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COVID-19 RESPONSE MEASURES BILL

SECOND READING

Speech by:
The Honourable Diane Bellemare

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Hon. Diane Bellemare: Honourable senators, as I didn't prepare a speech, I want to give you four points I would like to discuss.

I will first speak on why I think Bill C-4 is a great bill and we have to vote for it, but that we will be here in a few months to have another bill like it.

The second point I want to develop is youth, because I have a big concern about our youth.

The third point I want to talk about is why the federal government needs to be a financial partner in EI, Employment Insurance, and develop a social dialogue around it.

And finally, I have some words on the deficit.

[*Translation*]

The first point I want to make is that Bill C-4 is a good bill, but we'll have to revisit it and adopt slightly more targeted measures.

Bill C-4 should not be called a recovery bill; it should be called a transitional bill. Everyone agrees that this bill is a transition between the emergency income support measures, which were necessary, and restarting the economy. For that restart to happen, for productivity to go up and for us to see economic growth, we will need much more targeted measures. We'll have to transform large-scale passive income support measures into more active measures. Canada is following recommendations from the Organisation for Economic Co-operation and Development, the OECD, and what is the OECD telling us?

The OECD is telling us not to end income support measures. It said so again recently in its 2020 economic outlook. Governments should continue to implement expansionist budgets and fiscal measures to support the economy.

However, the OECD is also saying that these measures will soon have to be refocused to target more specific groups and, most importantly, to invest in people. That means transforming passive measures into active ones, not by ending income support measures but by supporting people as they look for jobs and reskill or upskill. The government has to help people reclassify and train for more in-demand jobs.

We can't put our heads in the sand: The economy will need structural change. As David Dodge said, structural changes within the economy will demand physical investment as well as investment in human beings.

The first point I wanted to make was that Canada is within the sphere of influence of OECD countries. It is very good at pursuing its economic opportunities. I invite you to read the *OECD Economic Outlook*. It compares Canada to countries in the Euro zone and countries like Australia. Canada's policies fall within the average of these countries.

The second point I want to discuss has to do with young people. Senator McPhedran touched on this, but I think it's important to talk about. Bill C-4 will do a lot for women. As the ministers said, a gender-based analysis would likely show an impact, since the pandemic has deeply affected women in the workplace and continues to do so. The flexible measures in Bill C-4 will help women.

Meanwhile, I'm a bit concerned for young people 15 to 24. Honourable colleagues, people have probably asked you whether this bill is good. As for the income support measures for young people, they are required to work 120 hours to be able to get 26 weeks of income support, with a minimum of $500 a week. Of course Canadians have questions, but I think that cannot be avoided for now. We have to continue to invest in income support. We have to immediately start thinking about refocusing income support, especially for young people.

Young people are affected by the pandemic. Let's be honest: On average, the youth unemployment rate is twice as high as the national rate. Right now, that means that the youth unemployment rate is at least 20%. That rate is even higher for Indigenous youth, Black youth, and newcomers. Youth unemployment has a significant long-term impact and that is why we have to address this situation quickly.

In 2013, after suffering for so long from the 2008 financial crisis, the European Union created a program called the Youth Guarantee. The European Union provides funding to OECD member countries to implement this program. The Youth Guarantee is a program that offers, during the four months following the end of formal study or the loss of employment, advice, training and work experience to any young person under the age of 25. This is a way to guarantee that they'll be taken care of.

Canada doesn't have a youth guarantee. It's vitally important that the government engage with the provinces about quickly creating some sort of youth guarantee in the area of public service employment. The pandemic will end one day. We will have treatment and a vaccine, and the economy will recover, but young people who have experienced unemployment could become discouraged and change their lifestyle accordingly. Studies show that it's very difficult to find a job after nine months of unemployment, especially for young people.

We need to take care of our young people. This will require a great deal of cooperation with the provinces. These investments are absolutely necessary. That's what I wanted to say about young people. I'm very concerned about this issue and we need to talk about it more and invite the Government of Canada to invest more in young people.

The third point I wanted to discuss concerns the fact that the federal government must once again become a financial partner in the EI program. I asked a question about this in committee of the whole. Senator Dalphond had concerns similar to mine, which he raised with the minister. I was dismayed to learn that when employment insurance was created in 1949, it was understood that the government would be a partner in this program.

For many years, the federal government contributed up to 20% of the cost of EI. However, in 1971, the rules changed somewhat. The government remained a financial partner, but in the 1970s the rule changed and the federal government contributed to the costs when Canada's unemployment rate rose above 4%. There were times in the 1980s when the federal government contributed up to 42% or 43% of the cost of EI. In 1991, the federal government decided to stop contributing to the program. At present, the program is funded entirely by employer and employee contributions, shared 7/12 and 5/12 respectively.

The costs associated with this program are significant and growing. The Chief Actuary that examined the program before we even read Bill C-4 estimated that the cost of the employment insurance program, which was hovering around $20 billion in recent years, would increase by $40 billion in 2020 for a total cost of approximately $60 billion. The minister told us that the changes to the program set out in Bill C-4 would increase those costs by $10.2 billion, which brings us to a total cost of nearly $70 billion.

As we now know, premiums are frozen but the cost of financing will be deferred. It is therefore very important, in the near future, to review the EI program, which may be much bigger than it is now and which may also now cover self-employed workers. That is the third point I wanted to make.

I'd like to say a few words about the deficit. I'm sure you're hearing the same thing, but people are saying that it's unbelievable. They're asking me whether this deficit is dangerous and what we should do.

I don't think we need to be alarmed for the moment. What's more, as the government said, because of the low interests rates, it will be able to pay down the deficit at a reasonable cost.

Last week I attended a conference with monetary policy experts, and no one criticized the relaxing of monetary policy through which the central banks provide loans to their government. That is what the OECD recommends in its economic outlook. The OECD recommends that all governments carry on with their fiscal and budgetary policies to both support incomes and foster a policy of monetary easing — quantitative easing, as they say in economic jargon — which means central banks purchase bonds or treasury bills and in some cases private sector assets.

This is an old practice. It is not new. It was abandoned for a while and has recently regained favour.

One day the pandemic will be over and we will have to stop incurring these extraordinary expenses. However, by incurring them we are ensuring that our economy can weather the storm. In fact, the important thing is to do what David Dodge describes in his paper, which is to invest and ensure that the debt-financed spending triggers, as much as possible, private business investment that will translate into investment in human capital.

Therefore, I am not worried. David Dodge, who attended this well-known conference organized by the Max Bell School of Public Policy, likes to talk about a very simple formula that can help us predict whether public debt will or will not decrease relative to the GDP.

To summarize this simple formula for you, we need to compare the rate of growth of the economy with the government's base rate. When the growth rate of the economy is greater than the real interest rate, the key interest rate, it ensures a reduction in the debt as a percentage of the GDP.

As a result, since all economists are predicting that interest rates are going to remain low, one day, at the end of 2021 or in 2022 perhaps, when growth resumes, the debt will decrease.

I want to close with a word that is something the OECD called for in its document and that is "cooperation." To get through this pandemic, the OECD is encouraging all countries to cooperate. I think that is important. However, in Canada, the word "cooperate" has an even broader meaning: the government must cooperate with other governments, the provincial governments; it must also cooperate with economic stakeholders such as business and labour representatives; finally, parliamentarians must also cooperate with each other, so that we are all heading in the same direction, as Senator Harder suggested.

With that, I thank you.