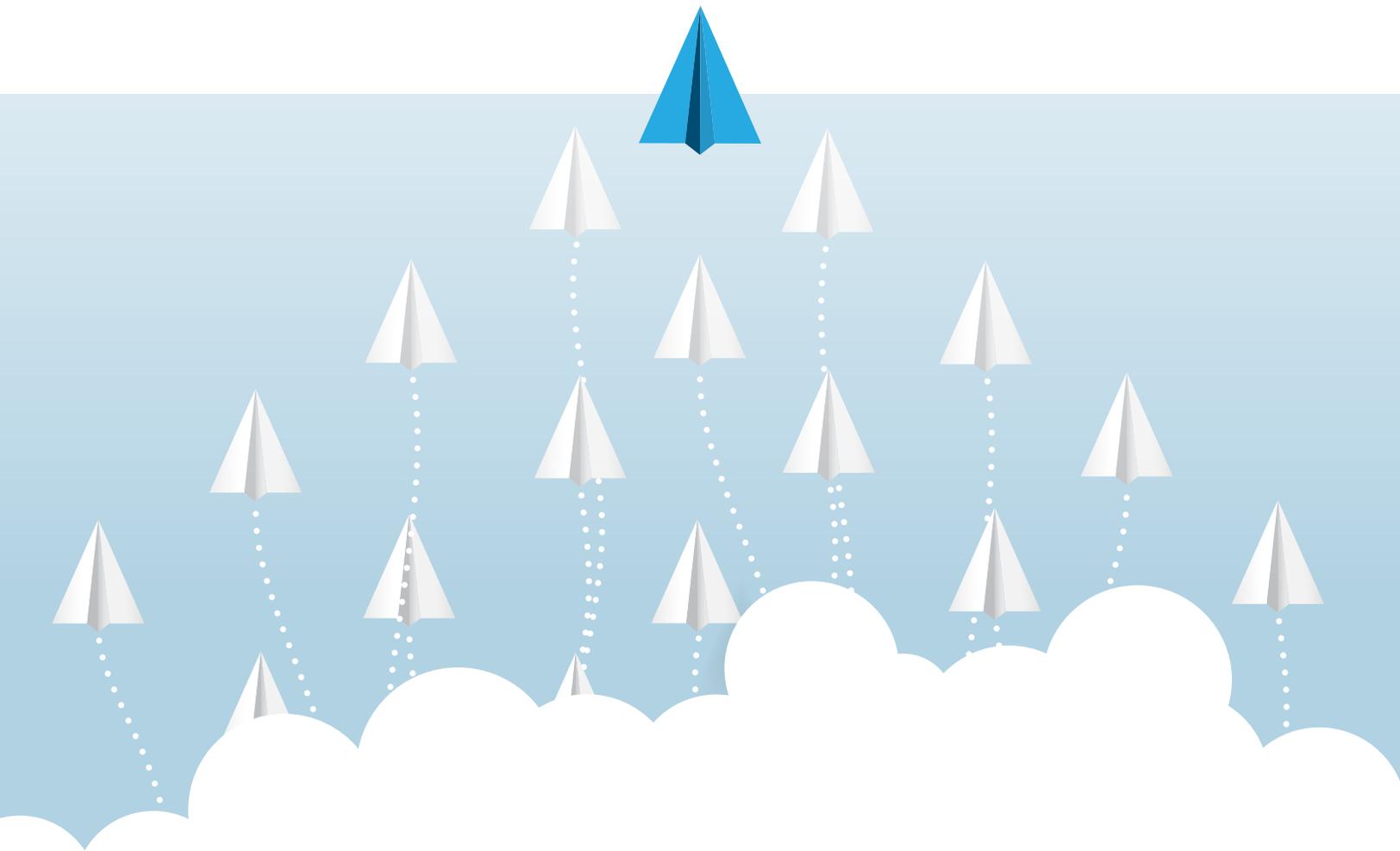




A Roadmap Towards **ECONOMIC RECOVERY**



Conseil du patronat du Québec

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This document is an abridged version. To consult the original version (available only in French), consult the CPQ website:
<https://www.cpq.qc.ca/fr/publications/memoires-et-etudes/feuille-de-route-pour-une-relevance-economique-securitaire-et-durable/>

The observations in this document are based on the situation as of April 20, 2020.

FOREWORD

The COVID-19 pandemic has compelled governments across the globe to step in and implement measures of unprecedented scope. Most notably, these interventions involved shutdowns or otherwise significant downturns on a number of economic fronts. After multiple weeks spent in the shadow of this crisis, government and business will undertake the process of relaunching these activities and reviving the economy through a gradual rollout to be deployed over a considerable period of time.

In support of this upturn effort, the Conseil du patronat du Québec (CPQ)* offers a roadmap as its contribution to the thought processes and decision-making to be undertaken by all those with a stake in pulling through this crisis. Whether in the form of a physical or virtual document, and with varying levels of detail, a roadmap's purpose is to spell out the central objective or goals that lay ahead, be it for a business, community or individual. A roadmap also typically outlines the means at our disposal and prioritizes tasks and targets, alongside a set of principles and values to uphold, and a timeframe across which to distribute efforts and actions.

What better word than 'roadmap' to define the purpose of this document, which was generated from analyses made by the CPQ, numerous consultations led over the past weeks with its members, and the wisdom and advice received from multiple others seeking to protect our collective well-being. We wholeheartedly thank all those having contributed, in so many ways, to this Roadmap Towards Economic Recovery.



Yves-Thomas Dorval

President and CEO
CPQ

* *The Conseil du patronat du Québec (Quebec Employers Council) is an alliance representing nearly 100 sectoral associations as well as a number of business, institutional and corporate members. As such, it represents the interests of over 70,000 employers of all types and sizes doing business in all parts of Quebec in both the private and parapublic sectors.*

10

KEY OBSERVATIONS

1

The epidemiological considerations of the COVID-19 pandemic matter a great deal and will govern the timing of the economic relaunch. Any decrease in the number of cases does not, in and of itself, eliminate the possibility of a resurgence.

2

In human terms, the impacts of the pandemic are colossal. The same can be said about the economic ones. Not all business organizations will make it back. Others will have to struggle for a long time coming. Still, some will bounce back while others are continuing to motor ahead and, in some cases, even expanding rapidly.

3

In the short and medium term, the return to business will be conditional on the feasibility of each workplace instituting necessary preventative measures. Such measures are undeniably paramount and will rely on places of work collectively committing to the principles behind them. The population's perception of safety will be as important as the actual level of safety. We should see the wearing of masks become the norm in confined public spaces where physical distancing is unfeasible (public transit, elevators, car-sharing, etc.), that is, at least until medical or other advances are made.

4

Wider more generalized upturns in activities across the short, medium and long term will be the marks of advances in medical science. The pace at which different business sectors resume their activities will be a function of the widening availability of rapid testing over the coming months, the advent of treatments to help those who are infected, and the discovery of a vaccine expected sometime over the coming 8 to 18 months.

5

The ability of business organizations to resume their activities will depend on a complex web of widely different yet interrelated variables such as the availability of resources needed to operate, the proper functioning of value chains within business processes, and not only supply but also the demand for an organization's products and services amidst global competition.

6

Operations will prove a veritable obstacle course what with absenteeism, business process reconfiguration, and the juggling of working hours, potential stoppages and any other number of changes stemming from the ongoing upheaval, all of which having significant impact on operational costs.

7

Rapid implementation of new ways of operating undertaken during the pandemic must now serve as a springboard towards reorganizing business activities: Technological innovation must continue to forge ahead, business transformations must be carried out, and gains in productivity must be maintained and expanded in order to move forward.

8

Organizational and individual social accountability will become a focal point for scrutiny. Model organizations will be lauded. Deficient ones will be sanctioned.

9

The financial repercussions on the economy and on governments will be long felt and difficult to bear. Whereas Canada's public finances and financial institutions were in good health before the pandemic, household and business revenues have now taken a plunge and, so too, the country's tax revenues. There was an inevitable hike in public spending in response to this health crisis. This will raise, and substantially so, the level of public debt.

10

Above and beyond measures already in effect to help get through this time of crisis, federal, provincial and municipal governments will now need to implement new response plans the scale of which has not been seen since World War II. These plans must make proper financial allowances, enable public services to be more adaptive, offer support, and clear the way for responsive decision-making and action-taking by enabling flexibility, swiftness and agility. Response measures also need to help us pivot towards sustainable development by making major investment choices that embrace initiatives and projects geared to help pave the way to a viable future.

INTRODUCTION

On a global scale, the ongoing COVID-19 pandemic has had consequential human and health impacts the likes of which we have not seen for more than a century. The issues it has unearthed within the healthcare system, specifically in relation to the long-term care of elders, are both major and tragic. We can only hope that these become the subject of comprehensive investigation and, most importantly, give rise to a series of corrective and reorganizational measures. Other parties will undoubtedly be able to broach such questions with better command than an organization such as ours. However, what with the enormity of the economic impacts of this crisis, not least on business organizations and the labour force, it is precisely on this front that the CPQ hopes to offer both fruitful and valuable contribution. A number of governmental measures have been put in place to help citizens and businesses to, inasmuch is possible, pull through this first wave of the COVID-19 crisis marked by generalized confinement, the interruption of non-essential activities, and a shift to telecommuting. We are grateful about having been able to contribute to the deliberations that led to these necessary choices. We continue to do so, as there is still a way to go before this first chapter is clearly behind us and, in fact, for certain sectors there is much way to go, and even more so still for others.

Our aim is to contribute to the ongoing reflections about the next set of decisions at hand, particularly the most pressing, that is, those relating to the return to business in both the short and long term.

Once the number of COVID-19 cases stops to climb and the infection curve begins to drop, it will become exceedingly difficult for the government to keep economic actors out of the game for any length of time, and this is as true for businesses as it is for individual workers. Asking them to sit out would in fact prove particularly counterproductive. The social cohesion and level of discipline derived

from it risk eroding as time goes by and that would ultimately put in peril the efforts so far invested into getting through this together.

Important sectors of public administration, namely health and safety, were called to the front, which marked a significant surge in their activities. Others, such as the private sector, have had to keep running those services considered essential, some almost at full capacity (such as food processing and fields where telecommuting is already the norm) and others at partial capacity (such as certain strategic manufacturing activities, as well as numerous support services).

As a starting point, these activities have helped generate teaching moments and lessons learned about what should or should not be done, operationally speaking, at the very outset of an economic relaunch. To wit, alongside other public service sectors including health, a number of business sectors that continued to operate throughout the crisis have already implemented new procedures that have manifestly field-tested as being effectual (such as in the aluminum, steel and energy sectors, the agri-food sector, across essential input supply chains, the retail sector as well as in IT and telecommunications, financial institutions, and physical and security services). We take stock of the errors made in the heat of the action. However, **we must at all costs avoid having new sets of measures throw a wrench into things, or having new measures make even more complex that which has already been tried, particularly where these efforts are already generating positive results.** Indeed, a number of big business organizations are already held to certification rules and universally recognized practices. That being so, however, with the hindsight of experience, processes and procedures found to be performing under par can certainly be subject to improvement.

One thing is certain, **conforming to prescribed preventative measures now stands a duty and obligation. Individuals and business entities failing to follow them will have to suffer repercussions.**

On this point, however, seeing as we do not live under a police state or totalitarian regime or within a planned economy, the pressure to conform will duly have its part to play in this sense, so long as consequences are commensurate with the level of transgression, not only in terms of health impacts but equally in terms of business continuity among other organizations. It is true that the vast majority of individuals and business organizations will respect directives and behave accordingly, but it is also true there is always a scant proportion of actors who will be defiant, be they individual workers, employers or clients. Measures must not raise roadblocks for those acting responsibly on account of a few wayward others. However, in such cases, repercussions must clearly serve as examples if we are to hamper undue risk taking and discourage unsafe behaviours.

Highways are not shut down because a few motorists are speeding; motorists are simply pulled over. The focus should be kept on offenders. The unsafe behaviours of offending actors can snowball and pull down entire business environments. Though we call on personal and organizational accountability across the board, we must also offer help where it is needed and that is why practical guidelines must be put forth.

For the economy and society at large, the greatest risk we run by relaunching the economy on an unstable footing is to live through another chapter of confinement due to a heavy second wave of infections, remembering how particularly zealous this virus can be when it comes to spreading. A structural risk, if there ever was one, that must stay front of mind, particularly in light of the number of factors that could give rise to it – be it a waning sense of vigilance following a drop in our perception of looming danger, or generalized fatigue from too much sitting on the sidelines, or simply a function of inevitably previous control measures that are part and parcel of living within a free (non-totalitarian) state, or still generalized social upheaval bringing about resistance and non-compliance. **Clear and present communication strategies promoting a set of coherent measures are essential and will help foster compliance.**

The notion that we could be subject to a new surge of infections is not just fear mongering. In looking at the most recent cumulative data on how contamination spread in the context of a near-complete province-wide confinement – a relatively minute contamination rate as a percentage of the Canadian and Quebec population thanks to the measures put in place – and by making projections based on inadequately or carelessly relaunching activities without any rules of engagement, thereby leading to an important increase in contamination, we can see how we could be faced with unwelcome consequences that might pit themselves against the economic good. We're not merely talking about mortality rates and care for high-risk individuals, though these are undeniably front-line priorities. Hospitalization rates, absenteeism rates, and quarantining infected individuals (and those close to them) would considerably compromise how society functions and, correspondingly, compromise the operations of businesses whose value chains are inextricably linked. All this to say that it is conceivable that a series of unforeseen and unsuspected impacts could come and jeopardize our vision of what was possible.

A certain dose of optimism is appropriate, however, in the longer term as all the science being done will foreseeably produce results in the form of solutions that can gradually be put into action:

- 1 With the help of technological innovations, the capacity to deploy widespread rapid testing beyond healthcare workplaces to include all workplaces and even the population at large (within 1 to 3 months)
- 2 Progressive improvements in healthcare's capacity to treat the most volatile immune responses as well as more generalized symptoms of the illness (3 to 8 months).
- 3 A more generalized vaccination effort (8 to 18 months).

In waiting for these developments, or for cumulative epidemiological data to produce new insights, we should see mask-wearing become the norm in confined public spaces where physical distancing is not feasible (public transit, elevators, car-sharing, etc.).

Economically speaking, as part of the things to keep in mind, the CPQ calls attention to the fact that **business productivity and operating costs for organizations participating in the relaunch will be greatly impacted over a long time horizon** (likely until the arrival of a reliable vaccine). Though for some the hope of returning to traditional ways of doing business will remain on the radar, creative problem-solving, innovation and a critical-thinking approach to the old ways of doing things will undeniably be the best business tools to succeed in this new world. This is not merely our way of taking a position; the situation marks a veritable turning point. Reinventing ourselves will be a critical strategy if we are to pull through this in a way that is sustainable. The long-term economic repercussions (over the next three years) will be considerable in certain sectors including the financial markets. Longer-term impacts on the financial health of state governments in all parts of the world will be felt for the next three to eight years.

As such, governments would be well advised to start thinking about projects on which future strengths can be developed in the short, medium and long term. This includes leveraging the potential of technologies and harnessing them in keeping with a perspective promoting sustainable development so as to bolster key sectors representing the economies of the future (such as

the agri-food industry, life sciences and the field of healthcare equipment, technological infrastructure, the electrification of the economy and the exploitation of our hydroelectric capabilities, green infrastructure, energy infrastructure, financial systems, transport and logistics, new-generation educational systems, business ecosystems for state-based as well as regional contract givers, and transformed commercial, tourism and cultural business activities).

The idea is to relaunch the economy with a gradual return to work, without any undue haste in unleashing the breadth of activity within social sectors and increasing risk for those most vulnerable. Using an incremental approach is feasible and will contribute positively to the economy and, subsequently, to the well-being of citizens and states, including their economic capacity to generate revenues and meet their respective needs.

No matter the path chosen, the project that is this economic relaunch will be long and littered with risks, and likely take much longer than citizens and entrepreneurs might imagine. As such, even if our eagerness to relaunch the economy is tempered by a reasonable time horizon, we remain cognizant of the importance of these questions for society at large and its economies, particularly while we wait for the available level of care to catch up with the level of need. That being so, what must be done and what can be realistically accomplished?

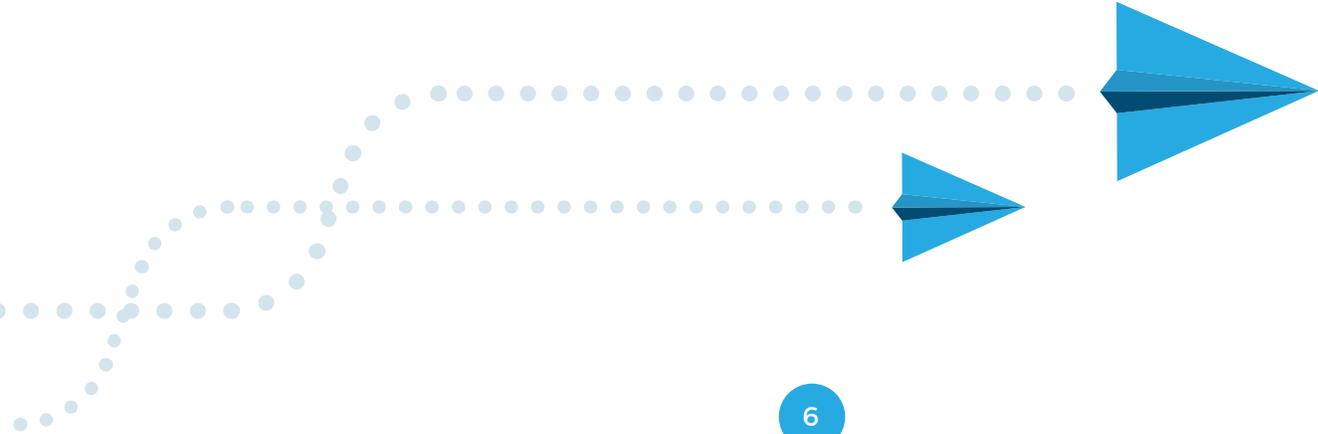
MOVING FORWARD

Federal and provincial governments have begun planning for a gradual economic relaunch to get underway after reaching the peak of the COVID-19 infection curve. Business organizations are doing the same. **The purpose of this roadmap document is to outline the elements to be contended with as a way to help inform all this important decision-making.**

The Legault government announced on April 13 that a number of residential building sites had been added to the list of priority activities and services. Any construction work contributing to the completion of residential units to be delivered on or prior to July 31, 2020, have been allowed to proceed effective April 20. The same goes for construction industry supply chains and the mining industry. This is undoubtedly a great start. Other segments of the construction industry and primary and secondary sector manufacturing activities will need to be next.

The next set of activities to see restrictions lifted, also under a series of conditions, could be those instrumental to the relaunch of downstream activities that are next in line (e.g. supply chains feeding into other business activities, or remodeled educational and daycare services allowing parents to return to work). Yet such a sequential approach must above all take every precaution to avoid that these workplaces become subject to further infection. The requisite reorganization will need to address the concerns of all, including educators, children and parents.

In the weeks following, business activities that do not involve close proximity between people over the normal course of activities (i.e. where physical distancing is feasible) will get their turn: Other manufacturing activities, technological activities, commercial activities and the like, and perhaps even non-group tourism activities. In the months following, alongside new means of protection (not the least in healthcare) allowing us to safely undertake the type of activity involving smaller groups, new sectors can begin to return to the fore followed by activities involving larger groups in subsequent months. Each of these segments of activity can successfully get back to business so long as their human resources and client bases are up to the challenge – which is far from an inconsequential part of the equation.



ISSUES TO BE ADDRESSED

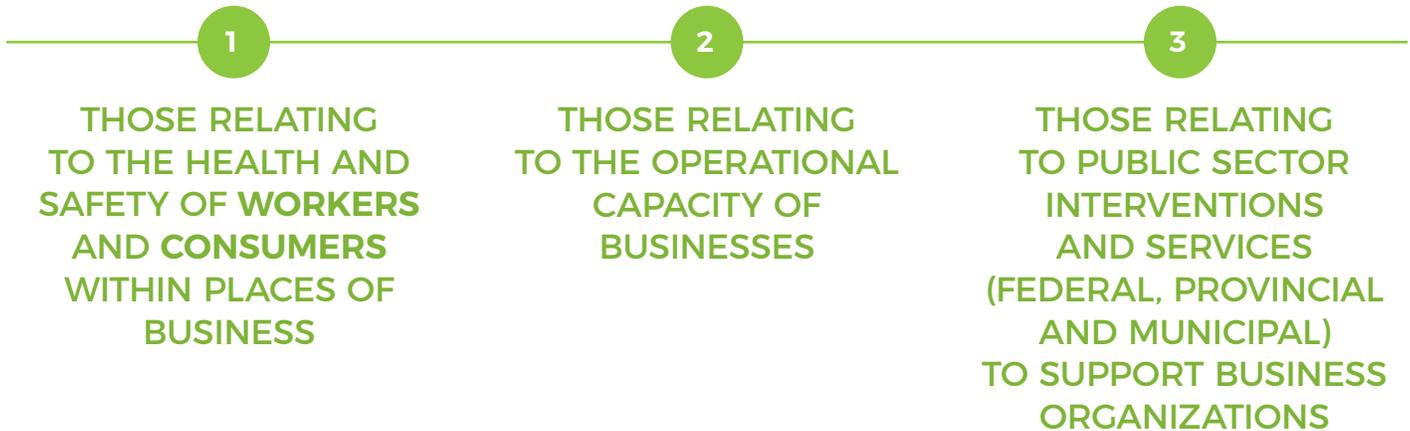
ISSUES TO ADDRESS IN DUE MEASURE AND DUE TIME

Within the next 2 to 6 months, managing risks and avoiding a second wave of confinement will be of great importance.

Business activities will have to be contingent on the existence of strict measures to help manage the wayward few (which we estimate constitute maybe 3-5% of the population).

Our successful transition from confinement to taking the first steps towards recovery will also require effective communication, transparency, and an intrinsic commitment to working together.

Together these ingredients will enable a gradual, sustainable and well-organized return of business activities. A stated commitment to these principles from leaders at the centre of this effort would appear to us to have a key impact.



1

HEALTH AND SAFETY OF WORKERS AND CONSUMERS WITHIN PLACES OF BUSINESS

Our standpoint is that government must be careful not to micromanage, either by sector or region, the specific requisite conditions for a return to business by attempting to make choices on behalf of workplaces themselves or by applying blanket measures across entire sectors. By definition, mature societies allow workplaces to adopt and implement measures in accordance to established guiding principles.

Governments should adopt a risk management stance and take actions as they are called for and avoid generalizing issues that apply only to specific businesses or segments of the labour force.

As in any other field, and even if we are dealing with an entirely new entity, the availability of data and analyses about the spread of the virus is the cornerstone of an enlightened, i.e. well-informed, return-to-business process. Accordingly, the notion of “super-spreading” must also be worked into our calculations. Understanding this could allow the economy to be reopened all while containing the spread through interventions that target “super-spreaders.” For this reason, we are strongly in favour of the Quebec government publishing a granular, geographic, sectoral and demographic map of the spread, both with and without data from the network of *CHSLD* long-term healthcare establishments. This would enable data to better inform and better support management strategies and action planning.

The criterion to be used to evaluate the readiness of organizations to resume business activities is the following:

Is the organization (not the organization’s sector) able to adopt and implement contamination prevention measures across all (or a portion) of its business activities, and maintain them going forward?

Requisite conditions

- Offer clear directives, well-suited instructions and custom operation guides
- Be able to resume production, obtain supplies and secure equipment, products and other necessary materials, and to widely deploy new rapid testing technologies when they become available
- Publish and disseminate information and training that is well understood
- Enable audit and compliance activities during (not prior) the course of operations and enforce penalties to dissuade non-compliance.

2

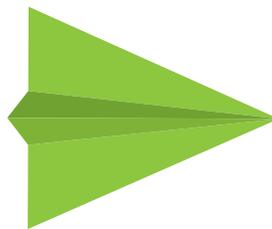
OPERATIONAL CAPACITY OF BUSINESSES

To maintain operations, business entities must have the necessary resources to guarantee production and supply of products and services to their clients, as well as the associated resources required for both their downstream and upstream processes, including those enabling their various operational processes. Cross-border and international trade and the circulation of goods will be pivotal.

The world economy as a whole will be placing all its economic actors on the starting block virtually at the same time, and each will be entrenched in business ecosystems that are also in the throes of a relaunch. In light of this reality, those modulating demand will have a central and decisive role to play – a fundamentally strategic role – and financial instruments will be an integral part of the recovery's toolkit.

Moreover, this race will be taking place across the globe. The playing fields businesses in Quebec will be competing on will be international ones. The whole value chain will be in turmoil. Those competing in exports, and even foreign competitors supplying products and services to Canada, will be on the frontlines wielding different measures of capacity. We may even find them outperforming businesses operating in Quebec should back-to-work measures not be implemented in time or be made overly restrictive.

Yet one choice must remain top of mind: Be they public or private, business organizations that had to find new ways of operating in the eye of the pandemic must be allowed to leverage those efforts and preserve any subsequent gains in productivity. Still, and more importantly, business operations for a number of organizations will prove excessively complicated as they wrestle with potentially significant levels of workplace absenteeism.



PUBLIC SECTOR (FEDERAL, PROVINCIAL AND MUNICIPAL) INTERVENTIONS AND SERVICES TO SUPPORT BUSINESS ORGANIZATIONS

Alongside the dramatic health and social service impacts of this crisis felt across Quebec, Canada and the rest of the world will be the striking economic impacts. There is some relief that the financial standing of the Quebec and Canadian governments, and of our financial institutions, was solid prior to the outbreak. Stock markets were particularly volatile, but this has not, to date, resulted in any kind of fatal crash. That said, we cannot underestimate the scope or duration of any eventual global recession.

A substantially high number of businesses have already suffered a lot. Some may not survive, but this will not lead to insurmountable ruin. Undeniably, household incomes took a hit which will inevitably impact consumption rates, both here and around the world, and this before factoring in the prudent behaviour of consumers when it comes to discretionary spending.

Governments have swiftly implemented numerous programs to offer urgent help to both individuals and businesses. Although these efforts are remarkable, with respect to the aid extended to businesses, the jury is still out on whether all these programs were able and successful in lending them assistance.

Whereas short-term measures have now all been established, even if they have not all yet been implemented, those meant to address economic recovery over the long term have yet to be elaborated. Whereas the funds allocated to managing the pandemic are considerable, these amounts do not represent the final balance as a significant portion of this money will be returned to government in one form or another. Nevertheless, governments face a truly difficult financial challenge, let alone the question of secured bad debt that governments around the world must also contend with. The availability of affordable capital around the world and the option governments in Canada have in seeking it out notwithstanding, the capacity of these funds to buttress the economic recovery is already in deployment.

Furthermore, over the next 18 months, the financing available from traditional financial institutions will be under great pressure in that a high volume of short-term loans will be made to make immediately necessary and critical cashflow available to many business organizations to help them bridge the gap (also known as the “valley of death”). We cannot gloss over the fact that regulations relating to reserve and capital requirements are relatively strict which does not leave them with much elbow room. Traditional financing of new investments already in the pipeline, and financing needed for organizational transformation or new projects, could prove challenging in the short term. **Public authorities may need to step in to convert current loans or increase business equity investments.** In this respect, Quebec already has its share of expertise and available tools and the federal government will, in all likelihood, also need to lend a hand. The state apparatus would therefore become more directly invested in business organizations, which will imply the need for an exit strategy.

Further still, institutional and other investors will be exercising much prudence in their decision-making when it comes to financing small, medium-sized and large businesses within certain business ecosystems where the endgame is unduly exposed to the strength, or lack thereof, of its key players, that is, those placing the orders or the end clients themselves. Financial conditions and solutions geared towards supporting business recovery in certain sectors will have to contend with this also.

In all of these cases, our provincial government and the federal government will, in their decision-making, have to take into account the capacity of each level of government (including municipal) to implement necessary measures. Such measures will not only involve questions of funding, since these public sector actors are also responsible for offering direct services to citizens and businesses, services which directly impact their ability to pursue their economic activities, most notably in terms of human resources.

Lastly, **governments will have to clearly outline a timeframe for economic recovery, establish guidelines towards seeing it through, and be convincing about the importance of adhering to them.**

CONCLUSION

The return to business activities and the relaunch of the economy is, and will continue to be, a profoundly complex puzzle. There are no precedents and no models exist to help business organizations or governments in their decision-making.

As we move towards recovery, stakeholders are called to tap into a spirit of resilience and to strike a balance between cautious and realistic optimism. Quebec and Canada are in much the same place as others, with some already off the races and other impatiently raring to go. With respect to the essential and strategic sectors of our economies, harmonization with other provinces and countries is lacking and thereby makes our businesses less competitive. We cannot allow ourselves to lose ground in this long-distance race that we might even qualify as a marathon. Though this is not a sprint, we would be remiss to take too much time on the starting block. We must intelligently manage our energies to successfully face this test of endurance.

A number of factors can contribute to our success :

- 1** Individuals and organizations are adaptable. Guidelines must be proposed, principles must be outlined, and wayward behaviours must be discouraged. Help and support must be offered but workplaces must be left to choose and implement the solutions best adapted to their needs.
- 2** Both top-down or bottom-up recovery approaches will fail. Instead, the complexity of this economic recovery, as outlined herein, calls for much dialogue, much leadership, and an outstanding amount of coordination between the vast pool of stakeholders.
- 3** Stakeholders being transparent with one another will be key in establishing the conditions necessary to pull through. All parties must have a clear understanding of the issues and a clear view of how their contributions are of importance. Openness and collaboration will be mainstays.
- 4** From governments to elected officials, employer associations to unions, educational and financial sectors to community, environmental, cultural and generational groups, a clear and resounding statement of shared principles, committing to a well-synchronized recovery, articulated by all these central actors would certainly serve to bolster solidarity and, in our view, be instrumental in promoting everyone's participation in, and commitment to, seeing us through these recovery efforts.

Let us be cautious but confident,
let us be innovative but realistic,
let us be determined but flexible,
and, above all,

LET US TAKE ACTION and MAKE GOOD CHOICES



LEGAL DEPOSIT
Bibliothèque et Archives nationales du Québec
Library and Archives Canada

April 2020

Graphic design and production:
Uzin3 | communicateurs graphiques

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