The job losses from economic closures in response to the pandemic have disproportionately hit low-wage workers and women. All the jobs in places they worked will not return, and they will need income support, training and assistance gaining employment in areas of the economy that will advance.

Many workers will continue to do at least some of their work from home. As workers and their employers undergo the transition into working from home, they will need to balance the advantages with the potential costs of isolation. A hybrid model will likely /Lang (en-CA)>> B2r7(e.)] TJ

Implications for the Labour Market

The Labour Force Survey shows that from February to April, 5.5 million Canadian workers were affected by the economic shutdown. This number includes a drop of 3 million in employment and 2.5 million of COVID-related increase in absences. With the reopening of the economy in Canadian provinces, we have seen an increase in employment during May, June and July. As of the last la

Figure 6. Actual Hours by Industries compared with February 2020 (Feb 2020 = 100%). Source: Statistics Canada, Table 14-10-0289-01 Actual hours worked at main job by industry, monthly, seasonally adjusted, last 5 months (x 1,000)

In addition to being amongst the first to experience job loss and economic hardship, the Statistics Canada June Labour Force Survey (} µ v š Z š ^ u ‰ o } Ç u v wage uvjorkers ohad recovered to ó ô X ô 9 } (š Z & Œ µ Œ Ç o À o U } u ‰ Œ š } Labour Force Survey, 2020), highlighting the fact that low income wage earners also experienced a slower recovery period than those employed in other sectors. The slower recovery period exemplifies the challenges that low wage earning Canadians continue to experience.

For low income wage earners within the Wholesale and Retail Trade industry, a slight increase in wages during the COVID-19 pandemic was later met with a decrease going into the economic recovery. The change is likely due to the elimination of a wage increase offered by major retailers such as Loblaws, Metro and Walmart (CBC News, 2020). Following a wage increase at the onset of COVID-19, major retailers have ended the wage bump that was offered to its employees (CBC News, 2020), which explains why employees in the wholesale and retail trade industry have experienced a decrease in wages.

COVID-19 in Comparison to other Economic Downturns 2008

The following infographic, accessed through the Statistics Canada Labour Force Survey, June 2020, exemplifies how COVID-19 compares to other periods of economic downturn. The infographic compares COVID-19 to the 1981-1982 recession, the 1990-1992 recession and the 2008-2009 recession.

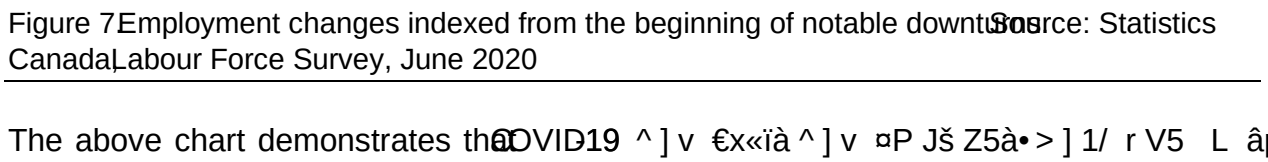

Figure 7: Employment changes indexed from the beginning of notable downturns. Source: Statistics Canada, Labour Force Survey, June 2020

The above chart demonstrates that COVID-19 ^] v €x«ïà ^] v ¤P Jš Z5à• >] 1/ r V5 L âp‘).¶ë` ‘ó ñ x

Geographical Locations

The following section of the paper will compare the impact COVID-19 has had on employment within Canadian provinces and examine the geographical impact of COVID-19 on different population centres.

Figure 8: Employment changes indexed from the beginning of notable downturns Source: Statisticy 1 469.9etiticy 1 4

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Figure 1. Employment has kept up with the population in Canada. Source: Statistics Canada, Table 14-10-0327-01 Labour force characteristics by sex and detailed age group, annual. Table 14-10-0327-01 Labour force characteristics by sex 1rharact BBT >/t BBT >/t ph492 re W* n BT /F3 11 Tf 1 0 0 1 506.45 515.17 Tm

Change in employment in Canadian Occupations, 2001 to 2019, (000s)	
Total, all occupations	4,123.4
Processing and manufacturing machine operators and related production workers	-188.8
Office support occupations	-186.3
Middle management occupations in retail and wholesale trade and customer service	-58.5
Distribution, tracking and scheduling co-ordination occupations	-58
Assemblers in manufacturing	-44
Labourers in processing, manufacturing and utilities	-41.1
Senior management occupations	-12.1
Workers in natural resources, agriculture and related production	-7.7
Processing, manufacturing and utilities supervisors and central control operators	10.3
Occupations in front-line public protection services	10.9
Supervisors and technical occupations in natural resources, agriculture and related production	23.2

Many of the growing occupation groups require significant levels of higher education and skill development. Others are open to people with less education or experience, such as Service representatives and other customer and personal services occupations. These include many restaurant wo

participated in the gig economy, either as their main job, or as a way to supplement their income from a primary job. A study by Statistics Canada (Jeon et al., 2019) finds that gig workers are more prevalent among immigrant communities and that workers in the bottom 40% of the annual income distribution are twice as likely to be involved in the gig work economy. Among those who enter the gig economy, about half stay for a year or less with about a quarter participating for three or more years. Many reported looking for gig work after losing regular employment earnings.

Part-time work is also a significant component of the labour market. Some workers, students, for example, may have a preference for a part-time job. Others may end up working part-time because they have not been able to find full-time work. Some employers may have a preference for part-time workers to match predictable fluctuations in demand for their products. Again, over the period since 2001, part-time employment as a share of total employment has moved in a fairly narrow range. It was 18.1% in 2001 and 18.9% in 2019, never straying outside a 1.9% to 18 annual band over the entire period.

The share of part-time workers who were not working full-time for economic reasons was 25.8% in 2001, reached an annual peak of 27.8% in 2010 and the share subsequently declined to 19.5% in 2019.

One important dimension on which the Canadian labour market has changed has been th

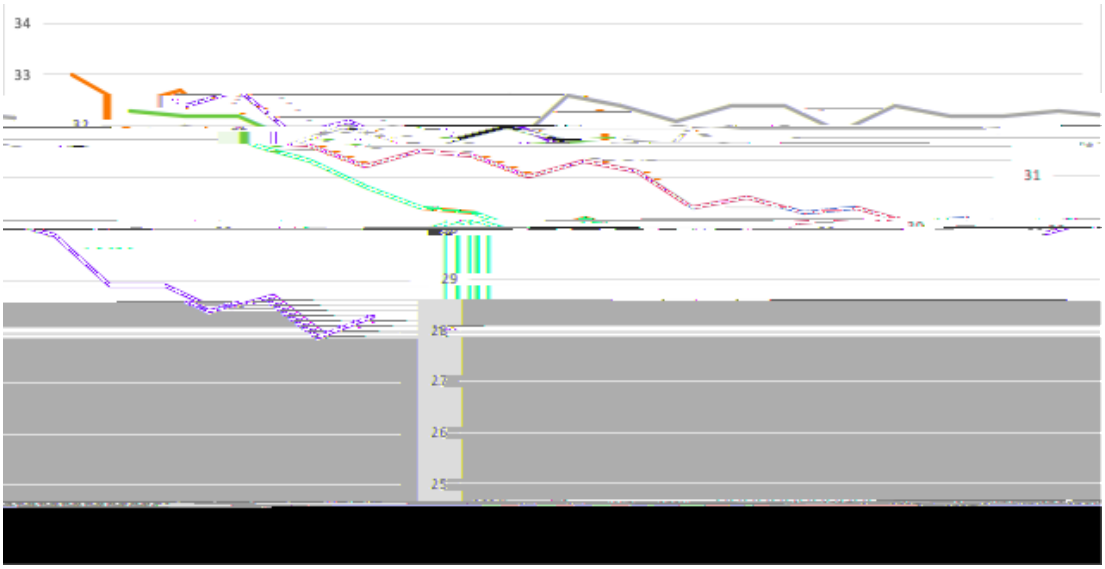

Figure 4 Union Coverage Rate (by a collective agreement) in Canada, 2001 to 2019 Source: Statistics Canada Table 14-10-0129-01 Union status by geography

Along with the decline in unionization, there has been a general slide in the coverage of employment-based social protection for workers. At the end of the 1970s, more than half of all male employees had a Registered Pension Plan (RPP) at their job. In the early 1980s, RPP coverage among male employees began to decline, falling below 50% in 1986. Coverage continued to decline throughout the 1990s and fell below 40% in 2003 and dropped to 30.1% in 2018. During the same period, pension coverage among female workers stayed relatively stable. From coverage of 36% in the late 1970s, women's pension coverage increased to just over 40% by the late 1980s. As of 2018, the pension coverage rate for women was 39%. As with the trends for union representation, the higher RPP coverage for women results from higher employment in the public sector, including education, health care and social assistance. In 2019, 36% of employed women aged 25 to 54 were employed in these sectors, four times more than the rate for men of the same age (9%).

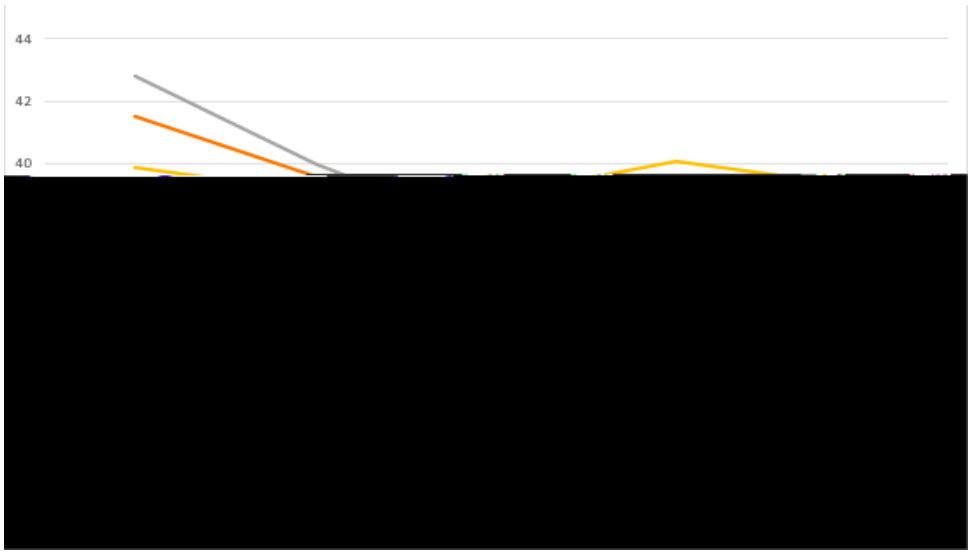

Figure 5. Percentage of Paid Workers Covered by a Registered Pension Plan, 1997 to 2017. Source: Statistics Canada, Table 11-10-0133-01 Registered pension plan (RPP) active members by area of employment, & Table 14-10-0027-01 employment by class of worker, annual (x 1,000)

Implications for Post-Covid Labour Market Policy

d Z Œ •] o] v }labour vmarket [e- t before the COVID-19 pandemic resulted not just from š Z } v } u Ç [• ‰] š Ç š } i µ • š µ š (Œ } u Œ v P } (• µ ‰ ‰ } Œ š] À support, training and adjustment assistance, infrastructure investment and the aggressive use of fiscal and monetary policy to encourage recovery from the 2008 recession. While the world of work has been previously impacted by the economic crisis, the COVID-19 pandemic poses different challenges to the labour market.

- Low-wage workers, women and minority groups have been more affected during this pandemic than when compared to previous shocks. To this point employment recovery is also uneven across these workers.

- Sectors such as air, train, tourism, commercial real estate and brick-and-mortar retail, and hence employment within, will likely not return to pre-pandemic levels of activity for many years. Barrero, Bloom and Davis (2020) estimate that 42 percent of layoffs will result in permanent job loss.

- The likely shifts in production processes will amplify employment disruption. With COVID-19 acting as an accelerator, there will be greater momentum in mechanizing production processes, including the use of robots and Artificial Intelligence. With Public health experts believing that we are at greater risk than ever to experience large-scale global pandemics, business models will adapt to provide insurance against workplace health risks and protect

supply chains from being highly disrupted by a possible future pandemic. Again, this technological advancement is more likely to be felt by more vulnerable groups with lower education and skills. Policies to provide retraining to workers in declining industries and that link income support to participation in training and job search could speed the necessary changes

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Changes in the Canadian Labour Market Resulting from the Pandemic

Spencer McDonald and Juliana Orlando Rohr

The result of any major, impactful crisis is both response and change. Notable examples experienced throughout the course of our history include World Wars, the 9/11 tragedy, the Great Depression, natural disasters, and pandemics. Social, environmental, and economic impacts are all experienced in some form, and leave a result of these events. The goal of policies to steer the response to positive outcomes for each of these key areas.

The world has been, in many ways, relatively fortunate when it comes to the realm of global pandemics. The 1918 Flu is arguably the closest comparable to the current COVID-19 crisis. Although SARS, MERS and other disease outbreaks have also been experienced over the course of this hundred-year span, none have impacted the world in the same manner as COVID-19. The social, economic, cultural and environmental impacts of COVID-19 have been felt around the world throughout the course of the lengthy pandemic; with most governments urging citizens to heed the advice of the health care professions and implement such practices as quarantine, social distancing, no group gatherings, mask wearing and frequent hand washing. The medium and long-term impacts of COVID-19 are largely unknown. What has been realized throughout the course of the pandemic thus far, however, is the fact that throughout North America, and indeed in much of the developed world t š Z š Œ] š] } v o ^ Á } Œ l ‰ o _ (} Œ š v • } (u] o people, may forever be changed. Further, the impact that the virus will have on both urban centres and rural communities, and the interplay between these types of communities, will be noticeable, and for some communities, will likely be overwhelming.

The following section of the study will look at permanent changes in the labour market as a result of COVID

economic situation of all previous recessions in Canadian history. In February 2020, approximately 15.1% of workers without a degree were laid off, compared to 7.2% of those who Z o Z o } Œ [• P Œ While this large divide between rates of layoffs by level of educational attainment was not the case during previous periods of economic downturn, the permanency of the layoffs seems to be following the same trend. This means that many of those being laid off during COVID-19 are following the same trend as the previous three recessions, which saw between 44.6 and 46.4% of layoffs become permanent.

Statistics Canada (Labour Force Survey, May 2020) indicates that the unemployment rate reached 13.7% in May, the highest rate since 1976. However, the unemployment rate grew more slowly compared to previous two months and fell in June; the labour market is slowly responding to the gradual easing of COVID-19 restrictions. It is important to take into consideration that the actual unemployment rate can understate the hurt suffered in the labour market, since the unemployment rate do not count for those who are not actively looking a job, neither those who are still employed, but working on reduced hours.

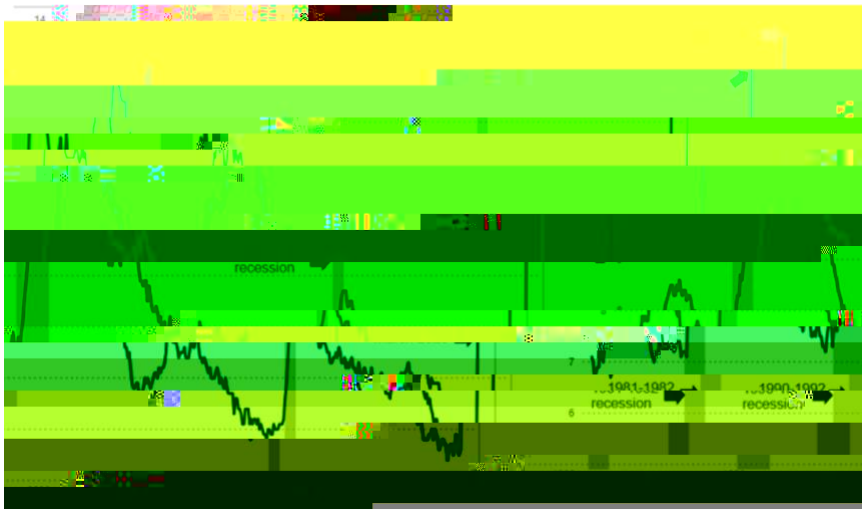

Figure 1. Unemployment Rate in previous recessions. Source: Statistics Canada. Table 14-10-0287-01 (formely CANSIM table 282-0087)

MacDonald (2020) uses information from Labour Force Survey to illustrate how the µ v u ‰ o } Ç u v š ^ µ Œ v _ COVID-19 has not been shared equally in terms of hourly earnings, gender, and education level. As indicated by the survey, on average those earning over $48 per hour actually saw an increase in the number of hours worked, while those earning $16 per hour had their hours either reduced by 50% or lost their jobs altogether, from the period of February to May 2020.

The variation between gender is also noticeable. According to Statistics Canada, women disproportionately faced the brunt of the pandemic. In March, women aged 25 to 54 years old

The permanency of the work from home arrangement resulting from COVID-19 will depend on a number of factors. Among these factors, productivity ranks high on the list. Just how much of a difference exists between how productive workers are at home compared to when they are in their actual workplace is a key metric. Numerous studies now exist, based on both short- and long-term data, which show that in many industries, the difference between working from home and working from the workplace is negligible, at as low as a 1% difference when measuring productivity. Second, the permanency of the work from home situation may well depend on the preferences of workers. 40% of workers surveyed indicate they would prefer to work from home full time and may opt to do so well beyond the duration of the COVID-19. Third, the permanency of work from home arrangements also depends on the telework capacity of the industries. While many industries will continue to require physical office buildings, warehouses, factories and service centres in order for their sector to survive in the post COVID world, others will not.

It is estimated that 85% of jobs in finance and insurance, 85% jobs in educational services, and 84% jobs in professional, scientific and technical services can be plausibly performed from home while only 6% in accommodation and food services, and 4% in agriculture, forestry, fishing and hunting can be potentially shifted to working from home (Deng et al, 2020).

For the Mississauga based Mobile Computer Corp, Inc., the work has continued, relatively uninterrupted, throughout the entire duration of the COVID crisis thus far. The small software firm maintains that employees have in fact boosted their productivity and are happy to do without the lengthy commutes into the office many previously faced. Mobile Computer Corp, Inc. has now indicated that they will flip from spending one day working from home (pre pandemic) to spending just one day in the office (post COVID). Like many others, Mobile Computer Corp Inc. maintains that there is value in face to face meetings, and to having time spent in the actual office building. With productivity boosted, and morale high, they will not be returning to any significant amount of time being spent in the office. A blended work week, or ^ Z Ç Œ] Á } Œ l o] (_ Á Z] Z • • u ‰ o } Ç • • ‰ o] š š] v P š] u š Á v almost certainly become not only an option, but a popular one, in the post-pandemic work world.

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How Will COVID-19 Relocate and Restructure the Workspace?

Patrick Deutscher and Leo Erlikhman

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Considerations for Economic Recovery

Risks of Reopening the Economy too Soon

Juliana Orlando Rohr

The COVID-19 pandemic outbreak caused many, if not all, countries to close off borders, non essential businesses and warn their citizens to stay at home. In Canada, the lockdown caused a total of 3.1 million Canadians to be affected by either job loss or reduced hours. As a response to the crisis, the Federal Government launched a COVID-19 Economic Response Plan with new benefits and programs to help those who were mostly affected by the pandemic. At the federal level alone, the Department of Finance estimates that more than $202 billion is being spent in household and business transfers for the period of 2020-21.

Since the economy had a hit, economists started to make projections on when the economy would be recovered. At the same time, policymakers were defining what would be the best time to reopen the economy. However, many of these forecasts and policy decisions were taking little regard to historical data, international examples and health specialists' opinions. Quotes such as from the Chief Economist at Scotiabank, Jean-François Perrault, "It's very important to think about this in two halves: the first part of the year (was) a tremendously damaging economic scenario, and the second part of the year obviously a very significant rebound as we reopen". In addition to that, early March 2020 forecasts suggest that economists are expecting the economy to recoup linearly, not considering that we will have more infection waves that, when combined with the flu epidemic, it could have more severe impacts than the first one.

By prematurely loosening public health restrictions, Canada would inevitably have a setback to economic activity as well as health. Studies such as the OECD Economic Outlook estimates that] v š Z À v š } (• } v Á À U v [• ed to shrink by 6.4% in 2020 Œ } i š (OECD, 2020). The Economic and Fiscal Snapshot of Finance Canada projects that in resurgence of uncontrolled transmission of the virus later in 2020, w6(n)4(tr9Q8 Tm 0 g 0rtr)-2(an)4(s)-4(m)7(is)-3

Figure 1. Number of New COVID-19 cases in Arizona. (The New York Times, 2020).

Another international example is the comparison of al exhe New York

Even if we consider that businesses could afford the initial investment to reopen and close it again, it would be very hard to have enough cash flow to remain solvent. According to QuickBooks Canada, nearly 2 in 3 (64%) Canadian small businesses have had cash flow issues. Nearly 2 in 5 (37%) Canadian business estimates it takes more than 30 days to get paid, leaving them with more than $20,000 in outstanding receivables. If businesses are already having cash flow issues in normal capacity, operating at a reduced capacity would only make it worse.

Figure 2. Daily cases of COVID-19 in Quebec, Ontario and rest of Canada. Source: COVID-19 Canada Open š t } Œ l] v P ' Œ } µ ‰ U D o v [• o µ o š] } v • X

Potential Risks

There is a lot of research and evidence suggesting that reopening the economy needs to be gradual, with meticulous attention to real-time data, and most important, maintaining the social distancing measures.

With the reopening of non-essential businesses in Ontario, the province has announced that elementary, secondary and high schools will reopen at normal capacity in the Fall. While this will allow parents to go back to work, it is important to ensure that students, teachers and staff will be safe. A study published by The Lancet Child & Adolescent Health (Panovska-Griffiths et al., 2020) found that schools can operate safely if effective virus control measures, as well as the test and trace system, are in place. The Hospital for Sick Children (SickKids, 2020) has also endorsed the reopening of schools in the Fall. Dr. Ronald Cohn, President and CEO of SickKids, said that "Not opening schools in September would continue to have a negative impact on the mental, behavioural and developmental health of children19( )-65(in)5(0BT /F)-2(is)-3(s)-4(u)4(es)-6( )

open. With only 7.5% of COVID-19 cases being reported in individuals aged 19 years old, there is evidence suggesting that children, particularly under 10 years old, may be less susceptible to the infection, and potentially less likely to transmit the virus to others (SickKids, 2020). Despite Ontario's plan to reopen schools were based on SickKids recommendations, it appears that in terms of class sizes, Ontario's plan is not fully in line with their report. A month away from the beginning of classes, the Ontario government rejected a board plan to cut elementary class sizes and shorten the daily class time (Jeffords, 2020).

Another potential risk is posed by the United States. Due to our strong economic and social ties, it will be important to prepare for a scenario in which they could infect Canadians. One risk is that the continual rise in cases will be maintained in Canada due to the proximity of our borders. As of August 2020, the US has had 4.8 million cases, with the peak of new cases less than one month ago. Despite our border being closed to non-essential travel, hundreds of thousands of US visitors are still crossing the border to Canada every week. Another possible risk is that if the h ^] • š } Œ • š Œ š ^ v } Œ u o o] (U _] P v } Œ] v P ‰ µ o] Z o š Z Œ v [• } v } u Ç •] v s o r Z biggest market. With the novel coronavirus getting worse in the US, and their economy dropping 32.9% in GDP, it is worrisome that if the US economy does not recover, chances are ours will not either.

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means of weaker cross-border trade, shorter supply chains, lower immigration, and worse matching of demand and supply in the labour market.

- Lower incomes and reduced savings will expectedly decrease consumer demand, challenge herein lies in driving labour demand.

- Alternative models such as online shopping are now essential structures of a post-pandemic market. Retail and public-facing service jobs will see a reduced presence in the labour market. A great need will be to re-invent the purpose of these individuals in order to sustain a once thriving economy.

- Healthcare and well-being will continue to be the priority as economies push forwe W* n 0 612 7

Bank of Canada. In an effort to meet the economic and financial well-being of Canadians, the Bank of Canada lowered interest rates to keep inflation low and stable. The Bank notes the importance of making credit affordable and available for companies that continued to pay their employees and households to meet basic needs during the economic shut-down (Bank of Canada, 2020). In terms of liquidity support, the Bank put forth several asset purchases programs to

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also provides a geographic measure since there are 50 MBM thresholds across the country (Heisz, 2019). "Poverty is defined by the condition of a person deprived of the resources, means, choices and power necessary to acquire and maintain a basic level of living standards and to facilitate

Figure 2.Percentage of Persons in Low Income, Market Basket Measure 2008 base. Source: Statistics Canada, Table 11-10-0135-01 Low income statistics by age, sex and economic family type

Currently, welfare incomes are below the poverty line, and sometimes low wage jobs are part-time

The Employment Insurance (EI) program was unprepared for the economic downturn and has suffered from reductions in benefits and restrictions to access in recent years. The response by the federal government was to implement the CERB at a rate of $2,000 a month to make it financially possible for non-essential workers to stay at home. Eventually, the federal government also implemented a Canada Emergency Student Benefit (CESB) as it became evident that most students did not qualify for either EI or CERB. However, this is limited to the end of summer, and is paid out at a lower rate than the CERB at $1,250 for students without dependents. Societal inequalities that existed prior to COVID became more apparent as many groups of people were not eligible for any of the three programs for various reasons explored below.

Previously Unemployed Workers that would have been eligible for social assistance prior to be eligible for the CERB, applicants must have earned at least $5,000 before taxes in the last twelve months, along with five other criteria. The other route would be for someone to pursue / U Á Z] Z Œ ‹ µ] Œ • v ‰ ‰ o] v š š } Z À Á } Œ l ^ š Á v ð î ì u ‰ o } Ç u v š _ ~ / Œ P µ o Œ the last 52 weeks preceding the claim, which is a minimum of 12 hours per week. Not everyone can meet either of these thresholds. At this point, there is no quick return to employment for all who desire it, and with the increasing automation and outsourcing that was occurring pre-COVID along with business bankruptcies during COVID, telling people to find a job or go back to work is simply not a realistic answer. According to Statistics v ~ > } µ Œ & } Œ ^ µ Œ À Ç U : µ o Ç î ì î ì • U llion Canadian workers Œ Ç š } were affected by the COVID-19 economic shutdown. This included a drop in employment of 3.0 million and a COVID-Œ o š] v Œ •] v • v • (Œ } u Á } Œ l } (î X ñ u] o unemployment rate in Canada in July 2020 is 10.9%, a reduction from 13.7% in May, but still well

Problems such as inequality and poverty became even more evident during the pandemic. While some whitecollar workers were able to work from home. Manual labour, and the working poor had fewer options and faced more risk of infection by attending work. Flaws in the Employment Insurance (EI) system became even more transparent when Canadians were laid off and needed to apply for the benefit. The pandemic revealed that programs need to be reviewed and adjusted to include an everchanging labour force.

On the other hand, Canadians saw how quickly the government could act when it focuses on preventing poverty. The CERB benefit was released to over 8.34 million people who lost their

Additionally, others have chosen to start businesses or free themselves from debt. In short, income is a resource that alleviates stress, and allows people to meet the varying demands of their lives.

There are opinions, educated concerns, and some gaps in logical reasoning floating in the public sphere about BI. Some of the anticipated concerns about a BI program are addressed by BICN in their Senate Brief (Regehr, 2020), and on their website. The most commonly heard argument against BI suggests that it would be a discouragement to recipients from participating in the [illegible] work to earn well beyond what they need for basics, and many people who are well off remain [illegible] reasons, including self-actualization and socialization. Outside of the fiscal realm, we also have [illegible] meaning the homeless, those without identification, and those in active addiction may struggle to access and utilize the very supports meant to lift them. Nonetheless, potential flaws in a policy should not paralyze decision makers into inaction. It is perhaps best to equate BI to universal healthcare or education. There is a fiscal cost, but the social benefit for the public good far outweighs the potential pitfalls.

The BICN plan estimates that for the implementation of BI, it would cost $134.45 Billion (Pasma & Regehr, 2019). By their model, taxation is used to partially finance it, while serious reductions in the social assistance program will primarily subsidize it given that funding will no longer be needed. Under this proposal, most social service programs are eliminated except healthcare. [illegible] there are no reported costs outside tax/transfer changes (see Appendix Table 3). For those in earning brackets up to the $61,291, this plan will not cost them anything, while the top earners (above $61,291) will see roughly $12,842 in tax increases (see Appendix Table 4) (Pasma & Regehr, 2019). The BI program would be administered through the tax system. One side effect of the BICN proposal is that increasing taxes for above $61,291 can cause those high earners to bring their money somewhere else since they already pay marginal rates of over 50 percent.

Alternative #3: Filling the gaps in the current system

The final alternative focuses on addressing issues within current social assistance programs, and developing a new program targeted for the working age population. While some of the existing measures adopted have shown a decrease in poverty among some groups (e.g. Child Benefit Old Age Security, Guaranteed Income Supplement), there are many problems within current welfare and social assistance programs. In addition to reforming some of the programs in place, another program also needs to be created for the working age population (18-64 years old), since this group are 75% of those living in poverty (Statistics Canada, 2018).

Reforming the Current System

One of the main issues the provinces struggle with involves providing benefits compared that cover the cost of living, while making sure that those benefits do not exceed incomes earned from low-wage jobs. Since the MBM addresses the difference between cost of living in each ‰ Œ } À] v v š Œ Œ] š } Œ Ç U • }] o • •] • š v v ( ] š • • Z } µ o • Line (MBM). Provinces with lower welfare rates (see Appendix Table 1) such as British Columbia and New Brunswick should increase their rates to the MBM level.

Another policy that needs to change are the mandatory conditions to receive social assistance. In some provinces, work and training are mandatory. While mandatory work requirements may encourage recipients to seek out employment, it does not lead to an increase in the long-term labour force participation, or higher incomes. These conditions do little to address structural limitations, and hardly ever lift people out of poverty. Social assistance programs need to support the transition into the labour market while providing support to recipients depending on welfare. It is recommended that provinces remove mandatory work requirements to receive social assistance payments and increase benefits to eliminate deep poverty among welfare recipients.

Another major problem in the welfare system is the loss of benefits when recipients exit the program. This usually disincentivizes seeking out the next step in gainful employment since low-wage workers often receive fewer benefits through their employer (pharma care, preventive health care, eye care and dental care). It is recommended that provinces offer free extended healthcare, free childcare, and expand all benefits available for welfare recipients to all persons living below the poverty line.

Since the beginning of the pandemic, many changes have been made in the Employment Insurance (EI) program. On August 10, the Employment and Social Development Canada (ESDC) announced that a minimum unemployment rate of 13.1% would be applied temporarily for all EI economic regions. This new measure will allow more people to access EI regular benefits and provide eligible Canadians with access to a minimum of 26 weeks, replacing the CERB benefit. It is suggested that these new measures are to stay in place, even after the pandemic. As well as to make EI extendable to self-employed and gig workers.

In addition to the reforms proposed above, implementing a new program for working-age adults without children is suggested. A recent CSLS report called Making Ends Meet argues that a strategy focusing on the principle of making work pay, with the best way to do it is through supplementing earnings or by having a wage subsidy scheme for low wage workers (Hillel, 2020). Currently, the Canada Workers Benefit (CWB) is a refundable tax credit that provides relief for low-income workers; for a single person, the annual benefit is $1,355 for a family $2,335. An increase in this benefit to all low-wage workers below their regional MBM threshold is recommended.

Statistics Canada estimates that in order to lift all people living in poverty to the MBM threshold (2018), it would cost approximately $18.484 billion (see Appendix Table 2). By using the share of the poverty gap by age group composition, it is estimated that it would cost $2.48 billion to lift

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Appendix
Table 1

Table 3
Revenue h

National Pharmacare Plan at $22.6 billion per year. A National Childcare Program could easily double the $7 billion over 10 years the Liberals gave to the provinces in the 2017 Budget.

If a fiscal stimulus plan becomes necessary to strengthen economic recovery, 1 percent of GDP ~¨îì]oo]}v• Á}µo šZ u]v]uµuš o •šl•X •š]uš•}(v vary wildly from $50 and $570 billion. Green initiatives could add billto spending or reduce revenues. The Assembly of First Nations estimates that more than $10 billion more needs to be spent annually to address the poor living conditions. To the extent such initiatives raise economic growth, there would be an offset thrugh higher revenues, but it would be partial.

Canadians may have been shocked that the debt burden will rise to 49.1 percent of GDP this year. They now need to realize that it could remain at that elevated level under the sort of agenda being hinted for^ ‰š u Œ[• ^‰ Z (Œ}u šZ dZŒ}v X

That result would flow if deficits after 2021-22 flattened to around $50 billion because a portion of the initiatives listed above were implemented without significant tax increases.

Going further and allowing the deficit to persist around $100 billion would drive the debt burden back close to the 1995-96 ò Œ]•]• u Œl Á]šZ]v íì Ç Œ•V šZ • Œ]() Á}µ children and grandchildren.

Alternatively, taxes could be raised to pay for new initiatives but the choices there are tough given Canadians already pay high taxes and the essential need for Canada to be competitive in the global economy.

The economic and fiscal future of Canada has perhaps never been more uncertain. That is not a good context from which to spring a Speech from the Throne launching the country in a new and risky direction. Canadians need to understand the risks and the choices they face and be given šZ Œ ‹µ]Œ]v(}Œu š]}v š} Z À v]v(}Œu v š]}v ocan]o µ••]}v } fiscal future.

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The Government of Canada Must Facilitate Serious Discussion of v [• }v}u] v &]• o &µšµŒE

Don Drummond

While Canadians believe the extraordinary fiscal measures dealt with the economic }v• ‹µ v • }(šZ ‰ v u] ŒE iµ•š](] U šZ ‰ŒE] š]}v• }(šZ &]• o ^^v ‰•Z}š_ :µoÇ ôU îìîìU (}21šh(anïëdïXîo-GDPratio v (}ŒE îìî of 49.1 per cent, have raised a lot of questions with no answers so far. Canadians want and deserve from Government and its agencies more information to inform a national discussion of šZ }µvšŒEÇ[• }v}u] v (]• o (µšµŒE X

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The size and speed in the growth of the deficit and debt burden are alarming. Some comfort can be taken that at 49.1 per cent, the debt burden remains well below the 66.8 per cent reached in 1995-96. Also, financing the debt costs but 8.9 cents of every revenue dollar, modest and considerably relative to the 35.2 cents on the dollar in 1995-96 ò v u ŒEl š Æ]•š• (}ŒE v [• none was assured 25 years ago.

Canadians Are Raising Many Questions about the Future

Some are:

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d) There are policy-related fiscal pressures even without new, mega-projects

The Canada Health Transfer is legislated to grow at a moving average of nominal GDP with a floor of 3 per cent per annum. With nominal GDP declining in 2020, payments will crawl along the floor for several years. Meanwhile, health bills will rise as the provinces and territories struggle to maintain the relative restraint in place since 2011, a struggle compounded as they respond to calls for better (and more expensive) long-term care. The federal government will come under enormous pressure to correct the marked decline in its share of total health spending.

If we assume 3.5 per cent nominal GDP growth on average and a $100 billion deficit for 2021-22, a string of 9 annual budget balances thereafter would lower the debt-to-GDP ratio to 34.5 per cent by 2030-31. A 30 per cent debt burden would require an average surplus of $16.7 billion over those 9 years. If returning to fiscal normalcy is taken as going back to the roughly $30 billion deficits just before the pandemic, then the debt burden in 2030-31 would remain elevated at ð î X ñ ‰ Œ v š U v } š } Á v u µ Z-watershed mark. Z] • Ç Œ [• Z] P Z

These extrapolations show that without extraordinary actions, the federal government will be running elevated debt burdens for many years even without new, expensive initiatives. In fact, it will struggle to address pressures such as weaker economic growth, the eventual rise in interest rates and a sharp decline in the federal share of health costs. It must also be considered that in these stylistic projections, there is no allowance for any future shocks, economic, fiscal or health.

Is it Important to Re-Establish Pre-Pandemic Fiscal Conditions?

While there is no magic in maintaining the debt-to-GDP burden around 30 per cent, it has the desirable features that it keeps interest payments down, freeing revenues to provide services ,it establishes a loose sense of intergenerational fairness and it affords some flexibility to deal with shocks, whether they be economic, financial or health. All are compromised by the 49.1 per cent debt burden Canada will hit this year. Extremely low interest rates for the next few years offer the luxury of some time to bring it down but the threat of several fiscal pressures suggests not indulging too much or too long in that luxury.

Many big-ticket policy initiatives are being discussed, including:

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Several Conclusions Flow

- Phase out the pandemic measures as soon as the course of the virus allows
- Re-introduce a fiscal framework with a reasonable anchor; management of risks suggests aiming to get the debt burden under 35 per cent by 2030 and that means balancing the budget and staying in balance quite soon
- Be selective and strategic at what time large policy initiatives are pursued
- Look for opportunities above and beyond phasing out pandemic measures to reduce spending
- Consider raising certain taxes to fund certain new initiatives
- Distribute publicly the relevant economic and fiscal information, including identification and assessment of risks so Canadians can engage in an informed discussion
- Really work on the one win-win scenario – Œ]•]v P v [• }v}u] P Œ}Á šZ Ç That is no minor challenge given the revealed fragility of our tightly-knit economic relationship with the United States and the greater challenge than one might have believed in doing business with rapidly growing economies like China.

The Federal Government and Its Agencies Should Support a Well-Informed National Discussion

The fe Œ o '}À Œ v u v š v • š} P} Á o o Ç}v šZ :µ o Ç îì-îì ^•v ‰• š Œ u]• µ••]}v ‰ ‰ Œ }v v [• }v}u] v (]• o (µ šµ Œ X &]v publish the information alone; the Parliamentary Budget Office and the Finance Committee of the House of Commons should be engaged as well. The dated Purple and Green Books of 1994, respectively on the economy and finances, could serve as models. The document should address opportunities and risks, use scenarios, and need not provide firm answers. Those should come after a Canadian discussion of the choices. The Government should not feel unduly constrained by a need or expectation that its depiction of the future be accurate. Canadians get that things are highly uncertain and would be suspicious of anyone, including the Government of Canada, claiming to know how it will all evolve. They can take comfort here again from the 1995 Budget. /š]• Œ]š Á]šZ šµ Œ v]v P Œ}µ v v [• (]• o •]šµ š]}v U Ç inaccurate fiscal projection. The lesson there, worth keeping in mind especially now, is that doing better than projected is more easily forgiven than the opposite. Hence the importance of addressing those risks.

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