

A Plan for Post Covid Economic Recovery: Stimulating Key Canadian Industries

Executive Summary:

COVID-19 has had an undeniable impact on all aspects of the global economy. In Canada, the pandemic has caused a massive increase in unemployment rates, significantly affecting small businesses and marginalized communities (StatCan 2021). This policy brief will focus on creating a guideline for how governments should navigate a COVID affected economy, minimize economic damages and pivot towards economic recovery. The brief centralizes the tech sector, which has not only demonstrated significant growth potential pre-COVID, but has also shown resilience and even growth during the recession (Cutean et. al, 2019). Furthermore, it is projected to be one of the foremost sectors that will experience the highest post-COVID boom.

As such, this brief seeks to capitalize on this massive pivot towards the tech sector. By training individuals - especially those in marginalized communities - who have been displaced from their workplace to transition into the technology sector, Canada will not only benefit from short-run profits, but increase the economy's potential GDP, reduce unemployment, and decrease inequality in income and employment looking forward from the COVID-19 recession.

Introduction

The COVID-19 recession has eliminated 8 583 000 jobs in Canada. These losses are not even across the labour force; unemployment rose the most among women (especially mothers of young children) and youth (Macklem 2021). The effects of the pandemic have exacerbated economic inequality, as well as restructured the future of consumer demand and business operations (Macklem 2021). Jobs in property maintenance, transportation, and low-skill service

have become obsolete, and are unlikely to fully recover even after lockdown restrictions have ended (Macklem 2021). Although the transforming economy poses the challenge of greater inequality and unemployment, the growing tech sector is a key opportunity to stimulate long-term economic growth and create job opportunities for the populations hit hardest by the recession.

Approaches and Results

Growth in ICT Sector

In order to identify opportunities for long-term growth and stable employment, literature review was focused on employment potential in ICT (Information and Communications Technologies). Technologies such as AI, 5G, and Blockchain are already reshaping both the ICT industry and business operations as a whole, and present great potential both for lowering unemployment and growing real and potential Canadian GDP. Statistics from 2013 through to 2019 indicate that this sector has consistently higher growth than the Canadian economy as a whole as well as growing employment prospects. The ICT sector accounts for nearly 5% of the Canadian GDP as a whole and grew by 4.8% in 2019, 3x higher than overall economic growth in the same year (1.5%). Since 2013, the sector has grown twice as fast as the overall Canadian economy (Cutean et. al, 2019).

Employment Potential

As jobs in transportation, property maintenance, and low-skill service become obsolete, jobs in emerging industries are crucial to recovering the Canadian economy. Employment in the ICT sector grew by 3.1% between 2013 and 2019 compared to under 1% for the economy as a whole. Even in 2019, when overall employment was flat, the sector grew by 2.1%, making up for losses in other sectors (Canada, 2019). Demand for labour in AI, Blockchain, and other similar areas

increased by 36% in 2019 (CompTIA 2020). This indicates that education and training necessary to meet this demand must be promoted and made more accessible.

Addressing Inequality

Three characteristics make ICT a key opportunity to reduce income and employment inequality; First, companies employing fewer than 10 people make up 85% of the sector which maintain healthy competition and prevent employers from abusing their power over employees. Second, the increased demand for skilled labour in an emerging field creates an incentive for private companies to fund education and job training programs for future employees (CompTIA 2020), creating employment opportunities for individuals who lack access to skilled work. Finally, the average wage in the ICT sector is \$76,471 CAD, higher than the national average - \$54,483 CAD (CompTIA 2020). Creating job opportunities for marginalized groups in ICT provides access to a more livable wage.

Implications and recommendation

Considerations in funding tech startups

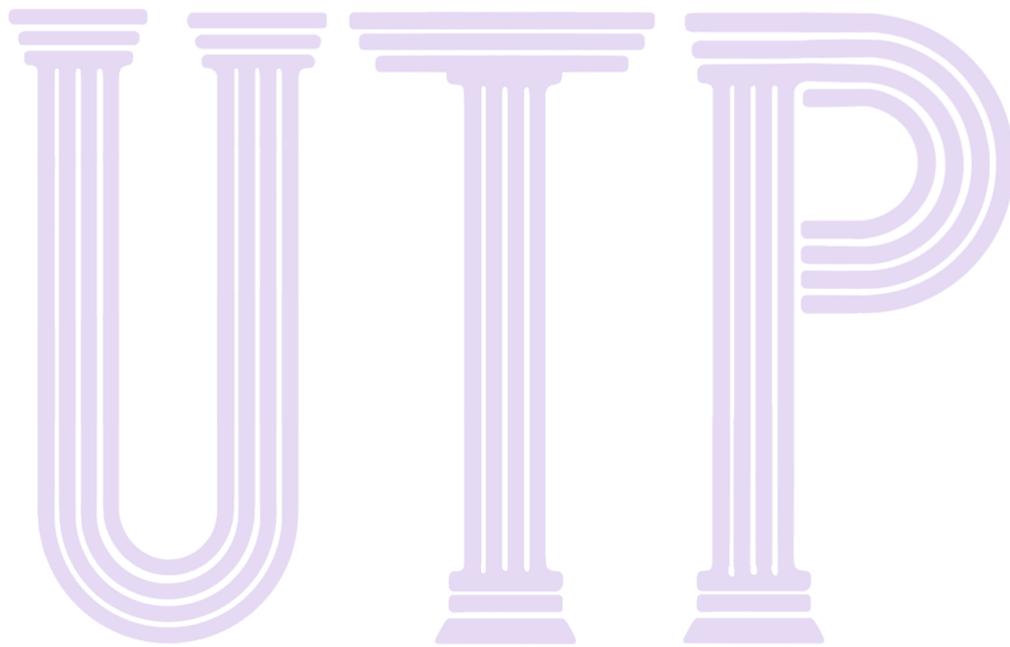
A study of technology startups in Belgium has revealed problems with governments being a source of funding for startups. The paper revealed that owners often are not aware of government programs to help fund startups and when they are bureaucratic and administrative hurdles make it hard for owners to apply (Manigart and Struyf, 1997). This indicates that future programs to help tech startups should investigate both how to market themselves to prospective tech owners as well as how to simplify the application process. Adding to the funding for tech firms is money to help educate potential employees, opening up a huge portion of the labour force to high skill and income tech jobs. If funding is provided to companies to fully educate the roughly 570,000 people who have become unemployed due to the recession (statscan), it would cost

approximately 3.4 billion per year, or less than 1.1% of the federal budget (government of Canada 2021; University of Toronto 2021). The program could be fully covered by the roughly 5.4 billion minimum increase in unemployment in 2020 (Maytree 2019).

Conclusion

This policy brief has been focussed on presenting potential avenues to a post covid economic recovery plan for Canada. Specifically, shifting the Canadian economy to be based on more sustainable and rapidly growing industries so that it is better suited to weather future disruptions such as COVID and further so that Canada is better suited to be an economic and technological global leader. Two concrete recommendations were made. The first includes retraining workers in economic sectors with high unemployment and bleak future prospects so that they may enter into tech and other high income jobs. The second is to increase subsidies and stimulus to encourage the creation and growth of local Canadian tech startups, which would not only grow the economy and cement Canada's place as a leader in technological innovation but also create many jobs. In summation, the following detailed infographic provides an accurate summary of the recommendations of this brief:





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