

Intelligence MEMOS



From: Jennifer Robson

To: Federal and Provincial Policymakers

Date: June 5, 2020

Re: **NOT STIMULUS, REHAB, THAT'S WHAT THE ECONOMY NEEDS.**

Back in March, I [mused](#) that the COVID-19 shutdown was like a medically induced coma.

[Used](#) in cases of severe brain trauma to protect a patient's life by temporarily suppressing activity that could cause further harm, the drugs that induce them are slowly withdrawn only when the patient is well enough. Medical teams don't use stimulants to get the patient up and out of hospital.

The nascent debate over whether Canada's next policy priorities should be stimulus for aggregate demand or stimulus for shocks to supply, are misguided on at least two fronts.

First, given the potential for a [second wave](#) of COVID infections, "stimulating" the economy could be wrong-headed. If governments start to invest in large-scale and traditional infrastructure, a gold-standard response to economic recessions for decades, only to have to halt work, cost overruns due to delays will mean that Canadian taxpayers get less value for money on each public dollar. Canada already has a mixed record, at the best of times, on sticking to project budgets and demonstrating return on investment when "shovel-ready" is used as the primary selection criterion.

Second, the economic impacts of COVID are on both the supply and the demand side. There's ample evidence from OpenTable and Google mobility data that consumers had already adjusted their behaviours well before government-mandated shutdowns. No re-opening policy plan from government will change the fact that it is consumers who will decide when and how safe they feel to resume a range of activities, whether the supply of goods and services remains constrained or not.

What the Canadian economy needs now is not a big injection of traditional stimulus. What it needs is rehabilitation therapy. The goal of rehabilitation is to support a patient as they regain independent functions, step by step, recognizing the risk of setbacks. It is not a quick fix. Government spending should be on measures that will support Canadians in the recovery, even if a second COVID wave requires shutdowns.

Here are a few examples of what an economic rehab program for Canada should include:

- Spend on infrastructure, but on immediate projects that will bolster the essential goods and services that we lacked most during the shutdown. Spend right now on public education buildings, on parks and safe public spaces, on long-term care and health infrastructure as well community services like libraries and community centres that can provide safe and free internet access to the tens of thousands who still don't have it at home. For example, let's help childcare providers convert to lower-density but multiple-location service models so that more childcare spaces can resume and be sustained, even if we have a second wave.
- Reassure Canadians through clear and consistent health information, especially as scientific understanding changes and advances. Parents won't send kids to school, diners won't come to the restaurant and tourists won't travel if they don't feel safe. While it may be true that the epidemiological curves mean that what is safe in Richmond, BC is unsafe in Richmond Hill, Ontario, people in communities need to be able to trust that their governments are giving health advice informed by scientific evidence. This requires ongoing coordination among health authorities and transparency about the evidence base for government policy in re-opening.
- Deliver clear health guidelines to workplaces and clear recourse to workers. Workplace health and safety has to be prioritized over profit. COVID outbreaks in meatpacking plants, warehouses and in agriculture have exposed vulnerable workers and should be a warning to us all. Employers who are re-opening workplaces need to know their obligations. Workers need to know their rights and to have recourse to effective regulators who can enforce them. So far, regulators seem to be struggling to conduct [effective](#) workplace inspections without putting their own employees [at risk](#).
- Accept the ongoing requirement for accessible and responsive income support to Canadians who need it. Starting in early July, perhaps as many as two million Canada Emergency Response Benefit (CERB) claimants will have exhausted their benefits, with another six million to follow in the months ahead. The number of CERB exhausters, and exhausters without recourse to Employment Insurance (EI), will continue to grow over the summer unless there is a sudden and massive change to current employment trends. Without action, we risk encouraging the underground economy and a major increase in provincial welfare caseloads, neither of which offers any real stability. For those unemployed workers who can't get EI, the CRA could still deliver a CERB-like benefit that pays EI-level benefits, requires applicants to disclose monthly employment income and employer information, and adjust benefits accordingly. The EI Working While on Claim program should likewise be streamlined to handle a higher caseload.
- Invest in the services that will help displaced workers regain employment. In normal times, EI also unlocks access to support for job search, skills development and self-employment coaching. Canada's employment program and training providers need to be marshalled and resourced to meet a new level of demand, including serving the millions not covered by EI. And they need to do all of this in a way that permits social distancing. At the height of the shutdowns, the federal government unveiled a very generous package for students and recent graduates who will now face a very difficult labour market. Looking ahead, we need a strategy to help adult learners.

Jennifer Robson is an Associate Professor of Political Management, Carleton University.

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