The United States and Australia’s expansion of Unemployment Policies in response to the COVID-19 Pandemic

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Abstract

This paper investigates the major expansion of unemployment benefits in two liberal welfare state regimes. The two countries analyzed are the United States and Australia, both of which had conservative and anti-welfarist majority governments at the time of the passage of their respective programs, and yet saw historically significant increases to their welfare policies. This paper focuses on the role that partisanship, rather than institutions, played in the creation, implementation, and generosity of each country's response. It does so in the comparative welfare state analysis framework. This paper argues that despite the institutional differences between the two countries, their similar policy responses were due to partisan preferences reacting to the pandemic-related economic crises. It further argues that the large-scale welfare policy expansion in both countries occured due to the short-term nature of the policies, which the conservative governments pushed for. The paper finds that the institutional differences between the two countries mattered less for their respective policy outcomes than partisan politics, and the short-term expansion of unemployment insurance and wage subsidies was the reason why these new policies were so generous, as conservatives could temporarily expand benefits without risking long-term programme shifts.

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Introduction

A country's welfare apparatus is oftentimes one of the most immediate and recognizable ways that citizens interact with their states. From the provisioning of healthcare and pensions, to unemployment insurance and cash subsidies, the welfare state, depending on its scope and power, is often intimately involved in people's everyday lives. The study of welfare states then is also an important study of people's interactions with their governments and vice versa. Studies about welfare states are numerous, and include typologies of welfare regimes, histories of certain programs, and reports on the efficacy of changes to pre-existing welfare regimes. This last type of study is a fascinating one, as welfare programs are constantly changing due to politics, shifting demographics, current and projected costs, external events, and a host of other factors, big or small. Whether it is expansion or retrenchment, the modifications to a country's welfare state have large effects on its population, and should be analyzed to figure out what caused the shift, whether the modifications represent short-term shifts or are representative of more durable pathway shifts, the global context of the changes, the effects of new policies, and what the implications of the changes are for future welfare state growth or contraction. Changes to countries' pre-existing welfare state setups are quite common, and comparisons between two or more welfare states that are either the same or different welfare regime types are a tool that political scientists use to compare the impacts of diverging institutions on these changes. One important area of study is when these changes occur in welfare state regimes that are structured to prevent large-scale and rapid changes to the status-quo.

The puzzle this paper will attempt to analyze is why two liberal welfare states: the United States of America and Australia, whose governments (at the time of the changes) had demonstrated a level of prior hostility to expanding their welfare apparatuses (Thompson et al.

2018, Gray 2019, Mills and Klein 2021), rapidly expanded their unemployment insurance and wage subsidy schemes. These liberal welfare state regimes, characterized by means-tested benefits and wide-spread welfare-conditionality, lower generosity towards the unemployed compared to other welfare regimes, and a focus on market-based solutions, rapidly moved away from all three of these pillars of policy. Why they did so offers an opportunity for political scientists to analyze how large scale reversals of dominant social-policies oriented at the unemployed and soon-to-be unemployed in liberal welfare regimes are passed, why they are passed, and what their passage signals for future efforts to expand or retrench the existing welfare state.

Secondly, this paper will attempt to analyze whether these changes signal a shift in long-term policy, or are stop-gap measures introduced in response to an emergency and written so as to sunset following its end. Long-term shifts in policy have occured due to sudden crises, such as in Australia following the First World War (Lake 2012), or in Europe following the Second World War (Obinger et al. 2018), and are often analyzed alongside more gradual long-term policy changes in order to determine which pathways lead to more durable welfare states. However, short-term changes following an emergency can be analyzed to predict long-term trends and future policy responses when faced with similar crises.

The answer to this puzzle, in the case of the United States and Australia, is that the two liberal welfare states could justify their historically significant social policy packages in part because they were short-term shifts in policy. With the assurance that the programs have a 'sunset' date built into them, the conservative governments of both countries could pass emergency relief without permanently changing each country's welfare regime type. This paper's hypothesis, which it will try to prove, is then composed of the following claims. *First*, the CARES Act and the JobKeeper/JobSeeker programs are historically significant as both represent a massive expansion of each country's welfare state, and so deviate from each country's pre-pandemic welfare pathways. *Second*, despite its beginnings as a radical antipodean welfare state regime, Australia can be compared to the United States as both are now liberal welfare state regimes. The two countries' responses should be analyzed concurrently as despite their differences in governmental institutions, their policy choices turned out quite similar. *Third*, taking into account the institutional differences in each country, what mattered most to the policy responses were the similar partisan policy preferences in each country. *Fourth*, this expansion was possible due to the short-term nature of each program, which appealed to the conservatives in control of both countries' governments. As such, while each program was significant, they do not represent a paradigmatic shift in each country's welfare state.

While both countries had additional, parallel responses to counter the unemployment brought on by the pandemic, this paper will analyze specific policy responses: the increase of unemployment insurance to offset the losses which individuals faced, as well as the creation of new wage-subsidy programs. It will analyze the two countries' responses to increased unemployment in the form of specific provisions in the CARES Act in the United States and the expanded JobSeeker and new JobKeeper programs in Australia, looking at how the contents and creation of the two programs were affected by the partisan balance of the two respective governments.

The paper will contribute to the wider field of comparative welfare state analyses, as well as the recent and quickly growing subfield of comparing pandemic responses. This subfield also overlaps with existing literature on the role emergencies play in welfare state expansion or retraction. As a part of the wider welfare state comparison field, this paper works in the typology

Gøsta Esping-Andersen established in *The Three Worlds of Welfare Capitalism*, as well as subsequent criticism by Francis G. Castles and Deborah Mitchell on the difficulties of grouping Australia with traditionally understood liberal/Anglo-Saxon welfare states. This paper will demonstrate that the theoretical differences between the two typologies as they relate to Australia disappear in the late 1990s and early 2000s. This paper's analysis is then conducted in the liberal welfare state regime framework which both the United States and Australia occupy, focusing specifically on contributing to the framework of pandemic-related responses in comparative welfare state studies. As part of this framework, this paper will contribute to the discussion of whether the similarities in pandemic social policies, despite significant variation in institutions, were due to the nature of the pandemic, or whether institutional variation caused differences in pandemic social policies.

This paper analyzes the United States and Australia, rather than focusing on a single country because it hopes to establish that despite large institutional differences or smaller differences in prior welfare state design, both country's arrived at similar policy outcomes. It looks at the two countries as comparable liberal welfare regime types, both in terms of welfare state expenditure, pre-existing policy design, and the specifics of each welfare state expansion.

Ramia and Perrone (2021) write that amongst the various policy programs which other nations adopted in response to the pandemic, "what makes Australia's response significant in the international context…is the scale of the policy turnaround in the direction of generosity, especially given the the government in power is a conservative coalition with an increasing anti-welfarist policy agenda." (Ramia and Perrone 9) The United States response similarly could be called significant in terms of both the policy turnaround towards a more generous and less criteria-tested basis as well as the similar partisan makeup of the executive and legislative branches of government.

Both countries share a great many similarities that make them ideal candidates to compare during the pandemic. While in the United States, the House of Representatives was controlled by the comparably progressive Democratic Party, the Senate and the Presidency were both held by the conservative Republican Party. In Australia, a Conservative-led coalition controlled the executive branch and the Senate, along with the House of Representatives. Given that both controlling parties had anti-welfarist policy agendas, the passage of large stimulus packages in each country is a point of comparison. According to the OECD, the levels of public social spending as a percentage of GDP in 2019 was 18.7% for the United States and 16.7% for Australia. (OECD.Stat 2017) Additionally, the two countries have similar systems of means-tested unemployment benefits governed by strict eligibility requirements. These benefits are broadly computed based on time spent working and previous pay level, with the maximum total capped benefit amount also taken into account.

Both countries saw large jumps in their budgets due to the pandemic, as Australia's expenditure on welfare and social security in 2020-2021 was $40.7 billion AUD higher than what the 2019-20 budget envisioned. (Klapdor 2020) Of the increase in the budget set aside for welfare and social security, the largest change was in the JobSeeker payment whose recipients and benefits nearly doubled. Another big expenditure was the JobKeeper Payment program which in 2019-20 came in at $55 billion AUD and in 2020-21 at $82.5 billion AUD. These increases were not due to a reshuffling of budgetary priorities, as the "significant changes between 2020-21 and 2021-22 are primarily driven by the Government's temporary and targeted response to the impact of the COVID-19 pandemic on Australia's health system, the economy, and employment levels.” (Parliament of Australia 6-5) These significant changes include a total expenses jump of 17.8% in 2019-20 from prior year estimates of total government expenditure in 2019-20, and a 15.3% jump in 2020-2021 from the 2019-20 real expenditure amounts. In total, the policy decisions taken by the Australian government in response to the pandemic represent an increase of $208.2 billion AUD over prior estimates, and “of this, $159.6 billion largely reflects the impact of policy decisions including measures responding to the impact of the COVID-19 pandemic.” (Parliament of Australia 6-6)

The United States budget (and budget deficit) was also similarly impacted by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was signed into law in late March. It appropriated “roughly $2.2 trillion [USD] of spending, tax breaks, loans, and other resources over the next decade,” while the CBO “estimates it would add $1.7 trillion [USD] to the deficit over that period.” (CRFB 1) The St. Louis Fed estimated that the deficit increased by $2.15 trillion USD over the course of 2020 as the United States response was not just limited to the initial CARES Act. (U.S. Office of Management and Budget, Federal Surplus or Deficit 2022)

However, Ramia and Perrone (2021) also write that there are key institutional differences between the centralized federalism of Australia and its parliamentary-federal state through which “established laws and conventions…control and equalise revenue-sharing arrangements,” and the devolved federalism in the United States, where the federal-presidential system “encourages intergovernmental and partisan conflict over which states have their funding requests and requirements approved, and which have theirs declined.” (Ramia and Perrone 10) Because of the former, Australia’s health measures were successfully left to the states while the federal government led the way on the expansion of the social safety net. While in the United States,

states had to compete for health resources from the federal government, while also playing the role of imperfect partners in the distribution of federal aid to individuals and employers.

Both the similarities in the degree of budgetary change to each country, and the social policies which brought on the deficits make the two countries interesting parallel cases to look at. Taking into account the differences in institutions between the two, a comparison of their policy rollouts will allow this paper to further explore the role that partisanship and institutions play in policy design.

This paper will be structured by chapter. *Chapter One* provides background information on the impacts of the COVID-19 pandemic on the global economy and more specifically, on unemployment levels. This discussion lends a global context to the United States and Australia's levels of pandemic-related unemployment. *Chapter Two* is split into two subchapters. The first provides an overview of some of the existing literature in the field of welfare state comparison, as well as an overview of the classification of the United States and Australia as liberal welfare regimes. This classification includes the evolution of Australia from a 'wage-earner's welfare state' to a more classically liberal welfare state regime. The second deals with more recent literature on comparing pandemic-era welfare state responses. *Chapter Three* is an analysis of the pre-existing unemployment insurance structures in the United States and Australia, how they changed during the pandemic, and what their changes mean for the hypotheses. Finally, the *Conclusion* deals with the implications of the findings and further avenues of research.

Chapter One

The COVID-19 outbreak was declared a pandemic by the World Health Organization's Director General on the 11th of March, as the "number of cases of COVID-19 outside China [had] increased 13-fold," over the previous two weeks. (WHO 1) Within a month, much of the world ground to a halt, as rapidly increasing case numbers and overflowing hospitals forced many countries to institute social distancing measures, including lockdowns and shelter-in-place policies. These policies were aimed at preventing hospital capacity from being overwhelmed by the highly-infectious respiratory virus. Social distancing measures were proven to slow the spread of the virus, as Lino et al. (2020) wrote that lockdowns in the Brazilian state of Ceará led to a "slow but gradual decrease in the bed occupancy rate," (Lino et al. 468) while Duque et al. (2020) wrote that "prophylactic and therapeutic countermeasures…measures such as closures of schools and nonessential businesses, prohibitions on public gatherings, requiring social distancing, and restricting travel…can reduce both the frequency and risks of contacts between susceptible and infected people." (Duque et al. 19873) These lockdowns and social-distancing measures were an example of 'NPIs', or non-pharmaceutical interventions aimed at "slow[ing] the spread of disease," (Kong and Prinz 1) and had an adverse effect on the ability of citizens to work in-person at non-essential jobs, attend in-person classes, religious services, social gatherings, go to restaurants, bars, movie theaters, and participate in other activities where a respiratory virus might easily spread. In effect, as the Covid cases continued to rise, countries were forced to slow down the ability of their citizens to participate in public life in order to slow down the spread of the pandemic.

These challenges had direct consequences on each country's economies in a variety of ways. In March of 2020, Maital and Barzani (2020) analyzed the supply side challenges that the pandemic could cause in the global economy, looking at the possibility of global slowdowns as industrial output slows and supply chain issues abound. Further, they wrote that COVID-19 might induce a recession as global GDP could shrink. McKibbin and Fernando (2020) estimated a variety of scenarios during the early parts of the pandemic, where depending on the total spread of the disease, countries such as Australia could face GDP losses (in billions of US dollars) anywhere from four billion (in scenario one, where only one percent of the population is infected and two percent of those infected die) to 103 billion (in scenario six where thirty percent of the population is infected and three percent of those infected die), while the US could face GDP losses anywhere from sixteen billion (scenario one) to 1,769 billion (scenario six). Roy (2020) analyzed the effects of the early stages of the pandemic on a variety of industries, including tourism, the financial sector, and healthcare. They found that the pandemic negatively "affect[ed] global trade, interest rates, financial market liquidity, and creat[ed] demand and supply shocks." (Roy 16) Akbulaev et al. (2020) discussed pandemic related pressures on export and import based industries, which in turn stifled domestic economies as well as any industry which relied on international trade and travel.

1.1 The Rise in Unemployment

While the predicted and actual economic effects of the pandemic were vast, this paper will focus on a specific economic consequence the pandemic had, and a specific policy solution which the United States and Australia took in order to address this consequence. Rapidly increasing unemployment, and the pressure it put on pre-existing unemployment insurance infrastructure was a challenge that every country which was impacted by the pandemic either through NPIs or through the deterioration of the global economy had to face. As countries shifted in the late Winter and Spring of 2020 to operating in an environment where non-essential businesses could not function in person, while simultaneously many industries saw large falls in demand all together, unemployment increased.

Unemployment as a result of NPIs and the wider economic situation increased globally during the Spring of 2020. Kong and Prinz (2020) researched the effect of Covid-related NPIs on economic activity, and whether closures and lockdowns played a role in rising unemployment insurance claims, finding that during the middle of March in the United States, “restaurant and bar limitations and non-essential business closures can explain 6.0% and 6.4% of UI claims respectively.” (Kong and Prinz 1) Fletcher et al. (2022) studied the level four lockdowns that New Zealand initiated during the end of March 2020 in response to the spread of Coronavirus, which were some “of the strictest in the world.” (Fletcher et al. 73) The lockdowns fundamentally transformed New Zealand during their duration, as essential services that were involved in either food supply (groceries and farms), transportation (gas stations) or public health (hospitals, pharmacies, and health clinics) were allowed to remain open, while every other business was closed and people’s personal movement outside of their bubble was severely limited. The researchers found that “more than one in four respondents working prior to the lockdown experienced a direct economic loss, either by way of reduced earnings or because of job loss,” (Fletcher, Prickett, and Chapple 79) while unemployment rose from 5.2% before the lockdown to 10.5% during its third week.

Roy (2020) found that between March 15th and April 25th, 2020, “30.2 million Americans registered for unemployment benefits, claiming benefits for the first time,” while the “rate of unemployment was around 14.7% in April as per data released by the U.S. Bureau of

Labor Statistics." (Roy 3) Unemployment was also spread out globally though a variety of industries, with tourism hit particularly hard, as "according to [the] International Air Transport Association statistics, approximately 25 million people employed in the aviation industry may lose their jobs as a result of reduction in demand for travel during [the] COVID-19 pandemic," (Roy 4) while "the World Travel and Tourism council…estimated that around 50 million people employed in the tourism sector, might face unemployment." (Roy 9)

Lambovska et al. (2021) analyzed youth unemployment rates both before and after the start of the pandemic in Europe, focusing on the effect that "anti-pandemic measures" had on youth unemployment. (Lambovska et al. 56) They found that the "various degrees of anti-pandemic measures," which the government introduced "restricted or stopped operation of certain facilities, businesses, or services," (Lambrovska et al. 62) and that as a result of these measures, youth unemployment rose in European countries with already high pre-pandemic youth-unemployment figures such as Greece, Spain, Italy, Sweden, and France, as well as in European countries with low pre-pandemic youth unemployment figures, such as the Czech Republic, the Netherlands, and Estonia. Churchill (2020) focused on the pandemic's impact on youth unemployment in Australia, analyzing the effects of "a series of social distancing measures [the Australian Government put in place] on March 21," (Churchill 784) on younger people, who were originally seen as less susceptible to both the health impacts of the pandemic, and the economic effects which flow from said impacts. They found that unemployment amongst males aged 20-24 and 25-29 jumped from 10.3% and 6.4% respectively in February 2020 to 13.2% and 9.1% in May 2020, while amongst females of the same age cohort, the unemployment rate increased from 8.7% and 4.8% to 13% and 7.5% in the same months. Underemployment also rose, as males aged 25-34 went from 6% in February 2020 to 12.3% in May 2020, while female underemployment during the same time frame and amongst the same age cohort jumped from 8.6% to 12.3%. The unemployment statistics for younger people stand in stark contrast with the unemployment figures for older men and women, for whom unemployment during the same time frame went up, but by a much smaller percentage. Churchill (2020) attributes the different nature of the impacts by age on the design of Australia's JobKeeper program, which "excludes those who have not been with their employer for 12 months." (Churchill 791)

The impact of pandemic-related unemployment on differing populations was also studied in the United States, where Couch et al. (2020) looked at the varied impact of the pandemic on unemployment amongst racial categories in the United States, finding that the "social distancing restrictions mandated by state governments that closed down many businesses and more general reductions in consumer demand due to COVID-19 have driven an unprecedented increase in unemployment beginning with April of 2020," (Couch 9) but that the rise in unemployment was not equally distributed across racial lines. They found that while unemployment amongst African Americans sharply increased in April, "unlike in previous recessions, the 2:1 ratio of black relative to white unemployment rates did not hold," (Couch 9), due to the distribution of industries in which African Americans versus white Americans worked. However, by May and June, white Americans began to be "disproportionately rehired relative to blacks, [and] the black-white unemployment gap widened to levels resembling those seen in the Great Recession." (Couch 9) As for the Latinx population, "unemployment rates rose much faster for [them] than for blacks or white in April," due to their concentration in industries that were hardest hit by social distancing measures, and while their rehiring "pace was similar to the re-employment of whites, [it] was not enough to lessen measured gaps in unemployment." (Couch 9) Mueller et al. (2020) focused instead on pandemic-related unemployment in rural versus urban America as the populations under scrutiny. They find that the "pandemic has had wide-reaching impacts on rural well-being…[and] one in five full-time employed adults were no longer full-time, corresponding to a 9.74 percentage point in unemployment--an increase greater than the 7.40 percentage point increase seen nationally." (Mueller et al. 4) However, they also find that while there are "significant differences by age and education…the most notable trends are similarities…across groups," including race and gender. (Mueller et al. 4)

The rapid increase in unemployment, and the strain that it puts on countries' pre-pandemic social safety nets represents an opportunity to study the expansion of welfare programs in light of an emergency. While many countries shared similar spikes in March and April of 2020 as NPIs took effect and the global economic crisis forced many businesses to rapidly decrease their workforce, every country went about dealing with unemployment differently. Some countries focused on protecting their industries, such as Germany which divided 1.4 trillion euros between "direct assistance [to] small and medium-sized businesses," and "interest-free loans for business[es]," while also allocating 50 billion euros "to support self-employed citizens as well as micro-enterprises." (Akbulaev et al. 122). The United States and Norway were compared by Alstadsæter et al. (2020), who focused on each country's respective payroll policies, which "fare[d] similarly well in terms of mitigating the damage to profits and, most importantly, liquidity and insolvency risk." (Alstadsæter et al. 22)

Chapter Two

This paper contributes to the comparative welfare state studies framework, as it focuses on analyzing the differences and similarities between two liberal welfare state regimes. Additionally, it occupies a subcategory of recent comparative literature which focuses on the pandemic and its effects on welfare states. In this subcategory, a variety of important work has been done on the effects of the pandemic on welfare state expansion, as well as the specific factors said expansion could be attributed to. This work fits into the larger framework of welfare state analysis, through either Esping-Andersen's typology or later typological criticisms and additions.

This chapter is split into two sections. The first discusses the importance of both partisanship and institutions in the development, growth, and decay of welfare programs. These conversations occur in the framework of Esping-Andersen's welfare state regime typology, which is discussed subsequently. The second section deals with recent work on the role institutions and welfare regimes have played in guiding welfare policy responses to the pandemic.

2.1 Partisanship, Institutions, and Esping-Andersen's Welfare State Regime Typology

This paper makes use of pre-pandemic literature on the role of institutions, electoral competition, and partisanship on expanding and changing the scope of pre-existing welfare state regimes. Morgan (2013) discusses the expansion of work-family policies through the role of political parties which faced "growing electoral instability and the decline of core constituencies…[and] sought to attract dealigning voter groups, such as women." (Morgan 106)

As the parties in Germany, the Netherlands, and the UK took on “feminizing reforms of their party structures,” (Morgan 106) to appeal to wider constituencies, the representation of women in these parties increased, which led to further lobbying and support for work-family policies. Allan and Scruggs (2004) discuss the claim that partisan politics has “ceased to play a decisive role in the evolution of the welfare state,” (Allan and Scruggs 496), finding that in fact they still play a role in a party’s willingness to expand or retrench the existing welfare state regimes. Bandau and Ahrens (2020) discuss the larger role of partisan effects in the test-population’s responses to studies that deal with entitlement programs versus pensions, finding that study results cannot be easily divided along partisan lines. They write that their “results show a decline of partisan effects over time, especially when the studies use entitlements as the dependent variable,” (Bandau and Ahrens 43) due to most parties amongst those studied moving in the direction of retrenchment during their chosen time frame. Lindh and Sevä (2018) look at the role of ideological attitudes amongst local politicians towards welfare service privatization across Sweden’s 290 municipalities. They find that regardless of the differences in welfare services offered from municipality to municipality, “there are substantial differences in ideological attitudes between Conservatives and Social Democrats at the municipal level,” (Lindh and Sevä 93) towards welfare services privatization, finding that the differences between the parties are a valuable measure of their openness to welfare retrenchment or expansion. Finseraas and Vernby (2011) analyze the differences between the New Politics perspective which describes a “decline in party polarization over redistributive issues since the 1970s,” and the power resources theory which “assumes that politics is organized around the socio-economic cleavage,” finding that party partisanship is a partial explainer of the “variation in retrenchment since the mid-1980s,” (Finseraas and Vernby 635).

Bonoli and Palier (2000) discuss the effect of institutions on the malleability of existing social protection systems, writing that "schemes that mainly redistribute horizontally and protect the middle classes well are likely to be more resistant against cuts, [and] their support base is larger and more influential compared with schemes that are targeted on the poor," (Bonoli and Palier 348). Pierson (1995) writes about the role of "institutions, including institutions of multi-tiered decision-making, in the evolution of social policy," (Pierson 472). In their analysis, institutions which create various levels of decision-making and veto points between federal structures play a large role in the development and passing of social policies, and further examination of these institutions is key to understanding how various actors enact their preferred policies. Instead of looking at countries' relationships with their respective welfare regimes through a unitary political model, looking at countries' federal structures, as well as other cross-cutting institutions lends more clarity over how welfare programs are developed, grown, or retrenched. Bonoli (2001) discusses the effect of centralized and decentralized institutions on the size of welfare states, writing that "institutions which concentrate power with the executive have been found to be associated with big welfare states," while those institutions that are more divided and "include veto points in their law making processes, have tended to produce smaller welfare states." (Bonoli 239) They discuss the role of institutional power concentration on welfare reform in France, Switzerland, and Britain, writing that the constitutional features present in the three, including the prevalence of a separation of powers system between the executive and the legislature, the structure of parliament, the electoral systems, the presence of a referendum system, and whether the country has a dual executive all play a large role in each country's history of welfare reform, though he stresses that the key feature in power concentration and its relationship to welfare is the separation of powers. (Bonoli 239-250)

The analysis of the previous authors would not be possible without the concept of three ‘ideal’ welfare state regimes: social-democratic, conservative, and liberal, introduced by Esping-Andersen (1990) in their *Three Worlds of Welfare Capitalism*. These are based on the two dimensions of decommodification, or the “degree to which a (social) service is rendered as a matter of right, and the degree to which a person can maintain a livelihood without reliance on the market.” (Arts and Gelissen 141) The second dimension is stratification, which covers what type of social stratification occurs in the system and if the welfare state “build[s] narrow or broad solidarities.” (Arts and Gelissen 141) This typology of three regimes informs the types of institutions and party politics present in each country covered by the classification system, as well as the relative level of influence these factors have on welfare state expansion or retrenchment.

However, there have emerged since the publication numerous critiques of Esping-Andersen’s classification system, including their treatment of the role of gender in welfare policies, their misclassification of Mediterranean countries, and their treatment of Australia and New Zealand as liberal welfare regimes versus a seemingly fourth kind of welfare state. In response to these criticisms, numerous other classification systems have emerged, including Leibfried’s (1992) classification based on poverty, the policies which issue from it, and the provision of social insurance. Next followed Castles and Mitchell’s (1993) classification which takes into account “welfare expenditure,” “benefit equality,” and the role taxes play in the equation. (Arts and Gelissen 143) Siaroff’s (1994) classification came next, based on “family welfare orientation,” “female work desirability,” the “extent of family benefits being paid to women,” while Ferrera’s (1996) classification system is based on “financing regulations,” “organizational-managerial arrangements,” the “benefit formulae,” and eligibility criteria. (Arts and Gelissen 143-44) Bonoli's (1997) classification system takes into account the Bismarck and Beveridge models, as well as the "quantity of welfare state expenditure," while Korpi and Palme's (1998) classification system is based on "bases of entitlement," the "benefit principle," and the "governance of social insurance programme[s]." (Arts and Gelissen 144)

Castles and Mitchell (1990) argued as part of their criticism of Esping-Andersen's typology that Australia and New Zealand, (though they focus more on the former rather than the latter) did not fit into the typical liberal welfare regime archetype since they both occupied a fourth, radical type. This radical type was characterized by a departure "at least somewhat from the expenditure-based orthodoxy that more social spending is the only route to greater income redistribution." (Castles and Mitchell 1990 5) They wrote that there were three factors which needed to be taken into account when amending the prior expenditure models of welfare comparison. The first factor were the pre-existing "outcomes which social policy interventions seek to modify," the second was the tendency to "ignore[] the way in which the welfare dollar is spent," and the third factor was the propensity to ignore the "linkages between taxation and the various components of welfare provision." (Castles and Mitchell 1990 7-8) They further write that this last factor should be understood as the sum of four parts. First, taxation and its role in welfare distribution is based on the ability of states to "extract for social purposes," so that they may then spend on those purposes. (Castles and Mitchell 1990 8) Second, tax expenditures are themselves a tool of redistribution through the role various deductions play in modifying which groups of people pay what. Third, taxation is also a tool that welfare states which spend big must use to generate that revenue, and states with generous welfare programs are also states with high levels of taxation. And fourth, progressive tax structures lead to higher amounts of income redistribution. (Castles and Mitchell 1990 8) In light of their focus on taxation as a measure of redistribution, Castles and Mitchell write that “Esping-Andersen fails to note…that…it is not the poor and disadvantaged [in Australia and New Zealand] who lose out,” when analyzing these countries’ placements in the liberal welfare regime type based on means testing of benefits, but instead “those coming from middle and upper echelons of income and wealth.” (Castles and Mitchell 1990 12) They further write that due to the weighing of unemployment benefits in Esping-Andersen’s typology, Australia and New Zealand score low due to them only offering means testing, even though the “means tests exclude the better off,” and “unemployment benefits were…available irrespective of the duration of unemployment and without contribution.” (Castles and Mitchell 1990 12-13)

In their article on Australia’s Welfare State written 11 years later, Castles (2001) defines Australia as a ‘wage-earner’s welfare state’ where due to the presence in the Constitution of the right of courts to “decide[], on social justice criteria, the wages appropriate for ‘the average employee regarded as a human being living in a civilized community,’” welfare was delivered through higher wages rather than other forms of state intervention. (Castles 2001 539) Due in part to the right of workers to arbitration, and the need-based welfare system excluding well-off middle and upper class citizens through income and asset tests, Australia could not be wholly compared to other Anglo-liberal welfare regimes. Unlike other liberal welfare regimes, Australia’s need-based system “was designed to be as nondiscretionary as was humanly possible,” and there “was no issue of whether one was ‘deserving’ or otherwise.” (Castles 2001 540) Instead, eligibility was based on one’s category as either old, disabled, a single mother, or unemployed, and evidence that the applicant’s assets or income were below a certain level. This eligibility test did not have a level of “administrative discretion” which characterized other welfare regimes. (Castles 2001 540)

The Australian Welfare System however began to undergo a transition in the late 1990s from a system of “rights based entitlements” to a system of “mutual obligation.” (Macintyre 103) This system was characterized by a reworking of the relationship between citizens and the state from one where welfare was “a general economic safety net” to one where citizens were required to contribute to the state if they wanted to simultaneously benefit from it. (Macintyre 103) Benefit eligibility was policed more strictly through an unemployment work test which became hard to fulfill, while the “efficiency of these services is partly judged by its success in withholding benefits on these [rejection due to rule infringement] grounds.” (Castles 2001 541)

The Australian arbitration system was also criticized and attacked by both Labor, who felt the courts restricted the ability of “enterprises to pay wages in excess of award determinations,” and the Liberals, who felt that the “centralized system of labor regulations reduce[d] labor market flexibility…to respond to the changing realities of a globalized economy.” (Castles 2001 539) So while the Labor government “started the ball rolling,” the Liberal government in the 1990s, pushed for deregulation and “further restrict[ed] the powers of federal arbitration tribunals, limit[ed] the role of trade unions as bargaining agents, and further shift[ed] the locus of bargaining to the enterprise level.” (Castles 2001 539) Esping-Andersen, while initially reacting “positively to Castles and Mitchell’s proposal to add a fourth type - a radical welfare regime - to his typology,” (Arts and Gelissen 153) later moved towards arguing that over the course of nearly two decades, Australia, Great Britain, and New Zealand had moved towards prototypical liberalism, which Castles’ (2001) findings seem to point towards.

These reforms which transformed Australia into a liberal welfare regime are reminiscent of the ‘welfare to work’ programs introduced during the Clinton administration’s welfare reforms. With the passage “of the *Personal Responsibility and Work Opportunity Reconciliation*

Act 1996, no longer was there to be a 'guaranteed benefits for idleness', rather as President Clinton told the Welfare to Work Partnership Board, 'people who could go to work, had to go to work'." (Macintyre 105) These reforms further cemented the United States as a liberal welfare regime, though as Béland and Hacker (2004) write, "in comparative research on social policy, it is accepted wisdom that the US welfare state is unique," even when compared to other liberal welfare regimes such as Canada and Britain. (Béland and Hacker 42) Whether this is the amount spent as a percentage of GDP on public social programmes being lower than its contemporaries, the fragmentation of the various unemployment insurance and social assistance schemes, or the lack of a national health insurance before the Affordable Care Act, the US stands alone amongst its peers as a puzzle for welfare state regime typologists to accurately place.

However, while the United States might have its fair share of differences with other liberal welfare regimes, and its devolved federal system adds another layer of analysis to the function of the American welfare state, the United States possesses many of the features Esping-Andersen and later typologists have classified as liberal. Arts and Gelissen (2002) write that "according to everyone's classification, [the United States is] the prototype of a welfare state which can best be denoted as liberal. (Arts and Gelissen 148)

Myles (1998) writes that the US possesses many of the markers of liberal welfare states when compared to the OECD averages; a high percentage of social expenditures are means tested (eighteen percent in the US versus the OECD average of six percent), a high percentage of total pensions are private pension plans (twenty one percent in the US versus the OECD average of thirteen percent), a high percentage of health expenditure is private (fifty seven percent in the US versus the OECD average of twenty two percent), and as a percentage of the GDP, social expenditure levels are low (thirteen percent in the US versus the OECD average of twenty percent). (Myles 345) There is also a great deal of labor market inequality and a state unwillingness to correct for this through a more generous welfare state, while labor union coverage remains far lower than most other OECD nations. (Myles 1998)

Bariola and Collins (2021) classify both the United States and Australia as liberal welfare states, where each country's policies promote market-based solutions for their citizens' needs. They write that "the state intervenes little in family life, and when it does, provisions are aimed at the most vulnerable citizens and means-tested according to need." (Bariola and Collins 1674) Instead, citizens should look towards their employers for assistance. However, in the case of the pandemic, where many employers were unable to support their employees as business fell and companies were unable to properly function, workers had to rely on state support and intervention.

2.2 Pandemic-Era Comparative Welfare State Analysis

With the onset of the pandemic, comparative welfare state analysis has had to contend with a new dimension to policy analysis. Some of the recent work has focused on the role the public plays in both changing its opinion on the welfare state, and the effect those opinion changes have on party discourse, and vice versa. Curtice (2020) examined the role of the public's perceptions of the supply of welfare on its expansion during the pandemic, writing that "voters now seem to be rather more sympathetic to the position of those of working age who find themselves in need," (Curtice 8) and that the pandemic creates a chance for the British Labour party to influence its supporters to be more in favor of increased spending the same way it influenced them to be against it during its turn towards austerity. Ryšavý (2021) also analyzed the public's opinion change during the pandemic towards the state's provision of services, writing that "support for an active employment policy and unemployment security grew in importance as the situation in the labour market deteriorated," (Ryšavý 7) which led to a reshuffling of priorities by the Czech public.

Others have instead focused on the role institutions and infrastructure play amongst various countries' management of the pandemic and pandemic-related social policies, as well as the path-dependent nature of country's responses to the pandemic in light of their welfare state regime type. Mok et al. (2021) looked at East Asia and the challenges to the pre-existing welfare regimes, as well as the changes which the pandemic necessitated in each country's responsibility towards its citizens. Bariola and Collins (2021) analyzed three distinct welfare state regimes in Denmark, Germany, and the United States, writing that "considering that the welfare infrastructures of corporatist states like Germany and especially of social democratic states like Denmark include more generous supports than that of liberal states like the United States, we expected countries to follow suit in their respective policy responses to the pandemic. And, indeed, we find that they do." (Bariola and Collins 1672) Denmark, whose pre-existing strong safety net programs protected those who were unemployed, focused on "paying private businesses not to fire employees," (Bariola and Collins 1678) instead of further strengthening their transfer-payment schemes, while Germany's *Kurzarbeit* program was based on "employers reduc[ing] employees' working hours instead of laying them off," during which the government would pay "workers at least 60%--67% for working parents--of their regular pay for the hours not worked." (Bariola and Collins 1683) The United States in their policy response focused on shoring up its unemployment payments, as well as supporting its companies from the economic blowback of the pandemic, though "unlike *Kurzarbeit* in Germany and the analogous policies in

Denmark…in the United States, people had to apply for benefits themselves once they were fired or furloughed.” (Bariola and Collins 1686) Béland et al. (2021) looked instead at the the speed of social policy responses to the pandemic through the lens of political institutions in two liberal welfare state regimes according to Esping-Andersen’s typology, writing that “the social policy response to COVID-19 proved bolder and faster in Canada than in the United States because of a combination of three factors: policy legacies, political institutions and elite consensus/dissensus.” (Béland et al. 290). Faced with similar economic and health-related crises, and despite both being liberal welfare state regimes, the United States and Canada’s responses were informed by their respective political and institutional climates. Greve et al. (2020) also looked at the differing policy responses to the pandemic between similar welfare state regimes, analyzing the response of the Nordic welfare state models in Denmark, Finland, Norway, and Sweden to the crisis. They found that amongst the social democratic regimes, where “comprehensive, with generous welfare transfers and social services [schemes]” (Greve 296) predated the pandemic, the responses to the pandemic were similar, and “access to unemployment benefits and social assistance was made easier.” (Greve 306) However, there were some differences between the four social democratic regimes. Finland and Sweden made cuts to pension funds while all four simultaneously prioritized “new types of sickness benefits.” (Greve 307)

Institutions and partisanship play a large role in the creation and structure of welfare programs, though ultimately these two factors are dependent on the welfare state regime type of each respective country. This paper further discusses Australia’s and the United State’s welfare state responses to the pandemic in the framework of whether each country’s differing institutions within the liberal welfare state regime type, or similar partisan makeup, played a more significant role in their responses.

Chapter Three

The United States and Australia's pre-pandemic unemployment insurance programs were both prototypical examples of the liberal welfare state regime type. However, despite the similarity in type, the two countries have large institutional differences which affect how unemployment insurance is distributed. The next chapter starts by analyzing both countries' pre-pandemic unemployment insurance and wage subsidy systems. It then moves on to the changes brought on by the pandemic. Following a discussion of the changes, it analyzes the two countries through Spies-Butcher's (2020) Australia specific framework. It then concludes with an analysis of the four claims made in this paper's hypothesis; the two countries' policy responses were historically significant, Australia and the United States can be compared as two liberal welfare state regimes, the two countries have significant institutional differences and yet their policy responses were similar, and the scope of the responses was due to how short-term they were, which was important for the conservatives in each country's government.

3.1 Pre-Pandemic Unemployment Insurance in the United States and Australia

Unemployment insurance in the US follows a three-tiered system, where the first tier is run by each state, and is "financed by payroll taxes collected from employers in the state," while providing "up to 26 weeks of benefits," in most states. (Woodbury 6) The second tier is the Extended Benefits program, which is inactive until a recession occurs, and then automatically kicks in and extends the length of the first tier's benefits by either thirteen weeks or twenty if the state in question chooses to exercise that option. The third tier is an emergency federal benefit extension which is left up to Congress to pass in case of a recession. Unemployment insurance must be claimed and filed for by unemployed workers, though their reception of the benefits is based on their working and earning history as well as a second set of eligibility criteria related to how they became unemployed in the first place. (Woodbury 2014) The working and earning history is used to determine an unemployed person's monetary eligibility, which consists of a mix of determining that "recipients have more than a sporadic attachment to the labor force," (Woodbury 7) and then is used to create a weekly benefit amount as well as the maximum payable benefits that when reached, means that the recipient has exhausted the unemployment insurance set aside for them. The second set of eligibility criteria are based on whether a person lost their job because they were let go due to employer behavior, not because they quit, and whether they are actively searching for employment while currently unemployed. These eligibility criteria differ between every state, and many have an additional level of laws on whether employees who quit qualify for unemployment insurance, or whether those who are pursuing part-time employment qualify for the second set of criteria.

The second and third tier of benefits, where the federal government becomes involved in the administration and supply of unemployment benefits is equally as confusing as the fractured state system. (Woodbury 2014) The Extended Benefits program is triggered "when unemployment is high and rising," (Woodbury 12) though there are a number of subcategories of unemployment measures that either states have adopted or have been recommended by the federal government to adopt. These include using an Insured Unemployment Rate of 5% or higher as a baseline through the previous two years to trigger the Extended Benefits program or relying on the total unemployment rate over the last two years as a trigger. (Emselem and Evermore 2020) The emergency federal benefit extensions are enacted and extended by Congress, which adds further confusion to the process. It does this when it delays reauthorization or lets the program lapse, such as it did during periods of the Global Financial Crisis between 2009 and 2011, or when it backdates the increased funds that people, who are already on their state UI program, may receive. (Woodbury 13)

Because of the numerous laws and standards which a constantly changing Congress fails to implement and the variation amongst state governments, “most unemployed individuals do not receive benefits.” (Woodbury 14) During the Global Financial Crisis between 2009-2011, the Unemployment Insurance recipiency rate of unemployed people who receive funds from UI programs averaged 35%. The rate fluctuated between various demographic groups, including race, gender, and age, as “UI recipiency tends to be higher for older than for younger workers,” (Woodbury 14), which is similar to Churchill’s (2020) findings on the discrepancy of the JobKeeper program in retaining younger and older employed generations.

Rocco et al. (2020) point out that “the federal government’s reliance on complex, discretionary programs rather than on automatic stabilizers has weakened the US response to the economic crisis,” while the federalism innate to the “intergovernmental allocations of fiscal and administrative responsibilities have create[d] several problems of their own.” (Rocco et al. 472) States are unable to deficit finance in order to cover the programs they are responsible for, including unemployment insurance and Medicaid, and require funding from a federal government whose legislative branch “is presently gripped by partisan polarization,” (Rocco et al. 472) in order to cover losses brought about by NPIs, unemployment, and other economic factors. These problems are compounded by partisanship at the state level when it comes to social policy expansion or retrenchment. State-filed policy application waivers for their citizens need approval from the federal government, so partisan politics additionally impact those seeking unemployment insurance. Automatic stabilizers, such as the Extended Benefits Program and the emergency federal benefit extensions, also require emergency federal budget influxes, and so are another US unemployment benefit which is caught in the devolution of unemployment powers from the federal government to the state level.

Australia's unemployment insurance system and the institutions set up to administer it are significantly different from those of the United States. The JobSeeker program was a replacement of the prior Newstart Allowance, which had been created in 1991 by the Hawke Labor Government, to replace a prior Unemployment Benefit. The Newstart Allowance split the prior benefit into two parts, a Job Search Allowance which was activated for people who had only been "unemployed for less than 12 months" as well as those unemployed under eighteen years of age, and the Newstart Allowance which kicked in for those who continued to be unemployed after twelve months. (Arthur 1) As part of the changes to the program, recipients of Newstart Allowance had to be over twenty-two but younger than the pension age, actively seeking paid work barring a few exceptions, qualify on the asset and income tests, and had to meet the mutual obligation requirements. The exceptions to seeking paid work include disability, sickness, caring for a child younger than sixteen, and those older than fifty-five who could as part of the mutual obligation requirements work a mix of paid jobs, self-employment, or volunteer work. As part of the 2017-18 Budget-Welfare reform, the Newstart Allowance along with the Sickness, Bereavement, Partner, and Widow Allowances, and the Widow B and Wife Pensions would be consolidated or ended. Instead, a JobSeeker Payment was created into which many of the previous program recipients would be deposited in 2020, while others would go on the Youth Allowance, the Age Pension, and the Carer Payment. (Arthur 2)

There were significant differences in each country's respective pre-pandemic welfare institutional composition. While the United States provides a three tiered system where the federal government only swings into action when faced by an economic crisis, Australia supplies its benefits through the national government. States have much less discretion in Australia over unemployment insurance programs, while benefits vary wildly in the US state to state. When economic crises happen, Congress has a difficult time dealing with the states as a whole due to either the partisan balance between federal and state governments or due to the fifty different state-level policies which govern when federal aid kicks in and how. In Australia, unemployment insurance is not beholden to such state and national government politics, as its provision is not devolved. And yet, despite the institutional differences in these two countries, their responses to the pandemic were similar.

3.2 Pandemic-Era Changes to Unemployment Insurance and Wage Subsidization

Spies-Butcher (2020) writes that Australia's response to the economic challenges brought on by the pandemic were characterized by passing fiscal stimulus that would preserve economic health in the short-term, "without provoking a structural political realignment." (Spies-Butcher 161) Following the increased salience of the pandemic as an economic issue, the JobSeeker payment, which dated to 2017-18, was doubled in late March 2020, to "supercharge the safety net for those left unemployed or underemployed by the crisis." (Ramia and Perrone 5) It would do this through a doubled payment of $550 AUD every two weeks for the first six months until the 24th of September 2020, which would then reduce to $250 every two weeks until the 31st of December 2020. This represented a large increase from the previous top rate of $559 every two weeks, which when broken down to the per-day rate, represented an unemployment insurance payment rate far below the poverty line. Further, the asset tests and the usual waiting periods to receive the funds were waived, while the conditionality that those who are receiving the benefits actively search for jobs or participate in job training was also dropped. (Ramia and Perrone 5)

The JobKeeper program was announced a week after the JobSeeker program, and was a wholly new wage subsidy so that employers would be able to retain their employees even in the face of lowered economic activity. Forsyth (2020) writes that the program was estimated at $70 billion AUD, and targeted businesses that had “at least 30% reduced turnover.” (Forsyth 4)

While the program was initially announced as a three month commitment where those employers eligible would receive $1,500 AUD every two weeks “for every eligible employee retained during the crisis, even if they had been stood down,” (Ramia and Perrone 5), it was extended until late March 2021, though the payments were also scaled down to $1,200 every two weeks from late September onwards, to $1,000 every two weeks from early January 2021. Employer eligibility was based on whether the “business [had] suffered a substantial decline in turnover” and “whether the business ha[d] paid salary and wages of at least the amount of the jobkeeper payment to the employee in the fortnight.” (Coronavirus Economic Response Package 13) However, under the cover of the JobKeeper program, the conservative government also amended the relationship between employees and employers, handing the latter more power over scheduling and workplace elections. (Ramia and Perrone 2021)

The CARES Act represented a similarly major shift away from prior policy in the United States. However temporary, the unemployment policy change in the United States towards one where the Federal Government took an active role in the provisioning of unemployment insurance, while also engaging in wage subsidization through the Paycheck Protection Program and the sending of a direct cash payment to every American who qualified was a sea change from prior welfare policies.

The expanded unemployment insurance instituted through the CARES Act took the form of three policies. The Federal Pandemic Unemployment Compensation provided an extra $600 USD every week until July 31st, 2020, on top of the pre-pandemic national average of $378. This average however hides that in high unemployment insurance states, those without a job could receive on average $557, while in low unemployment insurance states such as in Louisiana, or in the territory of Puerto Rico, average weekly benefits could be anywhere as low as $211 or $162. The Pandemic Emergency Unemployment Compensation was an example of a tier three emergency federal benefit extension program, and provided 13 weeks of benefits to people who had "exhaust[ed] their regular UI benefits." (Stone 6) Finally, the Pandemic Unemployment Assistance "provides unemployment benefits to people who [did] not normally qualify for UI." (Stone 5) This program's duration could go up to 39 weeks of benefit coverage, and was established for those who had either "exhausted their regular state benefits and EB," (Stone 6) or those who were unemployed because either they or their family was dealing with Covid issues, such as closed schools. It also extended to those who were not looking for full-time employment or did not have the work history necessary for their state's unemployment insurance to kick in. (Stone 2020) This last program circumvented each state's control over setting eligibility criteria as it was directly run by the federal government, and did not add additional benefits to those who were already collecting unemployment from the state.

The Paycheck Protection Program functioned as a federal loan program which was run by the Small Business Administration and aimed to "provide funding to small businesses substantially affected by the COVID-19 public health crisis so they can maintain payroll and cover critical business expenses." (Frenzen et al. 1) Eligibility was determined by a company's employees numbering 500 or fewer, though there were exceptions made for some larger companies or those whose employees had their "principal place of residence…in the United States," (Frenzen et al. 1) Exceptions were granted if they met the pre-existing SBA standards on employee size for their industries. (Frenzen et al. 2020) The loans provided could go up to two and a half times the aggregate payroll costs of the prior 12 months or in 2019, and payroll calculations included all forms of salary, wages, compensation, commissions capped at $100,000 USD, benefits, health care costs, the payment of retirement benefits, etc. While the loans could be used to pay off the company's "interest on mortgage obligations incurred before February 15, 2020," (Frenzen et al. 3) rents whose lease agreements were signed before February 15, 2020, and utility payments for services dating to before February 15, 2020, loan forgiveness is dependant on a large percentage of the loan going towards payroll, and "no more than 25% of the forgiven amount may be for non-payroll costs." (Frenzen et al. 3) The new policies however are only half of the story, as their creation, duration, and generosity were dependent on the partisan politics of each country's legislative and executive branches.

3.3 Effects of Partisan Policy Preferences on the Programs

In their analysis of the Australian JobSeeker and JobKeeper programs, Spies-Butcher (2020) writes that "the temporary nature of the policy responses is the key to undwinding social protection," and that both "require new decisions to keep them going." (Spies-Butcher 161) The Australian Federal Government passed the two policies in short succession while in the midst of a "renewed attempt to pass anti-union legislation," (Spies-Butcher 154) with the clear intent that the newly passed fiscal policies did not represent a 'fiscally hawkish' coalition government rolling out a permanent change to the pre-existing welfare regime, and instead as an emergency response to the fiscal challenges brought on by the pandemic. Wilson (2020) writes that the ruling Coalition, upon its election in 2019, "remained committed to reducing welfare dependency, maintaining the status quo for welfare for older Australians, and relying on pro-business settings in low-wage labour markets to absorb social and economic pressures on working class and poor households." (Wilson, 185) In effect, the Liberal coalition saw its social policy path as further privatization and welfare state retrenchment.

With the emergence of the pandemic, while social-democratic and some conservative welfare regimes which had shock absorbers built into their welfare states, and could replace a high percentage of their newly unemployed workers' salaries, adapted reasonably well to the sudden spike in unemployment, the Australian government realized that they had to formulate a policy response without the availability of shock absorbers. (Wilson 187) However, there was hesitance in the government towards creating new policies as a response measure, with Remeikis (2020) writing that Prime Minister Morrison had "previously publicly resisted calls for a government-backed wage scheme, telling a press conference on Wednesday [25th of March, 2020] that building a new payment scheme was not the answer." (Remeikis 3) However, new programs had to be passed, including JobKeeper, as a generous JobSeeker unemployment scheme without a generous employer subsidy to go alongside it would have led to employers shedding labor, since it "would be cushioned by a more generous welfare system." (Wilson 187)

Peetz et al. (2020) writes that while the "doubling of unemployment benefits may seem to be a sign of Keynesian tendencies," amongst the conservative Australian government, the policy introduced was a "temporary top-up that was unsustainable…rather than a more moderate increase that might embed expectation and be more difficult to remove." (Peetz et al. 139-140) Prime Minister Scott Morrison repeatedly discussed the increased JobSeeker programs as “temporary” and its benefits as “not ‘structural’,” while also describing the measures as intended to “‘build a bridge to the recovery on the other side’ of the crisis.” (Ramia and Perrone 5)

Spies-Butcher writes about the response to the pandemic as a parallel to the challenges that countries undergo during wartime, when “an external threat suddenly changes politics to legitimate overt government direction of the economy.” (Spies-Butcher 156) In this framework, the JobSeeker payments and changes to its eligibility conditions, along with changes to work requirements, reflects the government confronting a crisis of money flow, which the JobKeeper program also shored up. Since a response to the pandemic necessitated a pause on consumption through the adoption of NPIs, providing stimulus payments to employees by subsidizing employers and directing increased payments to the unemployed was seen as a strategy to reverse the population’s impending inability to further consume.

The reasoning of American conservatives in passing the CARES Act was similar. Conservative policymakers in the United States indicated both during the CARES Act policy making process and after it that they saw the stimulus package as a one-time measure, and not indicative of any further increases in social policy spending or change in the approach to welfare provision. Senate Majority Leader Mitch McConnell, on the eve of the CARES Act passage stated the bill was not “even a stimulus package,” and that it was “emergency relief.” (Snell 2020 3) Republican Senator Ben Sasse introduced an amendment during negotiations over the House of Representatives and Senate versions of the bill that would “ensure that additional unemployment benefits do not result in an individual receiving unemployment compensation that is more than the amount of wages the individual was earning prior to becoming unemployed,” (CARES Act 2020) which did not pass in a 48 to 48 vote, while the Republican Ways and Means committee wrote that the bill was meant to provide emergency relief to the country instead of signifying some sort of long-term commitment. (GOP Ways and Means) During the same negotiations between Democrats and Republicans, the Senate Republican bill had short term payments, with Treasury Secretary Mnuchin stating that "'as soon as Congress passes this, we'd get this out within three weeks,'" and if there is still a national emergency in six weeks, then "'we will deliver another $3000 [for a family of four].'" (Snell et al. 2020) The bill had similar cash payment allowances to the final CARES Act, totaling $1200 USD per person and double that for married couples, with a cut off starting at people who earned more than $75,000 USD, but without the unemployment insurance payments that the final version contained. (Snell et al. 2020) During the Senate vote on the CARES Act, the "vote was initially delayed in part by concerns from Senator Lindsey Graham…and a handful of Republican senators that laid-off low-wage earners in some states might be able to temporarily collect more from the expanded unemployment insurance in the bill than from their original salaries, creating a disincentive to work." (Wire 1)

Senate Majority Leader Mitch McConnell in late June announced that the unemployment portion of the CARES Act "encouraged many Americans to remain jobless," and while the "'basic protection of unemployment insurance is extremely important and should be continued'," (Kapur 2) he viewed the unemployment measures of the CARES Act as too generous. This policy attitude was also adopted by the wider Republican Senate Caucus, who were "certain that they don't want to extend the $600 per week in emergency jobless compensation because they widely agree that it is motivating people to stay out of work." (Kapur 2) Other senior Republicans such as Senator Pat Roberts, who was a senior member of the Finance Committee, President Donald Trump, and Senator Rick Scott all echoed the sentiment that the unemployment insurance weekly benefits disincentivized work and should not be included in further pandemic-related measures. (Kapur 2020)

In late July, as the initial Federal Pandemic Unemployment Compensation program was wrapping up, Senate Republicans helmed by Senate Majority Leader Mitch McConnell introduced a follow-up plan during negotiations with Democrats, which would replace the previous program with one where the federal UI was set to 70% of a person's previous wage. (Pramuk 2020) This was in line with their arguments that the CARES Act UI increase had "deterred people from returning to work, since some workers received more money with their enhanced UI than they had at their previous jobs." (Zhou and Nilsen 2) There was however opposition to this plan from inside the caucus, as Senator Ted Cruz argued that "the answer to these challenges will not simply be shoveling cash out of Washington, the answer to these challenges will be getting people back to work." (Foran and Mattingly 3)

3.4 Analysis of the Hypothesis Claims

On the face of it, the United States and Australia's unemployment insurance and wage subsidy policy responses to the pandemic were relatively similar, despite key institutional differences in each country. Bonoli (2001) stresses that amongst the features involved in welfare state expansion and retrenchment, the degree of separation of powers is paramount. In this, Australia's fused executive system and the United States system of separation between the legislative and the executive branches offer two very different interpretations of key institutions. Additionally, the federal system in the United States includes a devolution of unemployment insurance bureaucracy to the state level, an institution which Australia has no parallel to. And yet, despite these differences, each country's responses were comparably similar.

Outside of the addition of the direct cash payment of $1,200 USD in the CARES Act, the two countries focused on shoring up their unemployment benefit schemes, while also investing additional resources into propping up domestic businesses so that they could retain their employees, and unemployment would not continue rising. The two moved away from prior hallmarks of liberal welfare regimes, including lowering or removing means-tested thresholds, eliminating or waiving most eligibility criteria, increasing the generosity of payments, and wading into areas which were previously reserved for market-based solutions.

These changes, coupled with the sheer monetary sizes of the responses, both as a measurement of the increase to the budget and the increase in benefit amount, signal that the two programs were historically significant, especially when compared to each country's previous welfare histories. The two responses represented a drastic shift away from the recent welfare histories of each country and were recognized at the time as quite unprecedented. The United States, which had an apparatus for infusing federal money into state-controlled unemployment insurance bureaucracies but was heavily dependent on a degree of coordination from all parties involved in order to invoke this apparatus, sidestepped it and began to directly participate in the provision of unemployment benefits. Both countries introduced new wage subsidy plans for businesses, becoming involved in subsidizing companies which they once might have left to fend for themselves in the face of market-related pressures. These changes, compared to previous policy pathways, were large and unexpected. And they can be compared despite institutional differences because both states are liberal welfare regimes.

Despite being labeled as a radical antipodean welfare state in the early 1990s, Australia has steadily moved away from its past. No longer a ‘wage-earner’s welfare state’, its transition through both Liberal and Labor administrations towards a typical liberal welfare state regime included the adoption of harsher unemployment benefit eligibility criteria, a greater emphasis on ‘mutual obligations’ between the state and its citizens, and an increased focus on prioritizing market-based solutions to employment and the lack of it. This transition was further characterized by a rolling back of the court-backed ability for workers to negotiate their salaries, as well as a continuous pressure by the national government on unions and their abilities to influence wage and benefit negotiations. In essence, where once Australia was considered an abnormal welfare state regime case, throughout the end of the 20th century and the beginning of the 21st, it transformed into a liberal regime which could be compared to the United States. This comparison between two similar states policy-wise, if not institutionally similar, brings into relief the further similarities between the two country’s unemployment policy solutions.

The two similar policy responses occurred despite the institutional differences in each country, as the pandemic necessitated an analogous response in both the United States and Australia. Faced with the prospects of rampant unemployment, existing benefits which could not support their citizens, and an economy which needed support despite the pandemic’s health risks, both countries took similar steps in how they addressed the issue. And they took these steps despite having disparate institutions. These institutions played a less significant role in the design of the unemployment benefits and wage subsidies and the two policy responses were written the way they were due to partisan pressure during the policy-making process.

In regard to the final claim, both the JobSeeker/JobKeeper programs and the unemployment insurance/PPP aspects of the CARES Act were designed to be temporary, and the conservatives in control of the two countries respective governments clearly indicated that the response was to an emergency, and should not be taken as a permanent expansion of the welfare state or a pathway shift towards more universal policies. However, during the creation of the parallel programs in Australia, the political leadership indicated that a significant reason for the program's generosity was due to this last reason. The short-term nature of the programs informed how generous they could be. This was not as clearly communicated in the United States. Despite their arguments after the passage of the CARES Act that the unemployment insurance section represented an emergency measure, there is not enough evidence to indicate that there was an overwhelming consensus that it was included explicitly because it was short-term and not likely to become a permanent expansion of the American welfare state. Republican politicians involved in the policy-making process in March initially did not include it in their preliminary policy structure, and afterwards indicated their hostility to the UI portions of the bill, either declaring that it was a major reason why the economy was not reopening or arguing that it was far too generous. During negotiations on a follow-up bill to the CARES Act, one of the major platforms of their proposal was decreasing further unemployment insurance payments. In all, there was clear hostility to continuing the program in its CARES Act form. However, it cannot be proven that the short-term nature of the program was the driving force behind its inclusion in the CARES Act at the level it was included. Unlike in Australia, where politicians described a connection between the short-term nature of the policy, its generosity, and passage, in the United States, Republican leadership's comments on the emergency nature of the unemployment insurance provisions can be taken to imply that these provisions were included due to their short-term nature, but there is less evidence.

Conclusion

The policy responses of the United States and Australia to the pandemic were at the time, paradigmatic shifts in how each country approached the provision and administration of unemployment. As the paper has shown, the policy changes introduced in the CARES Act and the JobSeeker/JobKeeper programs as a result of the pandemic were significant given each country's history. Further, the two countries could be compared in terms of their similar policy responses as two liberal welfare state regimes, despite institutional differences. This was due to the partisan composition of the policy-making bodies of each country, even if both countries had very different policy-making institutions. As the programs were allowed to lapse, it is indicative that while significant, the CARES Act and the increased JobSeeker payments/JobKeeper program did not represent a new long-term direction for the United States and Australia's welfare states.

Within the wider framework of comparative welfare state analysis, the pandemic introduced a global variable which can be used in analysis as something resembling a constant. Given the widespread nature of the virus and the health-related risks it posed to everyone, no matter if they were living in a social-democratic welfare state regime or a liberal welfare state regime, the response of each country to economic pressures brought on by the pandemic can be analyzed concurrently. The implications of this paper's analysis are that the pandemic created an opportunity for those countries whose welfare state regimes prioritized market-based solutions to experiment with greater state involvement and control over unemployment benefits. These opportunities resulted in significant changes to pre-existing welfare state pathways in Australia and the United States, though these changes were only temporary. However, there is a possibility that the provision of generous benefits could have a longer-lasting impact on the population's perceptions of their welfare states, and as such, further research is needed.

There are other possibilities of research in this topic, as the changes introduced during the pandemic in Australia and the United States could have significant implications for the expansion or retrenchment of the welfare state in each. The slight differences in the policy responses and the politics involved, such as the JobKeeper eligibility criteria and structure differing from the PPP program could be other avenues used to analyze the role institutions or partisan politics play in policy priorities. In the same vein, the Liberal party in Australia seemingly prioritized unemployment insurance before wage subsidies, while the reverse was true in the United States. This reversal, and the fact that pressure was needed in Australia before the national government endorsed a wage subsidy program to support businesses, could be a point of significant deviation between the two conservative camps. Finally, further research is needed on the role institutions involved in welfare state regime types play in welfare state expansion and retrenchment.

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