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The Economic Crisis and Labour Market Stimulation: The Canadian Case

The financial crisis of 2008 induced several policy responses from governments, from new financial regulations to deal with the banking sector to stimulus programs to encourage economic activity and preserve jobs. This paper will examine the Canadian experience since December 2008 to the upcoming budget, due in February 2010. The Canadian experience is interesting from several perspectives. First, Canada weathered the financial crisis better than most countries because its banking system was better regulated. Second, Canadian responses to the crisis had to be coordinated with its largest trading partner, the United States, and with which it shares the North American auto industry. Third, it rolled out a stimulus package and recovery plan very quickly, that had specific characteristics – primarily labour market stimulation rather than longer term economic restructuring. The paper will examine two policy initiatives that were undertaken by the federal government. The first is the bailout of the auto industry, a bailout that was coordinated with the United States. The second is the stimulus program that was rolled out in the summer of 2009. It was a nationally distributed program deliberately designed to have maximum impact on blue-collar jobs and infrastructure. The paper will examine the administrative mechanisms that were used to deliver the program, as well as the way in which it gradually became politicized. The crisis forced a conservative government to at first spend reluctantly, but then with growing enthusiasm as it realized that this labour market stimulus could work to its advantage.