Intelligence MEMOS

From: David Samuel and William B.P. Robson

To: Federal COVID Policymakers

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Re: **The Economy Needs a Timeline**

COVID-19 poses a threat to Canada's economy that is unique in modern times. People are self-isolating, businesses and not-for-profits are cutting back or closing, and workers are losing their jobs. The consequences – including the health impact of unemployment, isolation and lost access to goods and services – could rival those of the coronavirus itself.

Governments have responded with measures that proved useful in the 2008-09 financial crisis. Lower interest rates, liquidity and credit-market supports will all help.

Also important are steps to ease the cash-flow crunch that threatens chain reactions of private-sector closings and layoffs. Federal, provincial and local governments are deferring remittance and filing deadlines.

So far, so adequate – but Canadians need more.

Help announced to date is not big or fast enough to arrest the contagion that risks an economic implosion for Canada's businesses and not-for-profits. Last week's wage-subsidy announcement – 10 percent of payroll up a maximum of $1,375 for each employee and $25,000 an employer for three months – is a step in the right direction. But it is too small to matter for businesses closing their doors and charities with donations drying up. Faster Employment Insurance eligibility will not prevent layoffs.

The federal government should immediately raise the percentage of payroll and the dollar caps for every employee and employer to an amount that will change the outlook. A subsidy of 75 percent or even 100 percent of employee compensation up to the annual maximums covered by EI or the Canada Pension Plan – the average of the two this year is about $54,500 – would provide the material support and the confidence we need.

That subsidy would cost more for as long as it applied – but the question of time frame brings us to a second problem with responses to date. Many employers are planning or already implementing draconian actions that will exacerbate the contraction, partly because the current situation feels like the new normal – as though isolation and closings will last forever.

They will not. As experience in countries on the front line of COVID-19 already shows, the number of new cases will drop – and so, over time, will the total number of people affected. Most people who get sick will recover. Scientists are racing to create vaccines and anti-viral agents. The world will be different, but it is not going to end.

What Canadians also need from their governments are timelines – some kind of response playbook. There will be a period of maximum containment when the priority is suppressing the virus's spread while we ramp up testing and acute care.

There will be a subsequent period of targeted containment when the focus shifts to regions and population groups that are most vulnerable. And there will be a third period, the transition to a new normal, with the novel coronavirus becoming part of the background of colds and seasonal flu.

While we cannot yet commit to firm dates, even provisional guidance would make a huge difference.

Aside from a brief session tomorrow, Parliament is due to resume April 20. If that is an appropriate period for maximum containment – and it may be – make the larger wage subsidy apply for a similar period.

Federal, provincial and local governments could co-ordinate their health and other economic measures – other subsidies and tax-deferrals, for example – for a second period that might last until the end of June or September. Even contingent timelines would reduce the uncertainty and attendant paralysis that are now among the biggest threats to Canada's economy.

In short, Canadians need financial support from their governments – but they need more than that. Government actions to fight the virus and mitigate the downturn will be central to our lives in the weeks and months ahead.

Too many employers and workers are envisioning an endless downward spiral. They need guidance – a playbook – to help them see the better times ahead. Timelines, even provisional ones, will help us get through this crisis.

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