SETTING A NEW NORMAL THROUGH A BOLD RECOVERY
The crisis we and the world continue to confront seriously affects public health and our social and economic well-being. There will be no quick return to normal, nor should there be.

The pandemic starkly revealed major cracks in the foundations of our society and economy, which must be seriously addressed. On top of the public health crisis, which is still very much with us, we have to contend with long-standing problems that COVID-19 not only made more visible but also exacerbated. The rise of precarious jobs and growing economic and social inequality revealed that the high unemployment experienced during the shutdowns was unequally shared across the workforce and that unless we take significant action to rectify the root causes, the recovery will also be unequal. Any recovery plan would be short-sighted and ineffective if it did not repair the foundational inequities in our society and address the crisis of climate change. This is a moment for social democrats to fight for fundamental reform.

We must, in overlapping phases, defeat the virus and protect health; provide relief and support for as long as necessary; and develop a plan for long-term social and economic transformation based on the lessons we have learned from the pandemic.

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Before the pandemic, Canada’s economy was being driven by an unsustainable increase in household debt and corporate over-leveraging to distribute rising profits to shareholders as dividends and share buy-backs. Low interest rates failed to promote high levels of productive private investment but gave the rich the means to speculate and accumulate more and more wealth. We were very far from a healthy economy in which wages rise in line with higher productivity, which in turn fuels the demand needed to make businesses invest in knowledge, research, and skills and in new plants and equipment.

The status quo worked well for the top 1% of Canadians, who now receive almost 15% of all household income and own 25% of all wealth, and even more for the top 0.1%, who are Canada’s billionaires. But it was not working for the great majority of Canadians who have experienced stagnant wages and living standards, rising household debt, and increased economic insecurity due to less stable jobs combined with cuts to income support programs.

While temporarily buoyed by the bitumen boom of the 2000s, which is now well behind us, Canada has failed to build the basic building blocks of a high-productivity, knowledge-based, environmentally sustainable economy capable of providing good jobs for all. Those consigned to the growing ranks of low-wage and precarious workers are increasingly excluded from the social mainstream, and this gap is highly gendered and racialized. The health costs of the pandemic were heavily and disproportionately experienced by women and racialized workers in essential jobs involving close contact with the public, while many of the better-off could isolate themselves by not working or working at home. Far too many Indigenous people remained and still remain on the margins of the economy and struggle for recognition of their fundamental rights and ownership of land and resources. At the same time, they are fighting the devastating impact of the pandemic in their communities.

“Normal” was not seriously tackling the climate crisis. Even in the midst of the pandemic, we saw nature out of control: almost unprecedented floods, droughts, hurricanes, extreme heat waves, and rising sea levels. Canada has formally committed to dealing with the climate crisis through the Paris Accord but has made pitiful real progress in terms of actually reducing greenhouse gas emissions and
transitioning from the old to the green economy. Many irresponsible business and political “leaders” remain wedded to a carbon-intensive economic model while pretending that serious action can be further delayed.

Long before the pandemic, we faced serious problems: inequality, insecurity, declining democracy, social fragmentation, eroding infrastructure, and the decline of the public sector and of policies driven by the search for the public good. COVID-19 amplified these problems just as these problems made us more vulnerable to the virus.

The crisis has revealed huge gaps in our social programs. The lack of eligibility for existing income supports such as Employment Insurance (EI) for many of the newly unemployed left the government scrambling to come up with new programs on the fly. Crowded, understaffed, and under-regulated long-term care homes led to a wave of unnecessary deaths among seniors. The lack of paid sick leave for many resulted in workplace COVID outbreaks as workers felt obliged to go to work even when they were ill. Parents with young children faced impossible choices as schools closed and no options were available for affordable child care.

Our current crisis is the result of 40 years of extremist “neoliberalism”—the belief in so-called free markets and private control of almost all of the economy. Our failing economic system has entrenched economic inequality and racism, bred right-wing populism, and damaged democracy. In Canada, those most likely to suffer poor health outcomes, whether from COVID-19 or other diseases, are...
Black, Brown, and Indigenous people who earn low wages and have little wealth. Their economic status is deeply intertwined with systemic racism. Democracy is incompatible with inequality and with leaving important social choices to the market or a privileged class, rather than to the collective.

The key to meeting the intersecting challenges of systemic racism, inequality, and democratic decline is to disrupt the current concentration of wealth and power in our economy and to turn sharply toward economic growth that supports an equitable, inclusive, healthy, and resilient society.

Our solutions lie in a mixed public/private/not-for-profit social economy with high levels of public provision to meet key needs, protection against poverty and insecurity, and effective public-interest driven regulation of banks and large corporations. We need to renew the capacity of governments to shape the economy in the national and public interest, to lead innovation toward a shared vision of the equitable future, to distribute resources in order to achieve more just outcomes, and to increase the bargaining power of workers vis-à-vis employers. The market and the private sector are important tools, but governments must shape the economy to secure a fair and inclusive society.
This spring (the spring of 2021), the federal government is expected to introduce a budget that will focus on the short to medium term. The Canadian government will and should run large fiscal deficits to fund immediate needs and new, necessary public investments. While the deficit hawks are already circling and some conservatives are calling for restraint, the focus must be on public health and protecting Canadians while setting a new course.

Low interest rates help, but they alone are not enough to spur an economic recovery and to lower unemployment to pre-crisis levels. The great majority of private businesses do not want to borrow, spend, and invest due to the uncertain economic climate and badly stretched balance sheets. Nor is it desirable that household debt should increase as it is already at near-record levels.

The Bank of Canada is playing an important role by purchasing government bonds in order to allow the federal government to readily finance a much-needed large increase in spending. As widely noted, the new debt is being financed at very low interest rates (well under 1%) that are increasingly being locked-in through long-term bonds. As a result, debt-servicing costs are actually falling. As the Bank of Canada has made clear, low interest rates will remain in place for an extended period, given the slack in the Canadian and world economies and very low inflation expected in Canada. There is no reason to fear that we will be unable to finance needed deficits.

Going one step further, deficit-financed public investments that expand the economy in both the short and the long run can actually lower debt in relation to GDP, a point recently emphasized by eminently mainstream economists and officials of the International Monetary Fund (IMF). Targeted investments in public infrastructure such as transit and clean energy, as well as in some social programs such as child care will be much more effective than attempting to throw money into the economy through widespread corporate bailout packages and tax cuts.

That said, longer-term transformation will have to be supported by raising more revenues. If we want not just “stimulus,” but also a major increase in public investment and social programs over time, we will have to raise taxes as a share of the economy. This can and should be done in a progressive way, as described below.
In 1999 the federal government, provinces, and territories ratified the Social Union Framework Agreement, a rule book governing how these levels of government would work together to uphold economic and social rights flowing from section 36 of the Constitution as well as from global agreements such as the International Covenant on Economic, Cultural and Social Rights. Central to the agreement and the general concept of Canada’s social union is the responsibility of the federal government to ensure that all Canadians have access to these rights regardless of the province in which they live. Federal leadership has been an important force behind the development of what are considered to be foundational aspects of Canadian society—health care and social insurance programs to name two—while recognizing shared jurisdiction and the differences between jurisdictions. While many social programs fall under provincial jurisdiction, the federal government has played a major role through shared-cost funding, through complementary federal social programs, and through the equalization program.

As in the aftermath of the Great Depression, now is the time for federal leadership. The federal government alone has the fiscal capacity to make major new investments in social programs, due to its relatively low debt, its access to all major sources of tax revenue, and its special relationship to the Bank of Canada. The times call for new national programs in health care, education, housing, and income support. The immediate priorities should be child care and early learning and the expansion of public health care from physician and hospital care to long-term care, pharmacare, and mental health. The pandemic has clearly exposed the inadequacies of long-term care. It is reasonable to ask the provinces to make commitments to respect broad national standards in return for significant new funding. Agreements to be negotiated with the individual provinces, territories, and Indigenous governments must obviously take into account different needs and starting points.
A NEW SOCIAL UNION FRAMEWORK TO BE NEGOTIATED OVER THE NEXT TWO YEARS SHOULD INCLUDE THE FOLLOWING:

Expanding Canada’s public healthcare to universal coverage of prescription drugs, long-term care for the elderly, and mental health services as discussed in our report, Medicare 2.0. We also need to rebuild and renew public health infrastructure and immediately fill the major gaps there, in order to implement lessons learned from countries that did far better in managing the pandemic than Canada did.

A national child care and early-learning program that guarantees high-quality, accessible, and affordable care in every province and territory.

An environmental and climate crisis partnership to carry out aggressive action on clean energy, green transportation/infrastructure, energy efficiency, reversing nature loss, and protecting habitat (see below).

A justice partnership to end systemic racism and transform Crown-Indigenous relations based on self-government and recognition of rights and title as set out in the UN Declaration on the Rights of Indigenous Peoples.

A new fiscal partnership covering equalization and social and health transfer payments, support to municipalities, an Indigenous fiscal framework, and comprehensive tax reform. In particular, local governments must be able to weather the fiscal crisis and renew community infrastructure, but for this, they need a more stable and fair source of revenues. The federal government should levy a small additional municipal income tax at the request of city governments.
A PUBLIC INVESTMENT-LED RECOVERY: THE GREEN ECONOMY AND THE CARING ECONOMY

As noted, consumer spending and business investment are unlikely to drive a strong recovery. We need to shift to a public investment-led economy in order to counter the potential of long-term stagnation and create more and better jobs while delivering economic activity that support our collective well-being. Many large public investments, such as in clean energy, can be considered largely self-financing to the extent that they boost GDP and productivity. They will also soften the ground for private business investment, providing major new opportunities to Canadian-based enterprises.

There should be two major areas of focus: (1) dealing with the environmental crisis by transitioning to a clean, green, sustainable economy and (2) building the caring economy.

The Clean Economy
The transition to a clean, green economy must be driven not only by taxes, but also through regulations (e.g., strict building codes, clean fuel standards, and a shift to zero-emission vehicles). In addition, major public investments need to be made in clean energy, greater energy efficiency, stripping out carbon from production and consumption, and building new infrastructure such as mass public transit and charging stations for electronic vehicles. All of these will promote environmental remediation.

Rather than relying on private finance alone to support the new clean economy, these kinds of investments could be increased and scaled up by establishing a new Green Investment Bank mandated to fund clean, green investments at low cost, including through equity stakes and low-
interest loans to enterprises. Equity would be the preferred financing vehicle, since this would help ensure investments are anchored in Canada to some degree and it would promote the interests of Canadian communities and workers, not just those of private financiers and shareholders. Existing venture capital funds are primarily geared to making a profit by taking firms public once they have scaled up, often resulting in the loss of public investment in research and innovation.

The bank should be a Crown corporation operating at arms length from the government, with a clear mandate to drive change and to create new jobs in an economically and environmentally efficient way. Over time, funds would be reinvested as loans were repaid and new revenue streams emerge from bank equity holdings. Initial capitalization could be provided by the federal government or the Bank of Canada, with the goal of expanding Canadian productive capacity and creating decent jobs during the transition. The Bank of Canada or the federal government could periodically, at their discretion, inject new capital to ensure that investment remained robust. The bank would also help promote and finance alternative forms of social ownership, such as federal and provincial Crown corporations, municipal enterprises, and worker and consumer co-ops.

Building Canadian productive capacity as a key part of the transition would also require domestic procurement rules, so that, for example, lost jobs in the oil and gas sector would be replaced by good jobs in clean energy industries such as wind and solar power. International trade and investment rules would need to be changed to allow for domestic content rules, and, where needed, to equalize carbon charges on goods crossing borders. Canada should seek to agree on a broad green strategy with the United States, with a focus on a joint approach to carbon pricing, public investment, rebuilding the manufacturing sector, and environmental regulation. Newly elected President Joe Biden has endorsed a bold Green New Deal, and this offers a potential basis for joint action.

A just transition would mean that workers would not suffer because of the economic restructuring that will be required. This would be possible, since the clean economy would be much more labour intensive than the current highly

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capital-intensive, extractive economy. Displaced workers should be guaranteed a comparable job or income compensation through wage top-ups, and they should be offered the opportunity to retrain. Affirmative action and training programs should open up good, skilled jobs and new economic opportunities for women, racialized workers, and Indigenous people.

We also need an affordable housing bank with a multi-year mandate to build social and co-op housing and to retrofit and improve the existing social housing stock. Ownership would rest with local governments and not-for-profit housing associations, ensuring the gradual expansion of not-for-profit housing for future generations.

The Caring Economy
The caring economy, though rarely discussed until recently, has long been the backbone of our social and economic well-being. Not only is it a foundational aspect of a meaningful post-pandemic recovery; it also holds the keys of our future resilience in the face of crises to come. Health care, education, child and elder care, and social services are the key pillars of the caring economy. They meet a multitude of social needs while providing a great many jobs, especially for women and racialized Canadians, and they rely on leadership and investment from governments to work.

However, every part of our caring economy was tested during the pandemic and found wanting. The wave of deaths that hit seniors’ homes during the pandemic and threatens to do so again revealed major government failures to ensure the provision of decent care as well as major problems within the for-profit delivery model.

Not-for-profit providers attuned to community and user needs constitute a good model for delivery when combined with stable government funding and collective bargaining coverage for workers, as is, for example, the case for child care services in Quebec.

In the wake of the pandemic, the immediate focus should be on the reform and expansion of long-term care, bringing this key set of services into the public health care system through federal funding and the development of national standards that should include ending for-
profit care. Adequate and stable funding should ensure decent conditions of care and better pay for care providers.

Development of a national child care and early-learning program, modelled after Quebec’s long-running program and British Columbia’s more recent $10-a-day child care, should be implemented along similar lines. Moreover, national child care should be part of an overall federal/provincial/territorial strategy to help our present generation of children and young adults recover from the pandemic’s impact on their development, mental health, and education. Indeed, the future of our economy relies on it.

Many experts fear that this generation of learners will suffer in the long term from delays and disruptions to their education caused by the pandemic. Educational success is heavily correlated with economic productivity, and any mass and unchecked declines in education will invariably weaken the economy. Major investments are needed in public education from kindergarten through university, with greater focus on equity of access to a quality education and holistic programs that support students outside of the classroom as well as in.

Post-secondary students have suffered on multiple fronts, facing declines in their education and work prospects while shouldering the burden of student debt and living expenses. Cancelling student debt and quickly enacting free tuition programs would ensure that the current cohort of students, on whom our future economy depends, can still succeed. It would also help reduce a long-standing gap that exists between those who have the means to pay for post-secondary education and those who do not; a gap that is heavily racialized.
A LABOUR MARKET PARTNERSHIP FOR DECENT WORK

The pandemic has shown us that far too many workers are exposed to a high risk of infection, especially workers in precarious jobs serving the public. Weak labour standards and low rates of unionization mean that many essential workers also receive low pay, lack access to paid sick leave, and must endure dangerous working conditions. The fact that a disproportionate number of these workers are racialized stems from long-standing systemic racism in our labour market and economy overall, as discussed in our report, *Addressing Economic Racism in Canada’s Pandemic Response and Recovery*. We owe these workers more than our gratitude.

We need to start fixing the labour market through key changes to labour law and employment standards to promote more secure and better-paid jobs. Governments should facilitate and encourage collective bargaining and enhance minimum wages to establish a wage floor that provides workers with a livable income. Sectoral, multi-employer bargaining in private and public services can set a decent floor of wages and standards without putting any one employer at a competitive disadvantage.

The federal government should enact a model labour code in its own jurisdiction, which should also apply to all employers who contract with or receive financial support from the federal government. It should set fair standards for hours of work and health and safety, set a national minimum wage, promote pay and employment equity for women and racialized workers, provide for paid sick leave, promote recognition of unions, and ensure that employers cannot easily disguise employees as self-employed or independent workers.

The provinces should be encouraged to pass legislation that matches federal laws, in order to create a national level playing field. Over time, improved labour laws can raise pay and improve conditions in low-wage sectors, fighting poverty and the long-standing de-linking of wages from productivity growth. Better labour standards also decrease the cost of government income support programs such as tax credits for working poor families.

As an immediate priority, all workers should have the right to take at least seven days of employer-paid leave per year to deal with sickness or the need to provide care for family members.
Canada’s inadequate income-security safety net was unable to stand the test of the pandemic as many unemployed workers and independent workers found that they did not qualify for EI or social assistance and faced immediate destitution. The federal government responded appropriately by quickly rolling out new programs, including wage subsidies, temporary changes to the EI rules, and new programs such as the Canada Emergency Response Benefit (CERB). These were not perfectly targeted, but such a state of affairs was somewhat inevitable given the suddenness and severity of the crisis. The Canada Recovery Benefit (CRB), which came into effect once the CERB ended, is still active, along with the new EI rules instituted in the fall of 2020. These should remain in place until the immediate unemployment crisis is behind us. (Together, they provide a basic income of $500.00 per week to the unemployed and to those on short hours, as well as wage subsidies and supports for small business.).

Income Security
In the longer term, Canada should move toward a Basic Income Guarantee. We need a bold vision for income security reform but also a thoughtful plan to do better building on what exists and already works, as outlined in our paper Basic Income Guarantee: A Social Democratic Framework. Given that existing refundable tax credits already provide a basic income for seniors and children, the focus should be on working-age adults, especially the working poor and social assistance recipients.

As an immediate priority, all workers should have the right to take at least seven days of employer-paid leave per year to deal with sickness or the need to provide care for family members.
We need a bold vision for income security reform but also a thoughtful plan to do better building on what exists and already works.

Employment Insurance and the Canada Pension Plan (CPP) should remain intact. They are social insurance programs whose goal is income security for all, not just poverty prevention. EI should be permanently changed to provide a decent minimum income benefit based on a common hours requirement by region. Coverage should be extended to employees disguised as self-employed contractors. A parallel program should be developed to allow the genuinely self-employed to be covered against a temporary loss of income.

In consultation and in co-operation with the provinces, a flexible new benefit, a wage supplement, should be paid to top up low wages due to insufficient hours of work, and recipients of social assistance should be eligible when they are trying to transition to paid employment. This could replace some existing tax credits. The level of the benefit would be regularly adjusted based on changes in employment, but benefits should be reduced and phased out slowly so that working more hours is always rewarded (in contrast to social assistance and tax credits for the working poor that are lost completely when earnings are very low). The new system would be designed to minimize high marginal rates of tax for low-income earners. Ultimately, the provinces might agree to transfer all income support programs to the federal government so that provincial spending could be directed to social and community services best planned and delivered at the local level.
FAIR TAXES

As noted in our report *Paying for the Recovery We Want*, expanding public and social services will have to be financed in the medium and long-term through higher taxes. We cannot build a social democratic Canada without collectively paying for it, and that should be through a transparent tax system based on ability to pay. A precondition for political support of higher levels of public spending is public confidence that the costs are being fairly allocated.

Over the past few decades, the tax burden on the richest and highest-income Canadians has been cut by the reduction of the corporate tax rate, which boosts after-tax returns to equity owners; by the increase or tolerance of special tax breaks being applied to income deriving from capital, such as capital gains and stock options; by the reduction of the progressivity of the personal income tax system; by a decrease in top income tax rates; and by tolerance of the growing use of offshore tax shelters by corporations and the wealthy. The equalizing impact of progressive taxes has been eroded, compounding the growing inequality of market income and starving the public and social sectors of needed resources.

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We cannot build a social democratic Canada without collectively paying for it, and that should be through a transparent tax system based on ability to pay.
Tax reform should include the creation of a wealth tax, levied at a modest rate on large fortunes; raising the top tax rate on very high incomes; closing personal income tax loopholes favouring capital income over wages; and working with other countries to close corporate tax shelters and minimize tax avoidance. Excess corporate profits earned during the pandemic should be taxed as they were during World War II. Many large corporations reaped record profits either because the health crisis gave them a competitive edge in the market or because they found economic advantages in the unprecedented public expenditures undertaken by all levels of government. In many cases, both factors played significant roles. Those corporations should have to contribute a portion of that excess profit to our continued efforts to respond to and recover from this health and economic crisis.

Social democratic countries have relied on a broad tax base, including sales and payroll taxes, to help finance progressive social programs and public services. The overall impact of fair taxes and social spending is redistributive. However, fair tax reform and a broadly based recovery should come before any increase in consumption taxes.

The aim of a progressive tax system is not just to finance social programs and public services that benefit all citizens, but also to reduce very large and growing inequalities of income and wealth.
We live in perilous times. The pandemic reminds us of the need for collective action to achieve the common good. While it remains to be seen how well Canada will fare in comparison to other countries in terms of its management of the pandemic, the crisis has starkly spotlighted long-standing cracks in our social and economic foundations. The next budget must focus on immediate needs—public health and income security—but it must also set a course for fundamental change based on a social democratic vision of a fair, green, and just recovery for all. Canada can set a new normal in recovery by implementing these key elements:

**Strong federal leadership to uphold economic and social rights through a new “Social Union” agreement with Provinces and territories.**

This agreement needs to include: national expansion of medicare to include pharmacare, mental health, and long-term care; a national childcare and early-learning program; an environmental and climate crisis partnership; a justice partnership to end systemic racism and transform Crown-Indigenous relations; and, new fiscal partnership covering equalization, social and health transfer payments, support to municipalities, an Indigenous fiscal framework, and comprehensive tax reform.

**A clean economy guided by comprehensive regulation and led by public investment.**

A new Green Investment Bank should be established to fund clean, green investments in ways that promote the interests of Canadian communities and workers, not just those of private financiers and shareholders.

**Putting the caring economy front and centre in our recovery.**

Canada needs to reform and expand our long-term care system, create a national child care and early-learning program that delivers affordable and accessible services to families across Canada, and invest in all levels of education to help students recover from the pandemic’s disruptions to their learning and wellbeing.

**A model federal labour code that establishes fair standards.**

This code should set a new bar standards relating to hours of work and health and safety, a national minimum wage, pay and employment equity for women and racialized workers, paid sick leave, and
promote recognition of unions. This code should apply to all federal workplaces and employers who contract with or receive financial support from the federal government. Provinces and territories should be strongly encouraged to adopt the new code, particularly the provision of at least seven days of employer-paid sick leave a year.

**Providing income security for everyone.**

EI needs to be quickly reformed to provide a decent minimum income benefit based on a common hours requirement by region, and extending coverage to employees disguised as self-employed contractors, while creating a parallel program for the genuinely self-employed. In co-operation with the provinces a new wage supplement benefit should be created to top up low wages due to insufficient hours of work and in the longer term, Canada should move toward a Basic Income Guarantee.

**Tax reform to finance a recovery for all, and reduce large inequalities of income and wealth.**

This reform should include the creation of a wealth tax, raising the top tax rate on very high incomes, closing income tax loopholes favouring capital income over wages; closing corporate tax shelters, and instituting a tax on excess corporate profits earned during the pandemic.

There are also more targeted initiatives discussed in this paper, including a national affordable housing bank and student debt forgiveness, as well as in the four Essential Solutions Project Papers listed below. In short, we need to more than simply survive this crisis and get the economy moving while repairing the most serious cracks in our social foundations. We need a fundamental change of direction—not a “return to normal,” not a rhetorical and empty “reset,” not a narrow “stimulus,” but a true transformation.
This paper was authored by Andrew Jackson with contributions from Katrina Miller and Alex Himelfarb, and with expert advice and insights from esteemed members of the Broadbent Institute’s Essential Solutions Project.

Essential Solution Project Papers

Paying for the Recovery We Want
Alex Himelfarb, Andrew Jackson, Katrina Miller, and Brian Topp

Medicare 2.0: Fixing holes in our healthcare system that hurt Canadians
Drs. Danyaal Raza, Amina Jabber, Jeffrey Ansloos, Kofi Hope, and Gregory Marchildon

Basic Income Guarantee: A Social Democratic Framework
Angella MacEwen, Mark Rowlinson, Andrew Jackson, and Katrina Miller

Addressing Economic Racism in Canada’s Pandemic Response and Recovery
Dr. Arjumand Siddiqi, Ryoa Chung, Dr. Jeffrey Ansloos, and Paulette Senior