

# Pandemic making Canada's economic future uncertain

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With reports of six million people applying for Canada Emergency Response Benefit (CERB), Economics professor Audra Bowlus estimates the unemployment rate in April could approach 30 per cent. That numbers surpasses even the highest unemployment rate recorded during the Great Depression.  
Credit: Western News

Even though Canada lost more than a million jobs in March—enough to produce an unprecedented one-month jump in the unemployment rate from 5.6 percent in February to 7.8 percent—the months that follow may prove even more challenging, warned Western experts.

"We have seen unemployment rates higher in past. But this doesn't normally happen all at once. Rather, such increases occur over a slightly longer period of time," Economics professor Audra Bowlus said. "This is different because it's immediate. It is more like a winter storm. Unfortunately, unlike a blizzard, it's not going to end in a quick period of time."

The COVID-19 pandemic has brought economies to a standstill around the globe. Canada is no exception.

To help mitigate the impact of these job losses, the Federal Government implemented the Canada Emergency Response Benefit (CERB), a relief program for those who have lost their income. A wage subsidy program was also introduced to help companies retain employees.

While helpful in the short run, these programs may not be enough to stop what is coming, Bowlus said.

"If the storm was short, workers could re-attach themselves to their previous companies. But this is not going to be likely the outcome for many," she said.

Even with these programs in place as the pandemic continues, Bowlus said, some firms will not re-open and workers will re-allocate themselves. "The longer this drags on, the more people who will be laid off, the more businesses that will close, the longer it will take to recover."

With reports of six million people applying for CERB, Bowlus estimates the [unemployment rate](#) in April could approach 30 percent. That numbers surpasses even the highest unemployment rate recorded during the Great Depression, which was closer to 20 percent.

And the longer-term economic implications will worsen as the situation continues.

"What particularly concerns me is that some countries are starting to see a resurgence in the number of new COVID-19 cases," said Sociology professor Michael Haan, Canada Research Chair in Migration and Ethnic Relations. "I expect to see employment rates recover very slowly after the pandemic, as employers in all sectors face the new normal."

Even after restrictions are lifted, Haan thinks some sectors will be slower to recover. "Any sector where distancing is difficult—concerts, bars, restaurants, transportation—will continue to struggle as people retain their COVID-19 behaviours post-pandemic."

Likewise, different demographic groups will likely be disproportionately impacted.

Bowlus expects there will be a gender and racial differences in who is affected. "We are already starting to see these impacts in terms of who is affected by the illness, lay-offs and being deemed essential workers and who is not," Bowlus said.

She explained that more demographic data will be available by early May to help to further understand these effects.

Haan said the poor and working poor will feel the economic impacts the most. As food processing plants are impacted with shutdowns, food supply issues may occur, and there could be increased prices at grocery

stores.

In order to support the population, some previously sidelined notions have returned to the conversation.

Universal basic income might not cure all societal inequities, Sociology professor David Calnitsky explained, but it might be a "necessary cure" for the current [coronavirus](#) pandemic—providing some protection against the havoc the virus is wreaking on people's ability to meet basic needs.

"Basic income is the quick fix we need to respond to an emergency pandemic. But it can also pave the way toward the kind of society we want to build once that pandemic has been contained."

A guaranteed income can reduce labour force participation to some extent, he said. But the question, is about the trade-offs.

He continued, "There is no such thing as a costless program. Are the different kinds of benefits you'd see from such a program—reducing insecurity, reducing poverty, reducing crime, expanding people's choices in life, improving overall wellbeing—worth accepting some of the costs?"

In the near future, Bowlus expects firms, and the economy as a whole, will continue to operate in a different way, with experimentation on how to re-open without seeing a resurgence of cases.

"It will be interesting to watch some European countries, with lower numbers of cases, as they try to re-open," she said. "If they get another surge of cases due to re-opening too soon, we will not likely re-open. If they can manage it and not see an increase in cases, there may be some lessons for Canada and Ontario, once we see the number of our cases

decline."

Bowlus does have some hope that the recovery could be quicker when businesses re-open, due to the nature of the stoppage.

"This recession is due to an imposed stoppage; it's not the typical way recessions happen," she explained. "When things are allowed to reopen, they will come back, maybe in a different way, but demand for the products and services should still be there."

Provided by University of Western Ontario

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