



Covid-19

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►► A world in distress: The first stage of the battle against the pandemic

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Politicians and public servants are immersed in one of the most challenging non-war situations in a century. The novel coronavirus has tied the world in a series of policy knots that start with public health and national safety, and sweep across global transportation and employment, to deficit financing and fundamental questions about the role of government in society. As our leaders and governments walk us through the greatest crisis faced by this generation, we must all understand that the current challenges and decisions are only the start of a process that could well last for years and may well recast some of the most basic elements of contemporary society.

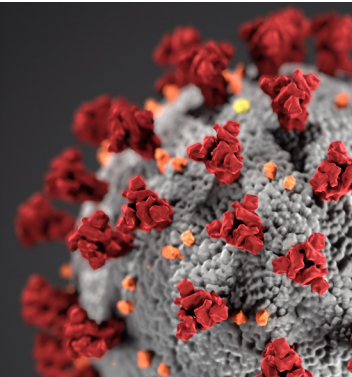
Canada and China, despite serious legal and diplomatic tensions, are now irretrievably connected. Because of Covid-19, schools have closed, small businesses shuttered their stores, governments have imposed restrictions on public gatherings, and families are

contemplating the open-ended uncertainties of these troubled times. As the coronavirus crisis appears to have settled down in China it continues to expand its reach in Canada. But as the virus and collective actions take hold in Canada and countries around the world, it is not too soon to realize that even before the medical battle is won, subsequent and more complicated struggles are sure to follow.

Federal, provincial, territorial, Indigenous and local governments have, for the most part, acted with appropriate haste and determination, eager to “flatten the curve” and slow the spread of the virus. And so we find our lives disrupted in dozens of ways, from imposed social isolation to cancelled public events, the closing of international borders, the disruption of government and commercial services, the cancellation of thousands of flights and the hasty return of people travelling outside the country. We may know, in time, which of these

COVID-19 SERIES: FROM CRISIS TO RECOVERY

This issue of *JSGS Policy Brief* is part of a series dedicated to exploring and providing evidence-based analysis, policy ideas, recommendations and research conclusions on the various dimensions of the pandemic, as it relates here in Canada and internationally.



actions were appropriate and most effective. For now, Canadians are working collaboratively and with a full commitment to “peace, order and good government.”

But trouble lies ahead—hopefully not in the form of thousands of infections and numerous deaths, but rather in severe economic dislocations, challenges to the world’s commitment to globalization, jobs and business survival, to say nothing of the collective psychological effects of prolonged isolation. Even as the tragic drama unfolds around us, it is not too soon to contemplate the challenges that lie ahead. For one day, perhaps by the middle of May, but maybe as late as the fall, the pall of the coronavirus will lift. Life will return closer to normal. Consider a somewhat eclectic partial list of major issues that Canada will have to deal with in the post-virus world and, potentially, for years to come thereafter.

►► The importance of the length of the crisis

Canada is in the early days of the coronavirus outbreak. If the restrictions were lifted next week—they will not be—it would take the Canadian and global economies weeks, if not months, to rebound. Should the crisis carry into July or August, or beyond, the economic impacts will be exponentially greater. Think of what has happened to date. Thousands of businesses closed, hundreds of thousands of jobs lost, goodness knows how many trips and hotel reservations cancelled, and millions of purchases suspended. In the four days of the widespread shut down of business due to the virus, 500,000 Canadians applied for employment insurance. Given the loss of work and the obvious inability of governments to make everyone financially whole, each week that the crisis continues adds weeks if not months to the eventual recovery.

►► The fate of small businesses and debt

Each day, the list of local businesses that have had to close grows longer. Restaurants and bars are shut, save for take-out. Spas, gyms, hairdressers and others are no longer operating. Groceries and pharmacies are staying open, but most other stores are closing or coping with a severe decline in sales. Some construction is still underway, but with government services disrupted and political processes stalled, approvals and permits are going to be hard to come by. Emergency services will be maintained—the shutdown is not going to be total—but the government-mandated closure of non-essential activities means that small business may well bear the brunt of the economic slowdown. Estimates suggest that between a quarter and a third of small businesses will not survive the crisis, a personal and economic catastrophe of monumental proportions.

►► The perilous state of family finances

The economic crisis is going to filter down swiftly to the family level. Pre-coronavirus, numerous commentators observed that a large proportion of Canadian families were one cheque away from financial collapse. The apocalypse is now at hand. Tens of thousands have lost their jobs; many more will follow. Small businesses are hemorrhaging cash. Many people will not be okay if they miss a pay cheque or two. What happens when the period of unemployment

and economic distress stretches for several months? People fortunate enough to have been able to save will dip into their reserves and use money that had been saved for a future holiday or a long-planned major purchase to pay for immediate expenses. The Government of Canada has made it clear that people will be protected from penury, but millions of Canadians will nonetheless suffer a sharp reduction in their quality of life. Canada’s plans for salary substitutions will fall far short of Denmark’s more generous commitment of 75% of personal income.

►► Rebalancing federal and provincial debt

Government debt will underpin efforts to keep the Canadian economy afloat. Finance Minister Bill Morneau has announced more than \$80 billion in emergency payments. No one thinks it stops there. Federal emergency expenditures of two or three times that scale are almost inevitable. Indeed, in the United States many economists are saying that \$3-4 trillion in support is required. Employment Insurance regulations are being loosened. Payments to small businesses are promised. The catastrophic collapse of the tourism industry calls out for immediate assistance; towns, from Whistler, B.C. to the Maritimes are facing a spring and summer of previously unimaginable decline. The demands on the health care sector, particularly if the coronavirus really takes hold, will be exceedingly high. Provinces and municipalities are assisting families and businesses, but they will also be suffering through sharp declines in tax revenue, local employment and business activity. When the crisis ends—within a month if the country is very fortunate, but perhaps in three to six months—a national financial reckoning will be required. Will more taxes follow, or will governments cut back dramatically on services? And if you think the conversations are difficult right now, the debates that will follow will strike at the heart of fiscal federalism, Canada’s standard of living and, perhaps most ominously, our entrenched complacency.

►► The dislocation of the gig economy

Over the last decade, there has been a mixture of excitement and concern about the “gig” economy of Uber and Lyft, on-line tutoring and tax-filing services, animation workers, and hundreds of thousands of part-time, flexible contractors. The shift from regular modes of employment to temporary, mobile jobs was heralded for its informality and its fit with the high technology, service-first mentality of the 21st century urban economy. The weaknesses of the gig economy—absence of benefits, unreliability of income, dependence on the success of local firms—have been exposed in the current crisis. Work has dried up. As “independent contractors” rather than employees, most are not eligible for Employment Insurance and other benefits. It is unclear how some of the Government of Canada’s \$5 billion in emergency benefits will flow to gig workers, although it is a great sign that funds are being allocated for these workers. The “ghosts” of the contemporary economy could easily haunt government efforts to bring order to the virus-driven chaos of 2020.

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▶▶ Recalibrating education

Some of the issues seem trivial to society at large, but are of intense importance to the people involved. Consider the situation facing students waiting for graduation and applying to post-secondary education institutions. Canadian high schools can deal with graduation by using in-class grades, but without the standard precision. In universities, in particular, the difference between 89 and 90% can determine acceptance, scholarships, internships and the like. Even MIT has shifted to pass/fail grades. Hundreds of institutions will be rejigging their admission processes to accommodate the absence of standard end-of-the-year grades. The educational future of hundreds of thousands of Canadian students is uncertain, adding to the inevitable anxiety of graduation year. Of course, this is only part of the problem. It is not yet clear when post-secondary institutions will reopen and what funding will be available to support the colleges, polytechnics and universities.

There is another impending crisis in post-secondary education. On a national scale, the half million international students in Canada—and the annual 150,000 or so who replenish the supply—are critical to the financial well-being of high schools, colleges, polytechs and universities. With closed borders, over-burdened embassies, crises in numerous countries, and no end in sight, the challenges of international student recruitment are both imminent and fiscally catastrophic. Institutions could face budget reductions of upwards of 20%, depending on the level of reliance on international students. Institutions will have few options: raise fees in an already volatile economy, seek more money from cash-strapped governments, add to the international borrowing frenzy or reduce institutional costs. None of these is the least bit appealing and the situation is dire.

▶▶ Advantage East Asia

The corona virus originated in China, spreading quickly around the world. The impact on Wuhan has been catastrophic. But East Asia, having borne the early brunt of the disease, is now stabilizing faster. The authoritarian Chinese regime imposed strict conditions and is now optimistic that it has the pandemic under control and that economic recovery is possible. South Korea has become a testing machine, with drive-in testing centres and aggressive business

development efforts. Taiwan successfully used technology and policy interventions, based on extensive civic participation, though the country’s digital democratic platforms. The number of cases in Japan appears to have stabilized. East Asia is producing excellent examples of effective responses, from Singapore’s contact tracking to Taiwan’s marriage of policy, technology and citizen engagement and strong region-wide public health strategies. The success of East Asian measures may give the region an opportunity to focus on revitalization and economic renewal while other leading industrial nations continue to cope with the surge in coronavirus cases and paying for frighteningly expensive intervention measures.

▶▶ Globalization

For the past 40 years, the world’s economies have focused on capitalizing on the potential of economic globalization. China has been the focal point for the increasing entanglement of the international economy, producing an unprecedented surge in Chinese incomes and standards of living. It is not clear that the international interest in globalization will be maintained. China’s central role in global supply chains will invariably be challenged. An episode like the coronavirus outbreak will convince some countries into enacting protectionist measures and, perhaps, a shift back to nation-centric economies. Countries shipping raw materials may be less affected than those producing advanced products, potentially upsetting the globalization imperative and altering the foundations of the 21st century order.

▶▶ Revitalizing the economy

For extremely important reasons during this time, governments have prioritized public health and collective well-being. This is absolutely as it must be. But a reckoning lies ahead. Add together a resulting decline in the number of small businesses, massive emerging government debts, the collapsing natural resource economy, the implosion of the service economy and other elements of the current pandemic. Let these run, conservatively, for three months. Now, at the end of June, try to revitalize the national and global economy.

Governments will be substantially tapped out as will the severely battered small business sector, typically the real engine of economic growth in Canada. Slow economic growth around the world will slow the revival of the natural resource sector. Family finances, battered and bruised by months of isolation, will be in no shape to sustain a consumer-led economic rebound. Government directed economic renewal, always of limited benefit, will not have a great deal of money to sustain the effort. The rebuilding will happen, likely to a smaller, less certain and less connected global economy. But this could take years. That no country or region is immune to the crisis—there will be no equivalent of the USA after World War II—means the post-virus world may well lack for leadership, inspiration and funding.

Canada has never experienced anything of this sort of crisis before. During World War II, the country shifted to a government-directed economy with significant rationing, price controls and other

regulations. At the same time, wartime spending sustained the workforce and kept Canadian businesses active, albeit at a different level. The speed, intensity and reach of this crisis is unmatched, with Canadians so far demonstrating impressive calmness amidst the chaos. But as the days become weeks and months, our collective unease will grow, uncertainty will accelerate, and the economic dislocations will increase. As time passes, our collective attentions will turn from the immediate challenges, formidable though they will be, to the longer-term effects of a global calamity.

►► Rebounding from the Coronavirus

When countries go to war, they immediately start planning for the peace. Canadian governments must cope with the current crisis, but they have to also prepare for when the restrictions are lifted and the recovery begins. The country needs and deserves regular briefings on preparations for the post-virus world. We need to know the plans, the costs and the consequences.

Currently, Canadians have no sense of how long the social isolation requirements will continue. While it is easy to appreciate the reluctance of governments to speculate, they must trust the citizenry with information about the future and the data that will inform their decisions. Government should share the metrics that they intend to use when they reduce and eliminate restrictions. Given the sacrifices everyone is making, it is important that governments trust the public and their decisions-making logic.

Each institution, agency, department and organization should conduct a quick but comprehensive assessment of how a short, medium or long-term crisis will affect operations. The results should be shared with stakeholders who should also be asked to help with formulating responses. Institutions require a recovery plan, one that provides a guide to the future and which offers, one hopes, a modicum of optimism.

Countries tend to operate in splendid isolation, too rarely looking to other nations for inspiration, ideas and policy ideas. East Asia has some of the most effective responses to testing, crisis management

and recovery. We need to scour the world for best practices and new ideas on pandemic management.

This is not a time to hunker down, financially, from the world. Just as governments have to spend to help the country through the crisis, so must Canadians support local businesses and services and keep money circulating through the economy. We need to keep people employed and we need to keep our small and large businesses intact and ready to reinvigorate the economy when bans on social interactions are lifted.

Even as we cope with the national crisis, Canadians need to retain their compassion for the developing nations. If and when the virus sweeps through sub-Saharan Africa and South Asia, the prospect for mass infections and hundreds of thousands of deaths is very real. We have to prepare ourselves to help other countries who will be in even more dire conditions.

Information is the most valuable currency in a crisis. We have excellent examples in the work of public health officials across Canada. We need comparable spokespeople who can speak about economic changes, employment challenges and rescue and recovery efforts. We need political leaders who will connect government actions to national realities and who share information on unfolding realities. Regular updates are essential to reassure the public and to provide a counterbalance to the spread of rumours, speculations and misinformation.

Less than a month into the coronavirus crisis, Canadians and Canadian governments have held up well. Too many people are flaunting social isolation instructions, but overall public compliance has been high and governments have been calm, competent and reassuring. Frustrations will spike as time passes, particularly if job and business losses continue to escalate. The country needs to emphasize well-being and containment, but it also must start looking to the future. When the virus is under control, an equally profound struggle of economic renewal and social reconstruction lies ahead.

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People who are passionate about public policy know that the Province of Saskatchewan has pioneered some of Canada's major policy innovations. The two distinguished public servants after whom the school is named, Albert W. Johnson and Thomas K. Shoyama, used their practical and theoretical knowledge to challenge existing policies and practices, as well as to explore new policies and organizational forms. Earning the label, "the Greatest Generation," they and their colleagues became part of a group of modernizers who saw government as a positive catalyst of change in post-war Canada. They created a legacy of achievement in public administration and professionalism in public service that remains a continuing inspiration for public servants in Saskatchewan and across the country. The Johnson Shoyama Graduate School of Public Policy is proud to carry on the tradition by educating students interested in and devoted to advancing public value.

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