

As economy reopens, some call for a 'reimagined' Canada, not a return to normal ^[1]

Author: Campion-Smith, Bruce

Source: The Star

Format: Article

Publication Date: 1 Jun 2020

AVAILABILITY

Access online ^[2]

EXCERPTS

OTTAWA—There has been help for individuals, rent relief for small businesses, loans of last-resort for big corporations, aid for students, farmers and seniors, all meant as a financial life-jacket during the prolonged economic shutdown.

Now with social restrictions lifting, the federal government is considering its next steps in nursing Canada's economy out of its forced hibernation.

Just don't use the "s" word.

Stimulus, an infusion of public money broadly injected into the economy, is the usual response of governments to help reverse a downturn. But this economic shock is anything but traditional and the measures to address it will have to be different.

"The traditional story just doesn't work, it's not the right thing," said Stephen Gordon, an economics professor at Université Laval in Quebec City.

Instead, he likens the road ahead to defusing a bomb, a series of careful moves to gradually reopen the economy while trying to limit any widespread outbreaks of the virus. "A little thing here, a little thing there, hope it doesn't blow up and keep on going," he said.

The prospect of a lurching recovery, marked by the continued threat of the virus and with its new social restrictions makes any "stimulus" now badly timed and probably wasted.

"I just don't see a quick fix. As long as the daycares and schools are closed or operating under severe constraints, there's a lot of people who just can't go to work," Gordon said.

"Stimulus would be necessary when we can actually use all that capacity ... As long as things are being forced to shut ... there's no point in stimulating demand if you can't go and buy it," he said.

In charting next steps, some note the saying "never let a good crisis go to waste."

In that vein, they are pushing the federal government to take steps not just to help restart the economy but "reimagine it" and take steps to tackle systemic issues of income inequality and poverty.

"This is a really good opportunity. We are seeing political will. We are seeing big bold investments," said Leila Sarangi, the national co-ordinator of Campaign 2000 which advocates to end child poverty.

"Going back to normal was not good enough for us. It left way too many people behind. We're saying this is just such a great opportunity right now to address some of the root causes of inequality," she said.

The federal government has so far provided \$152.8 billion in direct support to individuals and businesses to help them through the economic crisis, according to the latest report from the finance department.

With social restrictions easing and economic activity slowly resuming, a working group established by the C.D. Howe Institute says that Ottawa's approach will have to become more targeted, given that the pace of the recovery will differ across regions and sectors.

For example, it suggests that the Canada Emergency Response Benefit — which pays individuals \$500 a week for 16 weeks — should be extended past July, when benefits expire for many. But it says the government should institute an income-tested clawback "to tackle disincentives to work." That could be coupled with a bonus program to assist low-income workers.

In the longer term, recognizing that the economic shakeup will likely result in the loss of some businesses and changes in others, all leading to unemployment, the group urges a focus on skills training.

Ask Armine Yalnizyan, an Atkinson Fellow on the Future of Workers, for her thoughts about the path forward and there's a long pause. "It's a bit complex," she says.

Complex because the global economy was already slowing before the pandemic due to an aging population with a smaller working age cohort — “fewer people paying the bills for more people” — geopolitical tensions and extreme climate events. Those factors remain, meaning that slow or no growth is the “best case scenario,” she said.

And complex because the pandemic has laid bare gaps in health care, the need for improved services, such as child care and the vulnerability of low-income workers. Addressing them will require post-pandemic public policy debates.

For example, on wages Yalnizyan says minimum wages should be a “living wage” that keeps people out of poverty.

“If you actually boost the economy from the bottom up you’re actually maximizing potential growth in terms of purchasing power and economic resilience,” she said.

Infrastructure spending — the traditional government go-to in a recession — while needed, will do little to address the crisis in this economic upset, Yalnizyan said.

“Those shovel-ready jobs won’t get enough women back into the workforce. And it’s women that lost the most number of jobs,” she said.

Instead, she advocates investments in social infrastructure such as health, education and child care, areas where women are so often left to provide unpaid care of those “too sick, too old and too old to work.”

“It’s not the guys who are going to stay home and take care of granny. It’s going to be the woman and the reason for that is that women get paid less than men,” she said.

Yet she wonders if the impact of lost wages and lost revenue will leave individuals and businesses in any mood to make such public investments.

“This confluence of employers workers and consumers all wanting things to be cheaper, will we really be willing to invest more in shared public services? I don’t know,” she said.

In a letter to Trudeau and other members of the COVID-19 cabinet committee, Campaign 2000 urged focused help on families and children, warning that the economic fallout of the pandemic has only exacerbated deep-seated health and economic inequalities and poverty.

It says the recovery should be a time for “assertive” policies and investments to reduce child and family poverty.

“We have an opportunity in the way we do our rebuild or reimagining how we think about not going back to those inequalities,” Sarangi said, adding that the pandemic has exposed the “cracks and crevices” of existing programs.

It’s built around a focus on children, families and caregivers, which they say has been missing from Ottawa’s pandemic response. The “modest” one-time top-ups for the Canada Child Benefit and the Goods and Services Credit don’t go far enough to provide the “robust supports” they say are needed.

The letter to Trudeau sets out their recommendations, such as short-term moves like continued top-ups to the Canada Child Benefit. And they say that access to the Canada Emergency Response Benefit should be broadened to all those who are unemployed or underemployed.

The letter also appeals to the government to ensure the country’s “fragile” system of child care survives the shutdown, noting that it will vital to the recovery by allowing parents, especially women, to return to the workplace.

“There’s gender disparity here ... Research shows that labour falls to women. It’s unpaid but our economy doesn’t function without that,” Sarangi said.

But the group also looks further down the road. It urges the creation of a “dignity dividend” that would provide \$1,840 a year to not only low-income adults but children too.

The organization calls for action to assist those outside the tax system and thus unable to access credits meant to help those who are poor. Working with community organizations, the government should examine remedies such as prepaid credit cards to deliver financial assistance to those who need it.

Yalnizyan agrees that the crisis could be the opportunity to make fundamental changes.

“But I am under no misconception that there will be a lot of pressure to just get it back to how we did things before,” she said.

“That’s going to be vigorous debate in society as to whether what we have just seen requires a fundamental response so we get on a more sustainable path to recovery or whether we just really don’t want to try that hard,” she said.

Related link:

Region: [Canada](#) ^[3]

Tags: [economic recovery](#) ^[4]

[public infrastructure](#) ^[5]

Source URL (modified on 4 Jun 2020): <https://childcarecanada.org/documents/child-care-news/20/06/economy-reopens-some-call-%E2%80%98reimagined%E2%80%99-canada-not-return-normal>

Links

[1] <https://childcarecanada.org/documents/child-care-news/20/06/economy-reopens-some-call-%E2%80%98reimagined%E2%80%99-canada-not-return-normal>

normal [2] <https://www.thestar.com/politics/federal/2020/06/01/as-economy-reopens-some-call-for-a-reimagined-canada-not-a-return-to-normal.html> [3] <https://childcarecanada.org/taxonomy/term/7864> [4] <https://childcarecanada.org/taxonomy/term/9038> [5] <https://childcarecanada.org/category/tags/public-infrastructure>