



5 Minutes for Business

COVID-19 edition

5 Minutes for Business: A Severe Recession and Uneven Recovery

On September 10, we had the honour of hosting Tiff Macklem, newly appointed Governor of the Bank of Canada, to discuss the impact of the COVID-19 pandemic on our economy and the progress made on economic recovery.

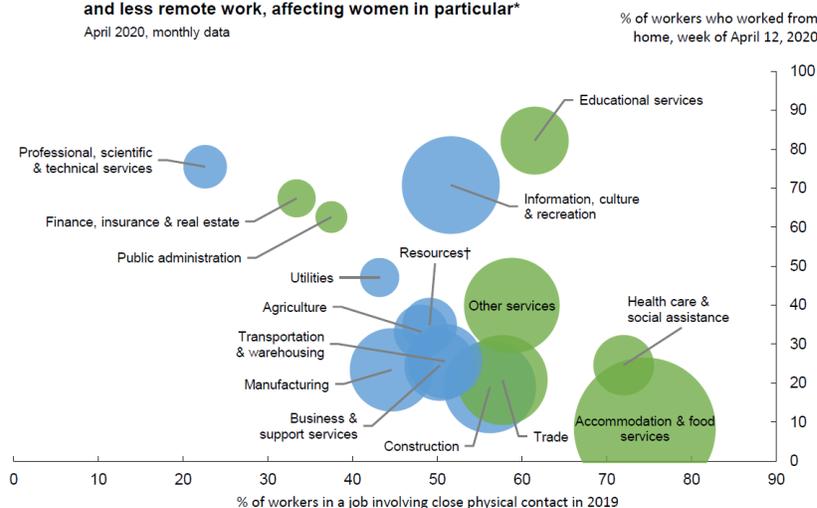
Governor Macklem showed us that Canada's economy saw the sharpest drop on record this past spring, causing the most severe global downturn since the Great Depression. The economy saw the steepest decline in the second quarter. Gross domestic product fell about 13% in the first half of the year.

However, while this severe recession was felt across the country, some businesses and people suffered more than others. Business closures and job losses have been less severe in sectors that could quickly adapt to remote work and online

transactions. In contrast, sectors that require close contact — and the people who work in them — have been hit hardest.

Workers in many service industries, including restaurants, retail stores, hair salons and travel-related businesses, who are not in a position to work remotely were hit hardest. Jobs in these sectors are more likely to be held by women, youth and people in lower-income households. The closure of schools and daycares has affected working parents, particularly women, who tend to take on greater responsibility for childcare. In addition, young people and women are more likely to have been laid off permanently. The longer they are out of the job market, the tougher it may be for them to get back in.

Chart 1: Job losses were more severe in sectors with close contact and less remote work, affecting women in particular*
April 2020, monthly data



* The size of the bubble represents the percent change in employment between February and April 2020. Sectors in green represent those where women's share in employment as of 2019 is above their average share for all industries (47.6%).
† "Resources" includes forestry, fishing, mining, and oil and gas.

Sources: Statistics Canada and Bank of Canada calculations



At the low point in April, about three million Canadians were out of work, and millions more were working reduced hours. Since then, provinces and territories have started to lift restrictions, and businesses have started to reopen. This initially produced a sharp rebound where Canada clawed back around two million of the jobs lost.

The challenge that remains for policymakers is how to get back the remaining one million jobs. The initial rebound from reopening is now waning, and some of the hardest hit sectors and people are falling behind on recovery. We are now in a new phase of the pandemic characterized by our economy operating below capacity.

Job growth, not just reopening, is going to be necessary to make up the remainder of the jobs we have lost so far. And make no mistake, this

job recovery will need to be business-led. Just as every downturn is first felt on Main Street when the lights begin to go out, every recovery starts when the open signs begin reappearing.

Faced with imminent failure, businesses have been doing what they do best: adapting and innovating, *at warp speed*. They have been doing their part to keep Canadians employed. Given the opportunity, they will develop business plans, find the capital and take the risk of rebuilding. But they need government help to clear obstacles to growth.

Getting where we need to be will take years. It will require both a clear vision, steadfast perseverance and, ultimately, job creation. Canadians cannot return to their normal lives until they are gainfully employed. Everyone recovers when business recovers.