RISING PRESSURES, NEW SCAFFOLDING, UNCERTAIN FUTURES: AUSTRALIA'S SOCIAL POLICY RESPONSE TO THE COVID-19 PANDEMIC

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This article speculates about the future of Australia's welfare model given the severe disruption of the COVID-19 pandemic. First, it offers a brief description of the major features of Australia's *political* handling of the welfare state over the past decade or so, with a focus on the Newstart benefit and the tight policing of the benefit system.

Second, it makes the point that the scale of the crisis forced the Coalition to follow other countries in expanding welfare generosity (the new JobSeeker payment) and in providing government support for private employment through wage subsidies (the JobKeeper program). Liberal welfare states have had to do more emergency welfare-state building because their models a badly designed to handle this crisis.

Third, it speculates on whether this disruption and the sudden broader expansion of government and political cooperation provides opportunities for a lasting shift to welfare state policy directions.

I conclude by suggesting that institution-building is unlikely to be long-lasting or not deep enough to provide clear signs of a shift in policy direction. However, the Coalition is likely to face rising and broader resistance to its model of deregulated work and mean welfare even where there a few signs yet of new policy paradigms supported by a progressive majority electoral coalition.

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The policy context of the crisis response

Australia's conservative Government won a third term in May 2019, defying opinion poll predictions of a Labor victory. Had the conservative parties lost the 2019 election, it would have been the first time since the beginning of the two-party system that the political right had lost after just two consecutive terms in office. Prime Minister Morrison gained strong support in a range of marginal electorates with broadly working-class electorates responsive to the Prime Minister's campaign over taxes and the economy, and lost votes in better-off electorates of cities where educational advantage had assisted Malcolm Turnbull in 2016 and where the climate crisis has continued to alarm and mobilise voters (see Long 2019). An electorate like North Queensland's Capricornia, once a Labor stronghold based on the city of Rockhampton, was emblematic of the success of this politics; moving dramatically towards the Morrison Government with its undiminished commitment to coal industry and associated employment. Capricornia now has a 12% LNP margin, added to by a resurgent populist vote to the right of the Coalition. Resistance to the Labor opposition had been bolstered beyond normal media hostilities: a massive advertising campaign was launched by the United Australia Party and its founder, miner Clive Palmer, who claimed after Morrison's victory that his efforts were central to Labor's loss (ABC News 2019).

Post-election, Morrison's social and economic policies continued to lack coherence and central definition but have mostly stayed close to Howard's synthesis of Coalition conservatism and US Republican-style agenda setting and institutional re-organisation. Central is the pursuit of budget surpluses, combined with a near-constant campaign for lower taxes on business and better-off income earners, as well as resistance to even the most cautious and broadly recognised demands for welfare state investment. At the same time, the Coalition is building, often symbolically, its own alternative to welfare state politics—'a tradies' welfare state' involving piecemeal and ever-moving support and investment in jobs-generating infrastructure projects often in controversial mining and energy projects. Morrison's majority was secured with a stronger vote from working class identifying men—similar voters to those who added a crucial Electoral College advantage to President Trump's political coalition in November 2016. Around 34% of self-identifying working-class men identify as Coalition voters, but 42% of this voter cohort voted for the Coalition in May 2019 (author calculations on weighted data; McAllister *et al.* 2019).

The Coalition's social policies made important concessions in the area of subsidised childcare, but have 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. Welfare support in the working-age population had been gradually falling as a result of the twin impact of rising employment rates, particularly among women, and the little-explored deterrent of an ever-tougher benefits system that had been paradigmatically re-modelled along US lines. Before the pandemic, this welfare experiment had been moving along three fronts. The old Newstart had been refashioned as a lower cost benefit for supporting people with disabilities and single parents with young children; welfare quarantining initially introduced in the 2007 Northern Territory Intervention with its 'cashless welfare' card was to be further universalised for working-age welfare recipients; and greater policing and surveillance of welfare payments continued to rely on aggressive use of algorithms to extract repayments from vulnerable claimants.

The public, to the extent that welfare reform resonates as an important political issue, has been broadly supportive of the workfare trajectory of policy. But there have been growing signs of wariness and resistance to key reforms. Most spectacularly, the Government has agreed to repay robodebt collections ahead of a July 2020 class action, and over the longer term, it has been confronted with widening concern about the suffering of long-term unemployed workers dependent on Newstart, now called the JobSeeker payment. The low replacement rate of Newstart is a classic case of policy 'drift'—the benefit rate is indexed to the slower-moving Consumer Prices Index and, over two decades, it had deteriorated to the point where it could be singled out as the meanest payment (in terms of net replacement rates) in the OECD. Designed to reduce the relative value of Newstart as an incentive for job seekers to find and keep low-paid work, the policy now contributes to severe scarring and impoverishment of many long-term unemployed Australians (Morris and Wilson 2014).

Public calls for significant improvements in Newstart payments have come from the original architect of the harsher policy, former PM Howard, a business-aligned consulting firm, and the Business Council of Australia as well as traditional allies of social protection—the Welfare Rights Lobby, the Australian Council of Social Service, and the ACTU. As a result, voters have also moved away from decades-long antipathy towards the unemployed. In 2016, voters responding to the Australian Election Study still supported *reduced* expenditure on unemployment benefits by a net margin of 18% (36% for less versus 18% for more). By 2019, that situation had reversed with a net margin of 7% favouring expansion (33% for more versus 26% for less) (McAllister *et al.* 2017; McAllister *et al.* 2019).

For the most part, however, there have been depressingly few signs that Australia will move far from its present approach of tough, low replacement rate welfare with an emphasis on keeping jobs buoyant enough in electorally critical regions of the country to prevent a major increase in poverty or unemployment. But the longer term consequences of this type of *political* management of employment and welfare deficiencies have been continuing to accrue—highly indebted households; a high degree of job insecurity and diffuse awareness of eroding living standards and mobility; and severe under-employment as a permanent feature of regional labour markets as well as for disadvantaged workers and jobseekers Australia-wide (see Marin-Guzman 2019).

COVID-19 welfare scaffolding: JobSeeker and JobKeeper

Unlike parts of Europe, the sudden and dramatic emergence of the COVID-19 pandemic meant that shock absorbers of the welfare state had to be built rapidly to deal with the welfare and employment crisis brought on by engineered lock-downs. Social insurance systems in Europe have been put under immense pressure, but they had mechanisms for high-replacement rate insurance benefits that could act as automatic stabilisers. Still, the imposition of lockdowns, where it happened with concerted force, required completely new mechanisms to keep economies from depression-like consequences of massive labour shedding.

An early, much discussed policy response emerged from the Social-Democrat-led Government in Denmark which agreed with unions and employers to cover 80-90% of the wages of workers facing unemployment to prevent irretrievable and widespread labour shedding (Thompson 2020). This highly inventive but expensive short-term measure has been emulated with important variations throughout Europe and is responsible for limiting large increases in unemployment—for now. The typical remedies for severe recessions, or depressions, were unavailable to welfare states because policymakers had to maintain demand and jobs *without* promoting what is equally typical of stimulus—greater interaction of workers and consumers that also assists viral reproduction. These schemes appear to have achieved what they were designed to do. Unemployment in Europe has risen much more slowly than in the US (Garver 2020), but the real benefit of wage subsidies is likely to be seen long-term with fewer dislocated workers and smaller macro problems adjusting to the realities of the new environment—post COVID-19 or otherwise.

Anglo welfare states designed variously around low-replacement, flat-rate unemployment benefits or time-limited insurance are poorly equipped to handle a sudden crisis such as this one. Not surprisingly, rapid and vast policy work has been necessary. The 'leap' of the wages subsidy idea from Europe to the Anglo world materialised first with New Zealand, the only Anglo country with a social-democratic government at a national level. Soon after, the UK's Conservative Government adopted a similar policy in scope to Denmark's, and Canada's Liberal Government followed with its version shortly thereafter. These successive innovations are dramatic illustrations of policy diffusion; the need for immediate action necessitated much greater risk taking on the part of policymakers.

Both under neoconservative rule, the United States and Australia held back, with PM Morrison suggesting that policy experimentation in a crisis—such as rapid implementation of widespread wages subsidies—was 'dangerous' (Remeikis 2020). Australia's Government had decided to act on the Newstart front, re-naming the payment the 'JobSeeker' benefit and doubling the fortnightly payment to at least AUD 1,115.70 a fortnight (excluding additional benefits)—the first time in a generation that single person unemployment benefit exceeded the poverty threshold (Whiteford 2020). But Centrelink, the administrative 'shopfront' for social security, could barely cope with the queues of unemployed workers or the demand on its technology as the scale of unemployment become obvious.

Expanding the generosity of unemployment benefits (to support demand and a much larger number of unemployed workers) may have had unintended consequences. It sent a signal to employers in affected industries with low-wage or casual and part-time workers that unhesitant labour shedding would be cushioned by a more generous welfare system. Under pressure from an emerging coalition of unions, led by the ACTU, and business associations, particularly the retailers, the federal Government began to consider its own version of wage subsidies, clearly realising that some such approach would be needed to prevent massive labour shedding. As we have seen in the US, the failure to implement a system of wage subsidies to staunch labour shedding has contributed to successive waves of unemployment as the scale of the economic crisis became obvious to employers (Garver 2020).

Because massive unemployment suited none of the established actors in the Australian economy, conditions were good for greater cooperation to design a system of wage subsidies and short-term employment changes. Key features were negotiated between the Industrial Relations Minister and Attorney General, Christian Porter, and ACTU Secretary, Sally McManus. The final version of the scheme had clearly borrowed from the NZ model, which had set a flat rate weekly benefit at NZD 585 for full-time workers, with a concessional rate for part-time employees. Australia's was simpler and more generous set at AUD 750 per week with no concessional payments for eligible casuals or part-time workers, and extended for six months to September 2020—longer than initial arrangements in countries like Denmark and NZ. In practical terms, this approach has boosted, for example, the incomes of women who have maintained part-time employment as ABS data for April/early May 2020 shows (ABS 2020a). But JobKeeper generosity falls below that the pro-rata subsidies in Europe that gave more generous support to higher income workers.

On other hand, the government has claimed its program would cover *all* workers in affected businesses that met the revenue loss thresholds rather than strictly furloughed workers. Initial estimates of the cost of the Australian approach exceeded 10% of GDP (AUD 130 billion) but those estimates have been sharply revised, in part because of errors in projections and in part because the economy has not experienced forecast declines. Still, AUD 70 billion from Australia's Government to support wages is unprecedented and, combined with the improved adequacy of JobSeeker, represents a national stimulus in the areas of job and social protection of at least 10% of GDP. Australia's welfare state, in effect, is probably now the size of a middle-ranking European democracy in pre-crisis times, and the Government is currently subsidising the employment of at least 3 million employees.

The Government's effectiveness has been compromised by the limits of its ideological commitments as well as excessive casualisation in the labour force before COVID-19. Most severely affected have been temporary migrant workers (whose JobKeeper eligibility is limited depending on their employment situations), international students in casual employment (with virtually zero access to social security and who are suffering extreme hardship), and short-term casual workers (for instance, in tourism and arts) who have had to rely on their eligibility for JobSeeker. Access to the latter is limited by the family employment and income status of unemployed workers where JobKeeper is not. Still, the initial increase in official unemployment to 6.2% in April 2020 is better than expected, noting that this moderate increase is a product of falling participation (down over half a million workers) and does not account for severe underemployment (now at 13.7%) or the deliberate, buttressing role of JobKeeper (ABS 2020b).

No doubt, the Coalition's approach has been stretched well past its initial ideological boundaries and instincts—the Government appears to have been motivated by corporate and electoral concern to prevent a wider collapse in the economy. Still, its model both highlighted—and regrettably preserved—already unacceptable stratification present in the labour force. Its resistance to inclusions of marginalised workers that proved ultimately unproblematic in countries as diverse as Germany and New Zealand has mobilised frustrations and left the Government open to accusations of vindictiveness. The situation of universities underlines the Government's resistance to further generosity, leaving a disorganised sector with weak representation in Canberra and heavy reliance on international student income, to make localised cutbacks with long-term impacts on the volume and quality of employment in higher education. Severe problems with casualisation in the sector pass on insecure work to the next generation of higher education workers, with universities joining TAFEs as casualties of a pro-industry and highly patchwork approach to policymaking.

Characterising the Morrison Government's approach

Pandemics, as historian Walter Scheidel (2018) has written, represent one of the 'four horsemen' of the apocalypse, capable of generating, through their violent levelling processes, temporary redistributions of income and the mitigation of inequality. This pandemic's impact on inequality is far from clear, with commentators divided about progressive and regressive potentials. Certainly, the capacity of modern-day welfare institutions to shape the consequences complicates any assessments, short or long term. At their best, medical and social interventions are now able contain the impact of pandemics, reducing their violent impact. Welfare state institutions have been adapted to reduce the social and economic dislocation of the pandemic, with massive fiscal support for the economy via wage subsidies and social security measures. Equally, the force of disease control has swept away some degree of ideological resistance to major intervention, at least outside countries under neopopulist rule (notably Brazil and the US). Australia's neoconservative, pro-business Government has been unable to avoid a major public response, forcing the Coalition to preside over the largest fiscal expansion since World War Two and to seek new forms of cooperation with organised labour and state Governments. A Labor Government would certainly have followed a similar path, with wider support for wage-earners, but one could have anticipated greater right-wing mobilisation against the 'lockdown' and the scale and nature of fiscal support.

Are novel forms of fiscal and policy experimentation likely to alter Australia's welfare state trajectory? Competing forces can be highlighted, with the Coalition no doubt aware of the electorate's mood for cooperation and social protection as well as the need for some retreat from policies that have effectively produced social collapse in America. The need for supportive measures by Government to provide welfare and employment for the Australian community is likely to be long-lasting and extensive, even if the pandemic is resolved according to more optimistic forecasts of successful vaccines and therapies. Still, given the Coalition's rhetorical commitment to budget surpluses, the revenue shortfall would suggest renewed efforts to sell a higher Goods and Services Tax to Australian voters, especially if the Government continues to pursue tax cuts for corporations as central to its jobs-through-business investment narrative.

But significant concessions on policy institutions are also likely. The future of the two central measures deserve further comment. First, the Government may well need to extend some form of the JobKeeper subsidy beyond September, although it may be tempted to revert to large-scale infrastructure announcements that please business and distract electorates from severe weaknesses of a post-JobKeeper labour market. Second, the long-term campaign for an improved unemployment benefit, combined with the government's need to tread warily on unemployment, suggests that some improvement in the JobSeeker benefit rate is more likely than not. Whether it meets the anti-poverty thresholds proposed by Whiteford (2020) is another matter, given that they are estimated to cost AUD 17 billion in increased expenditure. In any case, it is less likely that the Coalition will abandon its right-wing activism in welfare policies; its welfare paternalism, as expressed through tough benefit conditionality and experiments in cashless welfare, is likely to be only temporarily softened. A much stronger advocacy coalition, combined with a clearer paradigmatic challenge to paternalistic policies, will be necessary for any significant shift in policy direction.

Crises, as many say, also bring opportunities for more radical reform that are normally resisted or destructive of political capital. Morrison's instincts will be to use the pandemic as a framework for pursuing a firmly right-wing agenda framed as dealing with the immediate jobs and budget crisis. His Government's limited engagement with unions may yield some degree of productive compromise on industrial relations, but the longer-term path will be a continued emphasis on jobs through aggressive deregulation, a tough and increasingly unresponsive welfare system, and an economy ultimately shaped by the political coordination of business power and profit across Australia's most influential industries.

These predictions are not to suggest the Coalition's political and electoral position is invulnerable. The resurgence of NZ Labour, admittedly the result of a popular leader as well as consensual electoral institutions and a less toxic media environment, will be an encouragement to Australian Labor and also provide important guidance to the possibilities and limits of social-democratic reform to the liberal welfare model. Major welfare state building in Australia will eventually require an electorate willing to vote for a Government that creates industry bargaining with the capacity to reduce insecure employment, public-led job creation, and a welfare system structured around the goals and policy instruments of social investment. These goals remain distant, dependent on navigating Coalition electoral dominance, media and corporate hostility to a reformist Labor Party, and institutions capable of generating imaginative, pragmatic and broadly popular policies that can cradle major reform.

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