

Introducing *The Resilient Recovery Framework*

An assessment framework for evaluating stimulus measures for a post-COVID recovery

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Submitted for the review of the Task Force for a Resilient Recovery



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What is *The Resilient Recovery Framework*?

A **comprehensive** assessment tool for policy makers and analysts to optimize policy proposals on three broad dimensions:

- 1 - Does the measure stimulate immediate, lasting economic benefits and jobs?*
- 2 - Does the measure help the environment and support clean competitiveness?*
- 3 - Is the measure equitable, implementable and feasible?*



MOTIVATION: Current situation is unprecedented

- Currently in “The Great Lockdown”.
- March LFS: employment drop of 1+ million.
 - Then largest drop in recorded history.
- April LFS: employment drop of 2 million.
 - Largest drop in recorded history.
- No one knows how bad this will get.



MOTIVATION: Current situation is unprecedented

- Other adverse factors:
 - Reduced hours across the workforce will persist during a phased-in recovery
 - Furloughed employees are still technically employed, but not working any hours

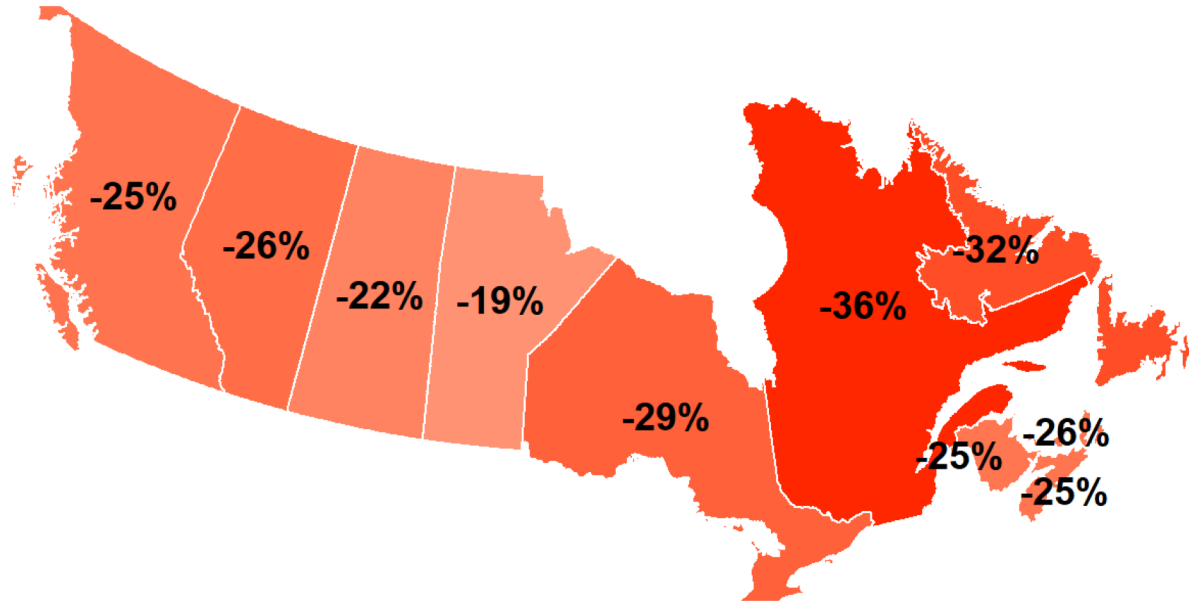
Where we are gives us some (but limited) information on where we're heading.



MOTIVATION: Current situation is unprecedented

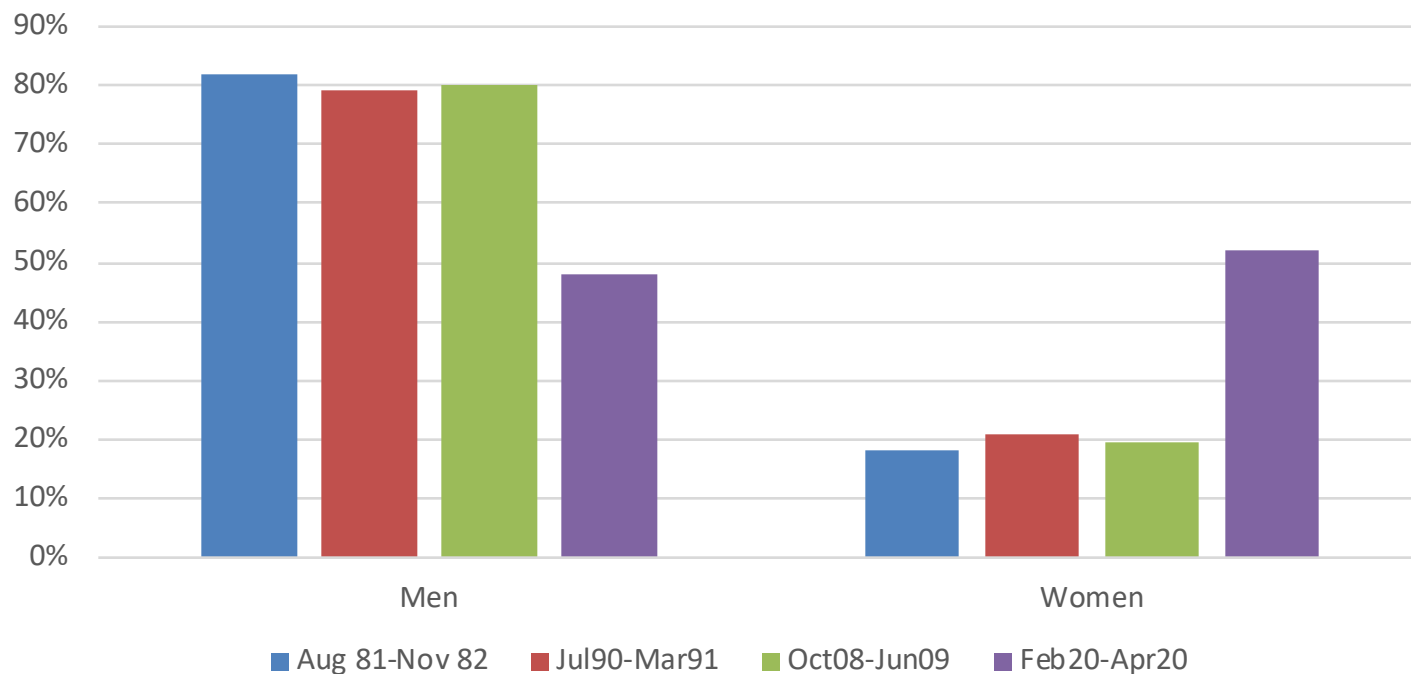
COVID-Related Losses in Total Hours Worked

Displays the change in employment rate, by region, between February and April 2020.
Source: Statistics Canada data table 14-10-0032. Not seasonally adjusted. Graph by @trevortombe.

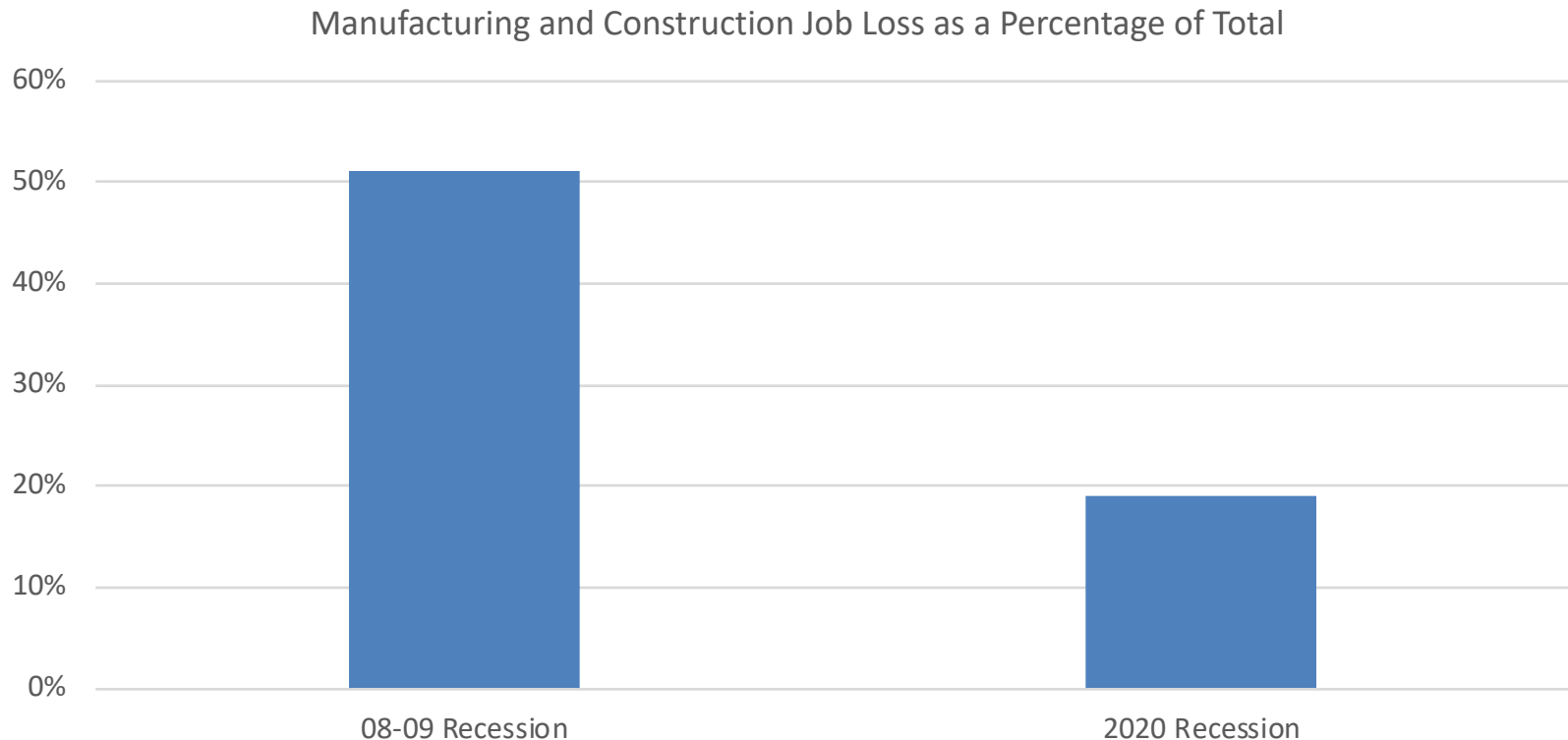


First “She-cession” in recent history

Proportion of Net Job Loss Experienced by Men and Women by Recession



First “She-cession” in recent history



Last Recession.. Who Lost Their Jobs?



Mike, a 52-year-old autoworker from St. Thomas, ON.



Mario, a 46-year-old welder from Chicoutimi, QC.



This Recession.. Who Is Losing Their Jobs (So Far)?



Erin, a 28-year-old flight attendant from Vancouver, BC.

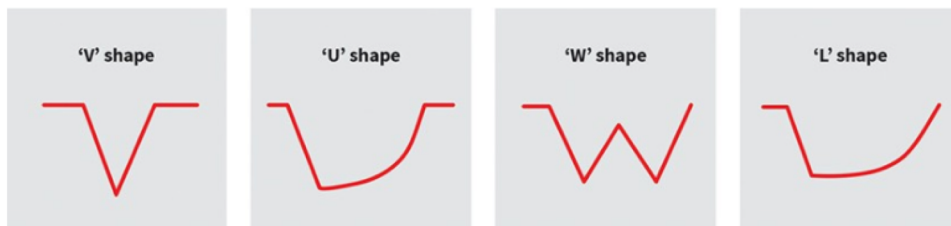


Emily, a 34-year-old corporate trainer from Toronto, ON.



Different crisis = Different recovery

- Support up to now has been disaster relief
- Return to normal will take time, occur in phases
 - Will differ provincially
 - Restart phase will be sequenced in stages
- Huge uncertainty around what this recovery could look like:
 - One thing we know: Probably not V-shaped.
 - Return to 90% economy will be new normal for up to two years.



Source: JLL, April 2020

Stimulus – the essentials

- **Stimulus needs to be:**
 - **Timely:** Generate economic activity quickly
 - **Targeted:** Generate economic activity in the areas most affected by a downturn
 - **Temporary:** Avoid crowding out future private sector investment
 - **Implementable:** Administratively possible to implement within the needed time frame



Stimulus – re-deploys four types of idle resources

1. Money (particularly “dead money”)
2. Labour
3. Land/Buildings
4. Equipment



Idle resources to target in this recovery – Land, Money

Money

- Big “dead money” period emerging.
- Likely entering a prolonged period of low investments in physical assets.
- Private R&D spending and deployment levels decrease.

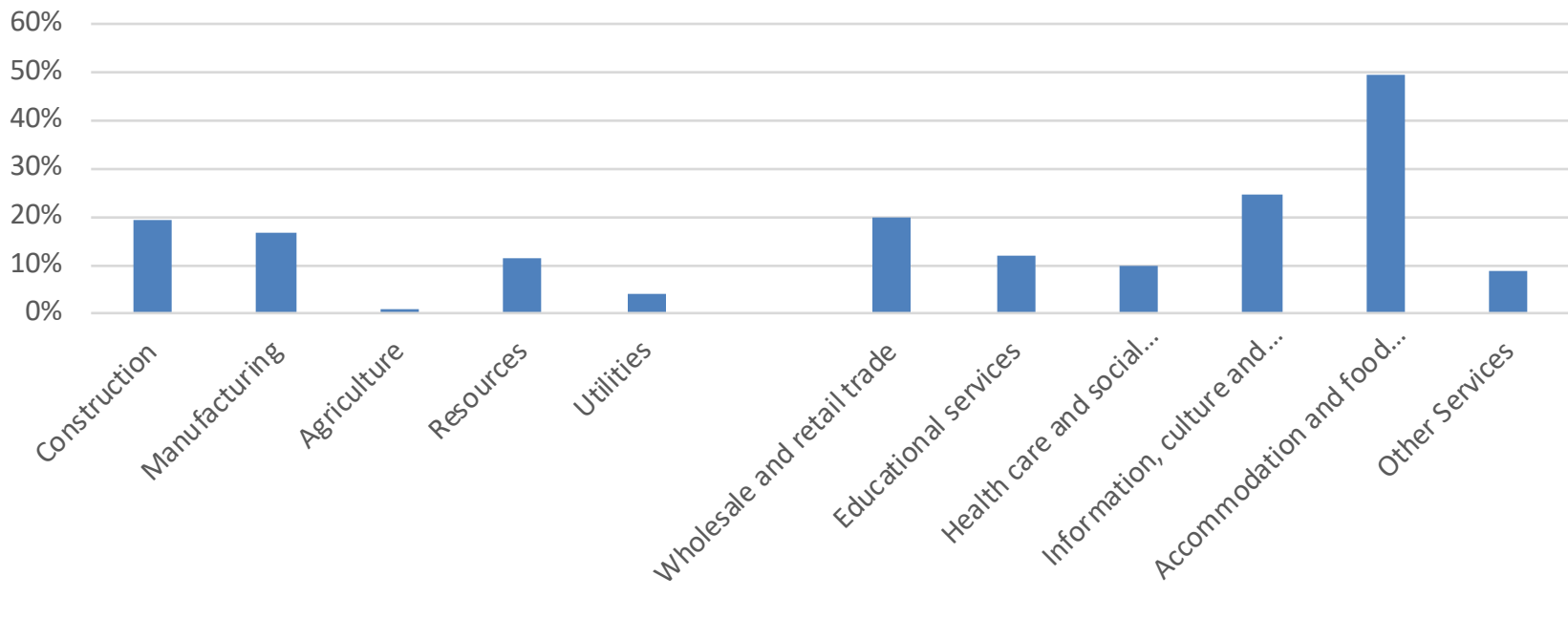
Will be vital to leverage private capital, not have all stimulus come from federal dollars.



Idle resources to target in this recovery - Labour

Feb-Apr 2020 Job Loss as a % of Total Jobs, by Sector

MAJOR UNCERTAINTY AS TO THE RATE EACH WILL RECOVER



Idle resources to target in this recovery - Labour

Women

- Most affected demographic: Women under 25.
- Equity + professional costs negatively impact career progression.

New Graduates

- Lack of hiring will result in large pool of available graduates.
- Scarring impact on long-term employment and advancement.

Oil and Gas Workers

- Example of how affected demographics vary by age, sector and region.
- Extension of existing trends, but demand shock has hit the sector hard.
- Example of re-engaging this resource: well reclamation.



Idle resources to target in this recovery – Land

Land/Real estate

- Main street retail storefronts.
- SME closure rates will hit Main Street hardest.
- Uncertain effects on real estate markets.
- Any venue where large gatherings occur (concert and sports venues, movie theatres).
- Reduced demand for office space?



More idle resources to target - Machinery

Uncertain impact to manufacturing

- Slowdown in consumer spending.
- Unwinding supply chains – focus on resiliency.
- Growing protectionism to affect sector.
- **Can equipment be repurposed to something else?**



Other relevant factors to consider when thinking about stimulus

- **Canada has a primarily export-based economy**
 - Increased protectionism and decreased trade will have a large impact.
- **Trends in global economy**
 - Decarbonization and digitization are two defining trends in coming decades.
 - Remaining competitive means investing in a lower-carbon direction.

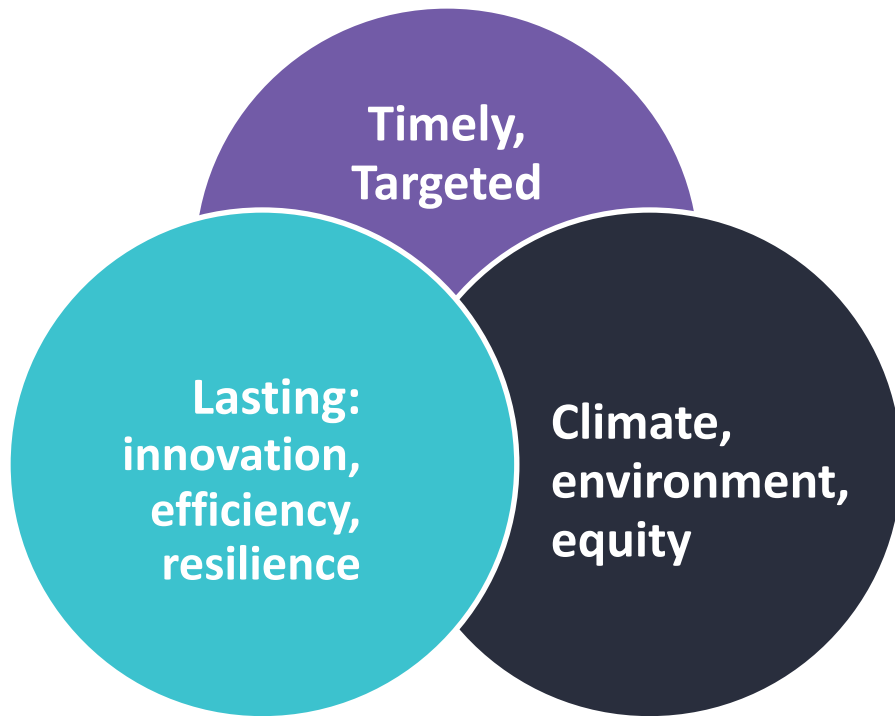


Other relevant factors to consider when thinking about stimulus

- **Equity is at the forefront of this crisis**
 - This crisis will hit vulnerable and marginalized populations harder than others.
 - Affordability, access to support and creating “good jobs” are likely to heavily influence the pace and trajectory of a recovery.
- **Environmental factors**
 - Net-zero emissions target by 2050.
 - Range of other domestic environmental targets.



The best recovery measures meet 3 tests



Why these 3 themes?

- **Allows us to act short-term, think long term**
 - Need to invest now in rebuilding the kind of economy we want to have in coming decades, since we won't be able to make this kind of public investment in the economy for ~10 years.
 - This is *hard to do* in stimulating recovery. Long-term competitiveness, and the environment, usually get short shrift in the push for immediate jobs and growth.



3 INGREDIENTS FOR A RESILIENT RECOVERY

1

**DOES THE MEASURE
STIMULATE TIMELY,
LASTING ECONOMIC
BENEFITS AND JOBS?**

TIMELY: Will it generate substantial economic activity and jobs within 6-18 months?

TARGETED: Will that job creation and economic activity be in areas that need it?

LASTING: Will it catalyze development and leverage investment that strengthen Canada's long-term competitiveness and resilience?

2

**DOES THE
MEASURE HELP THE
ENVIRONMENT AND
SUPPORT CLEAN
COMPETITIVENESS?**

CLIMATE SMART:
Does it support low carbon infrastructure, technologies or practices that help Canada meet its climate targets?

GREEN: Does it help to reduce pollution and waste, restore natural systems, or remediate polluted sites?

CLEAN INNOVATION:
Does it drive the development and use of new technologies and practices that boost environmental performance and resource efficiency?

3

**IS THE MEASURE
EQUITABLE,
IMPLEMENTABLE
AND FEASIBLE?**

EQUITABLE: Does it have a positive or at least neutral impact on vulnerable, marginalized or underrepresented groups, such as Indigenous peoples and women?

FEASIBLE: Can it be implemented with existing institutions, policies and administrative capacity?

IMPLEMENTABLE:
If there are market or other barriers that hinder implementation, can they be overcome?

Missing any ingredients?
Go back to drawing board.

Got all the ingredients?
It supports a resilient recovery.



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Theme 1: Timely

- Timing of stimulus is about how fast money can have an impact, not just how fast it gets out the door.
- Key issue will be balancing the speed of stimulus with phased restart approach – needs a Goldilocks approach.
- Also important to balance need to be timely and green.

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Theme 1: Targeted

- Aim is net job creation and investment.
- Are there workers available with the skills needed to support this project?
- Do majority of benefits accrue within Canada's borders or elsewhere?

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Theme 1: Lasting

- Can grow by either increasing size of labour force or increasing productivity.
- Chance to create jobs today building the infrastructure and systems that offer lasting benefits.
- The right investments now can support resilience, competitiveness and wealth creation over coming decades.

CLIMATE SMART:

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GREEN:

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CLEAN INNOVATION:

Does it drive the development and use of new technologies and practices that boost environmental performance and resource efficiency?

Theme 2: Climate Smart

- Difference between reducing emissions and decarbonization.
 - 2030 target vs. net-zero 2050 target.
- Need to avoid funding future stranded assets.
- Stimulus cannot replace carbon pricing or regulations.
 - Short-term public investment vs. long-term market investment.

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Theme 2: Green

- There are lots of ways to support “green” goals: Can remediate damages, reduce pollution or restore/conserves nature.
- Range of potential co-benefits, but measures are not always complementary.
- Important to balance priorities.

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Theme 2: Support Clean Innovation

- Net-zero transition requires investment into, and deployment of, solutions.
- Not every clean technology will be a good fit for stimulus.
- Where technology will be manufactured matters when trying to maximize job multipliers.

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Theme 3: Equitable

- Dual economic and health crisis means the impacts of two crises are being experienced simultaneously.
- Need to consider how stimulus:
 - Supports accessibility for vulnerable/marginalized populations;
 - Lowers barriers to workforce participation;
 - Creates high-quality jobs.

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Theme 3: Considerations

- Can use existing or new institutions, or partner with non-federal institutions.
- Accessibility for SMEs and affected demographics is critical.
- We might need to create new administrative models if we want to get money to those who need it quickly.

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Theme 3: Considerations

- If market, policy or regulatory barriers are not overcome, they can dramatically impact uptake impact of stimulus.
- May need to pair measures with complementary policies to overcome barriers.
- Need to be realistic about what we can control.

Next steps

- **Currently in peer-review process**
 - View the Smart Stimulus Framework as a living assessment tool.
 - Collaborating with experts to refine Framework in coming weeks.
 - As data is released and the impacts of the crisis become clearer, it will continue to be tailored to supporting a post-COVID recovery.
- **Applying the Framework**
 - Key component of *Task Force for Developing a Resilient Recovery*.
 - Will be applying the Smart Stimulus Framework to a range of stimulus proposals in the coming weeks.
 - Will put together a final report this summer.



About the Smart Stimulus Project

As Canada turns the corner on the COVID-19 crisis, the nation will make a once-in-a-generation investment in economic recovery. That investment will need to kick start growth and jobs right away, while also continuing Canada's progress toward building a stronger, cleaner economy.

The Smart Stimulus Project, a Smart Prosperity Institute initiative, is investigating how Canada's stimulus spending can support a low-carbon, resource-efficient and sustainable future. The Project features regular articles and analysis from our world-leading international research network, business and civil society CEOs, and in-house experts.

