

Renewing the Social Contract: Economic Recovery in Canada from COVID-19

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An RSC Policy Briefing

COVID-19 has exposed the inadequacy of Canada's crisis response infrastructure and policies. But it has exposed much broader and deeper systemic problems that flow from how we have chosen to organize our society. We have discovered the scale and depth of the Canadian precariat—those individuals and households who live with combinations of insecure income with little or no savings to rely on, employment, housing and residency which make for a profoundly and relentlessly insecure life. COVID-19 has shown us how the unintended creation of the precariat, through decades-long pursuit of lower labour costs, has created a large pool of individuals who simply cannot afford to follow policies that are essential for the good of society. COVID-19 has exposed the reality that our society and economy are two sides of the same coin.

COVID-19 has also demonstrated that previously unthinkable policies can be implemented, both nationally and globally. Over the first six months of 2020, the global economy was essentially paused. Those who have argued that incrementalism is the only feasible strategy for addressing even society's most pressing issues, have been proved wrong. Massive investment will be required for Canada to recover from this crisis and with that massive investment comes the opportunity to think carefully and ambitiously about the Canada we want our children and grandchildren to inherit.

What policies and investments should we consider, as a country, to ensure we build a better Canada off the back of the COVID-19 crisis? Canada should be more resistant to future crises. Why was Canada the 13th country to enter into this crisis¹ and what might we do to reduce our exposure to global crises? Once the crisis struck, the impact was rapid, and the damage was large and inequitably distributed. What changes might we make to the structure and the policies of our society that would make Canada more resilient, so that we deal more effectively with future crises and return more rapidly to the pre-crisis social and economic norm. When crises strike, governments, communities, businesses and citizens must respond. What are the characteristics of an effective response and what physical, human and institutional capital must pre-exist for Canada to have confidence in its effective response?

Recommendations

With this ambition as our focus, we make the following recommendations to the federal and provincial governments.

¹ Kantis, C. Kiernan, S. Bardi, JS. Updated timeline of the coronavirus. Think Global Health. 9 October 2020. <https://www.think-globalhealth.org/article/updated-timeline-coronavirus>

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1. Establish a basic income guarantee (BIG) that is universally available to provide adequate income support to all persons and be responsive to economic shocks.
2. Reform provincial and federal labour codes to ensure paid sick leave, as this is an essential public-health policy to support a more resilient economy.
3. Work with provinces and territories to establish universal access to childcare that provides Early Childhood Education, to protect parents and especially mothers' opportunities for labour force participation.
4. Implement a comprehensive tax reform that enhances the fairness of taxes by broadening the tax base to treat all capital income on a par with earnings, and address intergenerational transmission of wealth inequality by re-instituting an inheritance tax.

Reinvigorating the Economy

1. Develop clean competitiveness roadmaps for each sector that target opportunities for Canada to succeed in a low-carbon global economy, and the policies, investments and actions to capture those opportunities. As a critical first step, develop long-term, low carbon infrastructure plans to support a decarbonized economy (energy, transport, buildings) and invest in building the foundational infrastructure identified in it.
2. Invest in a comprehensive and secure digital infrastructure to support the development of a strong domestic digital economy and enable equality of opportunity for all Canadians as consumers, innovators, employers and employees.
3. Invest in effective and efficient labour-force transition from carbon intensive industries through wage insurance and bridge-to-retirement mechanisms, supported by comprehensive high-quality retraining programmes.
4. Undertake a risk assessment of Canada's exposure to global supply chains to identify essential commodities which might merit the repatriation of manufacturing capacity.

Enabling Innovation

1. Develop and disseminate a clear vision for the objectives of innovation policy and specify general flexible metrics for assessing success.
2. Create flexible, arms-length institutions with stable, long-term funding to provide resources and programs to firms to spur innovation by sector and/or region.
3. Identify clear specific missions for innovation policy, such as decarbonizing the economy and accelerating the shift to and growth of the digital economy. These serve to align incentives and resources and provide a clear signal of the opportunities available to the private sector.
4. For truly global endeavours, such as the life sciences, government must support engagement in global research networks. Investments in building Canadian capacity must focus on leveraging Canadian research through sharing relationships, such as open science partnerships.

Improving Crisis Policy Responses

1. Establishing Standing Crisis Response Teams, made up of a broad range of experts with the necessary intellectual and physical infrastructure and secretariat services. Consideration

should be given to enshrining the resourcing of these teams in law, to ensure that we make the necessary investments in public health to deal with future crises.

2. Develop systems for citizen engagement with a policymaking process that actively encourages and incorporates feedback from the Canadian public. This system must reach marginalized groups to understand their priorities and concerns relating to alternative options.
3. Fund and facilitate better data collection, including health, economic, education and environmental indicators, ensuring that these data includes demographic and socioeconomic indicators and is readily available to experts based within and outside of the public service. It will be important to establish mechanisms to increase the frequency of data collection during crises.
4. Develop and disseminate an intersectional approach to policy development and analysis to provide decision makers with a more accurate and comprehensive picture of problems, the potential benefits and costs of solutions and how these are distributed across society, especially marginalized groups.