

# COVID-19's impact: Not recession, but a completely different economics <sup>[1]</sup>

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## EXCERPTS

It's hardly surprising, but many business leaders, economists and journalists are looking ahead to the post-pandemic economy and asking what one asks during a bracing recession: sharp rebound or long slog?

But the premise of the speculation is incorrect: this isn't just an especially nasty downturn.

In recessions, the goal is to limit the economic downturn by stimulating demand. This time, governments and communities are actively aiming to reduce non-essential transactions, telling people to stay home. Active suppression of demand is happening faster and across more industrial sectors than in any previous recession.

We're into something else entirely, and the sooner Canada's decision-makers and news-shapers recognize the contours of this new landscape the sooner we will be able to make sense of the world on the other side.

The first key take-away: while the pandemic's economic impact will be felt globally, each country will experience it differently.

Consider this your map of the landscape, complete with the "you are here" arrow.

**The first service-driven downturn in history:** Historically, whether triggered by a financial crisis, a price shock, or a war, recessions first took their toll on the goods-producing sectors. This time, the service sector is being hit first, and hard. While this sector includes essential services (such as health care, food and retail), many service-providers are idling.

It's a big space. Services accounted for 71 per cent of GDP and 79 per cent of jobs in Canada before COVID-19 hit. Goods-producing businesses will be engulfed soon, but the shock troops are in the service economy and their numbers and networks will produce a bigger cascade of effects, faster.

That's because most service workers have less ability to withstand financial shocks than most in goods-producing industries. They are paid less, are more likely to have part-time or temporary work, and are less likely to have or be able to enforce protections like sick leave and sick pay.

**The first she-cession:** Because they hit goods production first, all 20th-century downturns started by taking out jobs held by men. These "he-cessions" were historically followed "she-coveries" as women upped their labour force participation rates and hours of work to stabilize household incomes

But, over time, the ranks of the reserve army of women thinned. In response to the 2008 global financial crisis only women 55 and older upped their employment rate initially in Canada. Men bounced back faster than usual because China's demand for goods like oil, copper, fertilizer and pork hardly dampened.

This time it's different. The service sector – particularly sectors hit first like education and child care, retail, personal services and restaurants – is more female-dominated. Usually paid less than men, and more like to hold part-time jobs and work for multiple employers than men, the service sector's gender-skew challenges governments to improve existing income supports to prevent desperate and counter-productive economic survival plans.

**Lower for longer:** The pace of growth was declining for decades before COVID-19. Slowth – slowing or no growth – was the reality going into the pandemic, due to population aging, climate chaos, and mounting geopolitical uncertainty. The upshot: starting from slow, COVID-19 will drag GDP down hard, perhaps rivalling the Great Depression.

We don't know how long it will last or what parts of the economy will survive. Yet none of the pre-COVID-19 influences – aging, climate and instability – will disappear. After decades of reliance on export-led growth, future growth strategies will be more inward-focused than has been the case for decades.

Times are uncertain, yes; but we shouldn't lose sight of the fact that we are in control. The depth and duration of the downturn will reflect

our individual behavioural choices – how we self-isolate, limit ourselves to essential transactions, and protect each other, especially those providing health care, childcare for essential workers, emergency services, cleaners, groceries and meds, and delivery.

In Canada, we are free to choose whether we view this crisis as a period of personal inconvenience or a moment of grave personal and social threat that can only be contained by acting together, swiftly.

Health care workers aren't the front lines of this war on COVID-19. We are. They are our heroic last line of defence. Let's not make their job harder than it already is.

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