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6 Liberal welfare states

Abstract: This chapter discusses contemporary challenges for liberal welfare states. We first describe the key features of the liberal welfare regime from an ideal-type perspective. Then we discuss central developments in liberal welfare states. This overview is mainly based on aggregate data covering a variety of specific social policy areas as well as data on social expenditure, poverty and inequality. Third, we analyse the extent to which liberal welfare states are prepared to cope with challenges including fiscal pressures due to demographic change, migration, the digitalisation of the labour market, climate change and the COVID-19 pandemic. We conclude by commenting on the questions these challenges raise for liberal welfare states in a post-pandemic context and the likelihood of any policy learning from the pandemic being realised.

Keywords: Australia, automation, Canada, climate change, Covid-19, inequality, migration, New Zealand, United Kingdom, United States

6.1 Introduction

The liberal regime type typically comprises welfare states in English-speaking (or "Anglo-Saxon") countries per the classic typology of Esping-Andersen (1990) and subsequent welfare state typologies. In our analysis we focus on Australia, Canada, New Zealand, the United Kingdom (UK) and the United States (US) over the last ten years.[1] We present aggregate social expenditure data but also cover a broad range of specific policy areas to highlight the key trends across liberal welfare regimes.

While most of the typical liberal welfare regime features remain dominant, and have even become more prominent recently, e.g. regarding the privatisation of healthcare, the retrenchment of public pension systems or the harshness of the benefit system, there are also notable differences among the five countries, indicating that not only regime type but also politics matter. The COVID-19 crisis has laid bare the particular weaknesses and required a much greater state intervention than the liberal regime would usually allow. These came at great cost due to the absence of good social

1 Ireland is excluded as it represents a hybrid model (Dukelow and Heins 2017) although we acknowledge that every real empirical case only approximates a theoretical ideal type. The literature sometimes distinguishes Australia and New Zealand as a distinct "Antipodean" regime cluster or a "wage-earners' welfare state" (Castles and Mitchell 1993). We subsume both countries under the general liberal welfare regime type.

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protection and social investment policies. It remains to be seen if any policy innovations will lead to longer term changes in the liberal welfare model.

We first describe the key features of the liberal welfare regime from an ideal-type perspective. Then we discuss central developments in liberal welfare states. This overview is mainly based on aggregate data covering a variety of specific social policy areas as well as data on social expenditure, poverty and inequality. Third, we analyse the extent to which liberal welfare states are prepared to cope with challenges including fiscal pressures due to demographic change, migration, the digitalisation of the labour market, climate change and the COVID-19 pandemic. We conclude by suggesting potential responses to the current challenges of liberal welfare states and the likelihood of their implementation.

6.2 The liberal ideal type

The core ideological feature of the liberal welfare regime is the value placed on individual freedom and self-reliance, emphasising the primacy of market relations that allows for the expression of individual choice regarding welfare. This is coupled with a non-interventionist approach to labour market regulation. Though there are incidences of universalism in liberal welfare states such as National Health Services or basic pensions, benefit levels are low and associated with relatively modest entitlement rules. Flat rate benefits and means testing are also typical, and both policy instruments encourage market provision of social protection, indicating low levels of decommodification (Esping-Andersen 1990). A dualism thus arises between a residual welfare state targeted at the poor and the working class, while the middle classes rely more on market provision, including health insurance and pension schemes. Therefore, welfare receipt is usually highly stigmatising, leading to a perceived distinction between those who pay and those who benefit from welfare – supporting a "welfare myth of them and us" (Hills 2014). Correspondingly, the portrayal of welfare in the media is highly negative and loaded with stereotypes (Albrekt Larsen and Engel Dejgaard 2013) and support for public welfare is low (Albrekt Larsen 2008). Welfare receipt is ascribed to laziness and other individual behaviour. "Welfare dependency" rather than structural causes of poverty and inequality is seen as the main problem and there is a strong preoccupancy with benefit fraud (Baumberg Geiger 2018).

Relatively low levels of public social expenditure are matched by low levels of taxation. Yet liberal welfare states also display a preference for fiscal welfare, or welfare via the tax system, as a means of encouraging private provision. This use of fiscal welfare also gives rise to a potentially larger "hidden welfare state" (Howard 1999) than in other welfare regimes, which in contradiction to the above-mentioned welfare myth primarily benefits the middle classes (Hills 2014).

In line with "liberal work-ethic norms" (Esping-Andersen 1990, 26) other characteristics of the liberal regime include a tendency towards a punitive, "work first" approach to activation. Since the 1990s, the established principle of means-tested benefits was supplemented with the principle of conditionality – benefits in return for demonstrated work-focused activities coupled with the use of sanctions. Not only are those in receipt of out-of-work benefits targeted, but also sometimes even those in work (Dwyer and Wright 2014).

Liberal welfare states have also been pioneers of recommodification and introducing policies, e.g. tax credits and in-work benefits, that aim at "making work pay" (Clegg 2015). As conditionality extends to in-work benefits, and the policy thrust moves from incentives to coercion, a trend of "coercive commodification" may be noted in some liberal welfare states (Dukelow and Kennett 2018).

If we extend the state–market nexus to include the family and specifically gender and care relations, traditionally liberal welfare states lacked explicit family policies and have relatively low levels of family benefits and services (Korpi 2000). Consequently, there is a greater tendency to treat all adults as non-gendered "adult workers" than elsewhere. The recent shift towards social investment is also rather weakly embedded in liberal welfare states with a tendency to expand investment in early childhood care and education via the market (White 2012).

The liberal welfare regime is closely related to the liberal market economy model of the "Varieties of Capitalism" approach (Hall and Soskice 2001). Liberal market economies are characterised by a competitive-market model for firms to secure access to finance, technology, skills and labour. Short-term profitability and share prices primarily determine how capital market decisions are made. Industrial relations in liberal market economies are similarly competitive, leading to flexible labour markets with weak employment protection legislation and general labour market insecurity. Trade unions are weak and wage bargaining is decentralised (Hall 2015). As employment in manufacturing declined steadily from the 1950s, the response to the so-called "trilemma of the service economy" (Iversen and Wren 1998) was inequality and a high incidence of low-waged work (Gallie 2007), as the growth in service sector employment was concentrated in low-paid services that offered few productivity gains (Esping-Andersen 1999). An open approach to labour migration is also found in this context. However, employment protection and access to social rights are typically restricted (Ruhs 2018).

6.3 Recent developments in liberal welfare regimes

Here we present recent trends in liberal welfare states based on aggregate OECD data. Selecting core themes discussed above and concentrating on areas where particularly notable trends have occurred, we examine whether key liberal welfare features are still prevalent. We include OECD averages where available.

In line with theoretical expectations, public social expenditure in the liberal welfare regime countries is below the OECD average of around 20 % of GDP apart from the

UK where this share is higher.[2] However, social expenditure as a percentage of GDP has been declining in the UK since 2010 due to a harsh austerity programme implemented by the Conservative government following the global financial crisis. With under 17 % of GDP, expenditure is lowest in Australia according to the most recently available data (Figure 6.1). As Starke et al. (2014) and McManus (2018) have argued, in the absence of automatic stabilisers, partisan politics mattered to explain the divergence in responses to the global financial and economic crisis. While centre-left governments maintained spending levels throughout the crisis years, centre-right governments opted for welfare retrenchment.

A reverse picture emerges if we look at private social expenditure where all liberal welfare states, apart from New Zealand, are above the OECD average. While the share of private social spending as a percentage of GDP has been slightly declining across the OECD since 2016, in the liberal welfare states private expenditure has even been slightly increasing in recent years. The US is a stark outlier, with a 40 % private share of total social spending (Figure 6.2). The dominance of market solutions and private responsibility for social risks is thus confirmed for the last decade.

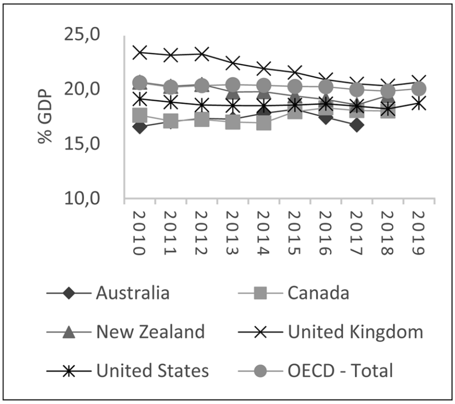

Figure 6.1: Public expenditure – total
Source: OECD SOCX Database.
Accessed 11 April 2021.

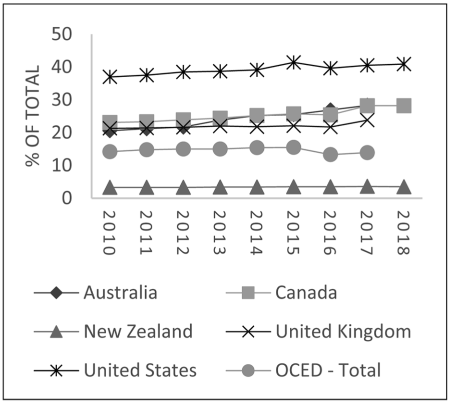

Figure 6.2: Private share of social expenditure

This emphasis on private responsibility is particularly notable regarding healthcare where again the US is a stark outlier. While around 45 % of healthcare spending in the US is by private means – reflecting the absence of a universal public healthcare

2 Using fixed level of spending rather than GDP indicates similar trends. 2015 prices (PPP, in US Dollars) shows that Australia and Canada each spent around $7000 in 2010 per head and approximately $8000 in 2017, New Zealand $7000, the UK approximately $9000 and the US approximately $10,000 in both years. This puts the US in a slightly more generous light than using GDP, but the degree of change over time across the countries is similar under both measures.

system – all other countries included here have a tax-financed public healthcare system. Nevertheless, due to prescription charges and the exclusion of major services, the share of private spending on healthcare (around 20 %) is also relatively high in Australia and Canada (OECD, n.d.). In the US, tax expenditure related to health insurance is the largest element of its "hidden welfare state" (Tax Policy Center 2020).

A similar picture of low public and high private funding emerges when we look at pensions, often the largest single item of public spending (OECD 2019). All liberal welfare states are spending less on public pensions than the OECD average (Figure 6.3). In Australia, Canada and New Zealand this can partially be explained by favourable demographics as discussed later. However, another explanation is the strong emphasis placed on private provision for old age (Figure 6.4).

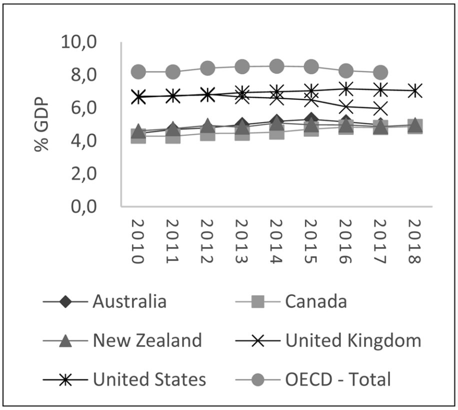

Figure 6.3: Public expenditure on old age and survivors pensions
Source: OECD SOCX Database.
Accessed 11 April 2021.

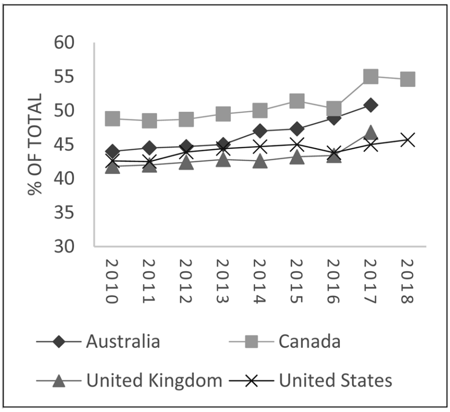

Figure 6.4: Private share of old age expenditure

The first tier of basic pensions is sometimes means-tested in liberal welfare states (as in Australia) while the second tier of mandatory earnings-related pensions is often private (as in Australia and the UK). New Zealand is an outlier as it has no mandatory second-tier pension. Canada, New Zealand, the UK and the US also have significant coverage of voluntary pensions (OECD 2019). Private pension expenditure is the area where the "hidden welfare state" and fiscal welfare plays a rather large role. Canada, Australia and the UK spend particularly large amounts on tax expenditures on private pensions (1.9, 1.7 and 1.2 per cent of GDP respectively in 2015) in contrast to the OECD average of 0.6 % of GDP (OECD 2019).

This trend is also explained by the move towards financialisation that liberal welfare states underwent since the 1980s, which accompanied the rolling back of the Keynesian welfare state (Mackenzie and Louth 2020). In this new model, economic growth relies on private financial markets rather than fiscal policy to maintain consumer demand (Berry 2015).

A final policy area to illustrate the liberal regime empirically is active labour market policy (ALMP). Again, all five countries are below the OECD average regarding ALMP expenditure (Figure 6.5). This is reflected in a policy emphasis on "work-first" type activation and use of private providers paid by results which channel people towards accepting low-wage work (McKnight et al. 2016).

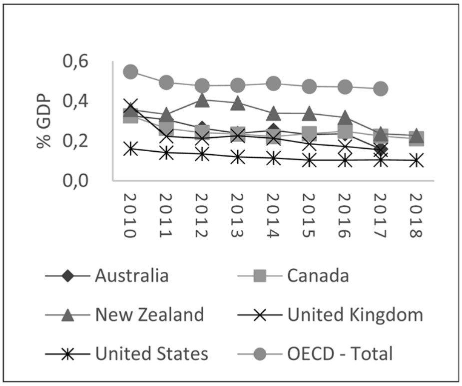

Figure 6.5: Active labour market programmes expenditure
Source: OECD SOCX Database. Accessed 11 April 2021.

The low spending levels on average across policy areas and the work first approach to activation unsurprisingly leads to detrimental social outcomes. Poverty levels (Figure 6.6) are high and so is inequality in terms of the Gini co-efficient where all countries maintained a co-efficient between 30 and 40 throughout the decade (OECD 2021a). Relatedly, low pay is widespread (Figure 6.7). Across many of these indicators, levels are highest in the US and Canada. There are strong correlations between extensive in-work benefit (tax credit) systems and the incidence of low-paid employment, particularly in the UK and the US. Welfare expenditure in liberal welfare states in this sense may tend to increase the viability of low-paid jobs (McKnight et al. 2016) and double as a form of corporate welfare. In New Zealand, in contrast, the incidence of low pay declined notably since 2017 after minimum wage rates were increased more substantially than previously.[3]

3 See minimum wage rates at https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/previous-rates/#:~:text=The%20training%20minimum%20wage%20was%20introduced%20in%20June%202003 (accessed 10 May 2021).

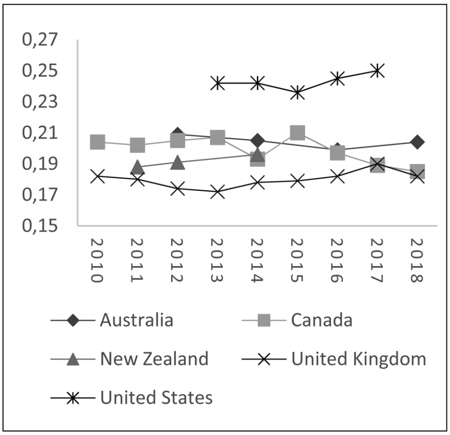

Figure 6.6: Poverty rate

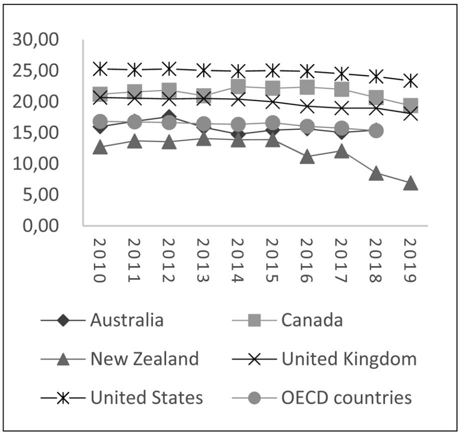

Figure 6.7: Low pay incidence

Source: OECD 2021b (Fig. 6.6); OECD.Stat. (Fig. 6.7). Accessed 28 April 2021.

6.4 Demographic challenges and migration

The liberal welfare states discussed here face the demographic challenges of population ageing and population decline typical of advanced economies, but less acutely. Part of the reason for this deviation is their openness to migration which is halting population decline and contributing to population diversity. There are also some variations, with population growth slowing more rapidly in the UK and the US than in Australia, Canada and New Zealand.

Population ageing is influenced by both falling fertility and increased life expectancy. Recent change follows steep falls in fertility rates since the 1970s, and these have continued to fall over the last decade. All five countries are now well below the 2.1 children per woman to maintain a stable population (OECD 2021c). However, excepting Canada, the majority are in a slightly better position than the OECD average. Life expectancy has improved across the countries from an average of 80.58 years in 2010 to 81.32 years in 2018, but only barely in the US (OECD 2021d).

Consequently, each country is challenged by a decline in its working age population as a proportion of total population. The working age population averaged at 67.2 % for the five countries in 2010, falling to an average of 65.3 % in 2018, with Canada and the UK posting the largest falls, and New Zealand remaining the most stable (OECD 2021e). Again, however, the countries are in a comparatively favourable position. The old age dependency ratio for all five countries is lower than the OECD average and is predicted to remain below the OECD average (OECD 2019).

Pensions have come under pressure given this set of demographic challenges. Bridgen (2019) finds that liberal welfare states responded to issues of financial sustainability relatively early and implemented significant pension retrenchment in the 1980s, which set the path for continued cost containment subsequently. The legacy of the turn to neoliberal ideas and retrenchment policies across all five countries is therefore still significant. While there have been aspects of resilience and even expansion of public pension provision in liberal welfare states more recently (Bridgen 2019; Béland and Waddan 2019), this is in the context of the aforementioned minimal nature of public pension provision and the strong push towards private provision.

Given the trend of increasing life expectancy, many countries in the OECD took the opportunity to increase retirement ages in response to the fiscal pressures following the 2008 economic crisis. The UK accelerated plans to raise the pension age to 67 by 2028 with a further rise to 68 by 2046. It has also managed to eliminate the lower pension age for women earlier than initially planned, and moved the second-tier public pension to a flat rate model (OECD 2019). The US is also on track to retrench its pension provision by raising the retirement age from 66 to 67, under plans instituted in the 1980s. Despite the weak power resources of labour in liberal welfare regimes, plans to retrench have not been as successful in Australia. Although the pension age here is rising from 65 to 67 by 2023 and the lower pension age for women was eliminated, further plans to increase the retirement age to 70 by 2035 have been abandoned after a backlash that centred on the feasibility of people in manual jobs to continue working until 70. The retirement age remains at 65 years in Canada, where unionisation is comparatively high, following the reversal of a decision to increase it to 67 by 2029.

All five countries have comparatively high levels of migration which have somewhat eased their demographic challenges. Australia has the largest migrant population, also globally (30 % of total population in 2019), while the lowest shares of the five are registered by the US and the UK (15.4 % and 14.1 % respectively in 2019). On balance, all five countries are "receptive" rather than "restrictive" countries, however, there has been much change in the last decade with a more restrictive climate emerging in the US and the UK.

Migration policy is also seeing relatively frequent recalibration, especially in Australia, New Zealand and Canada which operate a points-based system, a system also being adopted by the UK post-Brexit. While the thrust of migration policy is relatively liberal and "employer friendly', and this is beneficial for addressing labour market shortages and easing demographic and fiscal pressures, this is set against the dilemma of threats to social solidarity and social stability (Schultz et al. 2021). The trade-off this creates has morphed into heightened welfare chauvinism, particularly in the US and the UK. Liberal welfare states tend towards "market inclusion" (Kymlicka 2015) meaning that access to social rights are restricted and self-reliance is promoted. This is typified by the US "public charge rule" that effectively denies legal immigrants permanent residency if they were in receipt of welfare or health assistance over a specified period. Similarly, the UK applies a "no recourse to public funds" condition to temporary immigrants.

Consequent challenges of market inclusion generate the risk of poor socio-economic outcomes for migrants. Successful integration requires extending welfare to newcomers which comes at the risk of loss of solidarity, especially amongst native-born working class welfare recipients (Kymlicka 2015). For example, part of the success of the New Zealand First Party is its ability to attract the support of Māori voters and thus mobilise one minority group against another (Gethin 2021). While the reasons behind the UK's leaving the EU are complex, a politics of insecurity over immigration and the depiction of migrants as a threat was central to the right-wing populist message promoted by the UK Independence Party and the Conservative Party. Similar themes were central to Trump's presidency which relayed constant anti-immigrant messages whilst also fomenting divisions amongst the US's racially diverse and multi-ethnic population (Béland 2020).

6.5 Climate change and digital transformation

Australia, Canada, the US and, to a lesser extent, the UK are all exporters of fossil fuels and still heavily reliant on non-renewable energy consumption despite ambitious targets to reduce greenhouse gas emissions by 2030 and 2050 respectively. Reliance on fossil fuel extraction and energy-intensive industry not only heightens opposition to carbon reduction (Christoff and Eckersley 2011) but any "greening" of the economy will also have to address significant job losses in an important sector. Social, economic and ecological injustices are closely interlinked with vulnerable communities often being affected the most by the effects of climate change such as flooding. Yet these groups are the least responsible for causing them and have the fewest resources to cope with them and the mitigation policies put in place to deal with them, leading to "triple injustices" (Gough 2013). Achieving a "just transition" to a carbon neutral economy is a particular challenge for liberal welfare states given the high levels of social inequality and poverty and the emphasis that is placed on market solutions when addressing social problems.

Liberal welfare states' overall low spending levels are not providing a sufficient social protection "buffer" (Hemerijck 2014) against loss of income, for example due to redundancies resulting from the transition to a carbon-neutral economy or automation. A similar lack of ALMP spending (Figure 6.5) provides insufficient social investment to prepare their populations for the threats of climate change and digitalisation.

There is a rapidly growing literature on the connection between social policies and environmental policies or building the "eco-social state". The liberal welfare regimes typically have both lower social policy effort due to their basic safety net model and weaker environmental regulation due to their liberal market economy model and are thus not well-positioned to address the intersection of social and environmental policies (Koch and Fritz 2014). Christoff and Eckersley (2011) found proportional representation and corporatist systems that include business and labour were important for reducing greenhouse gas emissions. In contrast, the majority voting system typical of Anglo-Saxon democracies leads to a low presence (and often even absence) of Green parties in parliament and governments. The pluralist system of interest representation and general weakness of trade unions also favours business over environmental and social concerns.

New Zealand is a clear outlier within the liberal welfare regime cluster in this respect, possibly partly due to a legacy of early green politics (Gethin 2021). The country boasts a large share of renewable energy sources and is one of the most sustainable countries in terms of energy generation (MBIE 2020). This is in line with the ambition to build a "wellbeing economy'. New Zealand is internationally hailed as having introduced the first wellbeing budget, i.e. budget decisions are not primarily based on economic growth but a more holistic assessment of wellbeing, including a range of ecological, social and economic outcomes. The economy and the environment are not seen as requiring a trade-off but sustainability, wellbeing and resilience are considered together.

Similar to climate change, the transition to a digital economy has far-reaching impacts on social protection systems. On the one hand, the changes in production systems resulting from automation, online-based forms of work and spread of digital technologies create the need for welfare state adaption, e.g. to address new social risks emerging from digital exclusion or the lack of ICT skills. Since liberal market economies typically lack encompassing industrial strategies and leave investment and R&D decisions as well as skills development to individual employers and the market, liberal welfare regimes are prone to creating digital inequalities with little compensation prospects for the losers of this technological shift. Furthermore, platform workers who are typically exposed to hyper-flexible and precarious forms of work require the regulation of employment and social protection rights. For instance, digitalisation enables new ways of work organisation that could lead to a growing number of "labour-on-demand" types such as casual labour, short-term or zero-hours contracts, the latter having gained notoriety particularly in the UK, although these are not limited to a digitalised work environment. The emerging gaps in social protection and employment rights for platform workers are already an issue in highly regulated welfare states and will be even more difficult to overcome in a generally flexible and insecure employment policy environment that regards protective measures as an inhibition to the free working of the market.

On the other hand, use of digital technologies and mechanisms such as using algorithms to determine benefit eligibility have an impact on service users and benefit recipients. In the UK algorithms are used to determine eligibility for and calculate monthly rates of the main working-age benefit (Universal Credit) and to detect fraud (Booth 2019). Statistical choices based on patterns extracted from historical data may disadvantage certain groups protected by anti-discrimination laws (Desiere and Struyven 2021). Critics worry that these systems automate and propagate existing social inequalities (Eubanks 2018). Racial inequalities are deeply rooted in all countries under consideration here, due to their specific colonial histories. The technical design of benefit automation might include racial biases and thus reproduce harms and injustices without proper accountability. The reliance of liberal welfare states on sanctions and means-testing might similarly produce harsh decisions that will be difficult to redress if executed by an impersonal bot.

6.6 The impact of COVID-19

The liberal welfare dogma of self-sufficiency was seriously put into question when COVID-19 struck. It appears that liberal welfare states were less well equipped to address the crisis and the poor response to the first wave of the pandemic led to high incidence and mortality rates in the US and the UK in particular (Greener 2021). However, that result did not extend to Australia and New Zealand whose experiences of the pandemic have been markedly different, at least in the early waves, and there may have been a geographical and "island" effect at play here (Helliwell et al. 2021).

In general, we saw the temporary suspension of some of the principles of liberal welfare provision during the crisis. The pandemic required an extensive emergency response from liberal welfare states as it exposed gaps and weaknesses in its social provision. In contrast, countries that typically have high levels of social protection expenditure could make use of automatic stabilisers (e.g. in the form of unemployment insurance) and spent comparatively less on emergency funding than the liberal welfare states (IMF 2021). Additional spending has thus been markedly higher in the liberal welfare states compared to the Nordic and many other welfare states in Europe (IMF 2021).

With regard to public spending on employment and unemployment protection, we see active responses across the five countries for workers who became unemployed "through no fault of their own', in other words, not violating the liberal work ethic. Recognition of the hardships faced by people already unemployed or in poverty, in precarious work or living in low-income families also garnered some support but this has been much more uneven and limited. The US fared the worst in terms of the severity of the pandemic and the less than coherent response by the Trump administration. Unemployment insurance benefits were raised by $600 per week, undermining "the work first" mantra as it meant that two-thirds of recipients earned more in the first months of the pandemic than when they were working (*The Economist* 2021), revealing the existing realities of low pay. However, in practice it meant adding extra patches to an already patchy safety net system of unemployment insurance (Moffitt and Zilak 2020). Inadequate short-term working/job retention supports and extremely limited family supports remained problematic. The Biden administration continues the trend of emergency stimulus spending. However, a potentially path-breaking policy move in a country with limited modes of child and family support is the commitment to introduce a quasi-universal child benefit for which only the wealthiest will not qualify.

The experience of the pandemic in Canada and the nature of the response also exposed the limits of its system, however its emergency provisions are judged to be more comprehensive than in the US (Béland et al. 2021a). Interestingly, it seems that concerns about benefit fraud, usually so dominant in liberal welfare states, were paused for a while as priority was put on payment speed to smooth consumption and lessen the economic contraction.

The UK put much of its effort into the creation of a new, temporary job retention scheme, paying 80 % of usual wages. For the unemployed, the value of Universal Credit was increased by £20 a week, until Autumn 2021. Some of the conditionalities attached to out-of-work benefit receipt were cut to broaden eligibility and the claims process was also simplified. The Universal Credit rate increase was not an ungenerous sum by previous UK standards, but nonetheless demonstrates very disparate treatment of retained workers versus those who had lost their jobs or were already unemployed (Hick and Murphy 2021).

Australia and New Zealand also turned to "emergency Keynesianism'. In New Zealand's case, its wellbeing economy approach and consequent focus on health indicators appears influential. Both countries instituted job retention supports and relatively generous payments for those who lost their jobs because of the pandemic, which have now ceased. A legacy of the pandemic is the commitment to permanently increase working-age benefits in both countries. However, the adequacy of this increase is questionable. In New Zealand Humpage and Moore (2021) find that it has only a negligible difference to making ends meet for people in poverty.

While this might read like a litany of generous improvements to liberal welfare states, for the most part, their temporary, emergency nature must be stressed. As Béland et al. (2021b) remind us, they are examples of "politics for markets'. The responses do not represent a fundamental transformation of the precepts of the liberal welfare regime, but are an effort to shore up economies until they can return to "business as usual'.

6.7 Conclusions

Like other Western countries, liberal welfare states currently face several challenges, including the transition to a carbon-neutral and digitalised economy, migration and demographic ageing (although the latter is less of a problem compared to other OECD countries). The weaknesses of their market-driven and individualised model of welfare were laid bare by the COVID-19 pandemic such as the insufficient basic safety nets, high levels of social inequalities and lack of social investment policies. While various measures were implemented in response to the pandemic, it is unlikely that these will lead to any more enduring and fundamental policy changes given the long trajectory of public welfare retrenchment. Core questions remain about the post-pandemic response and how states will deal with higher levels of public debt and whether that means moving into retrenchment mode for liberal welfare states. There are also questions about long-term scars of the pandemic related to unemployment and work disruption and how they will be addressed, especially if strict "work first" and punitive activation programmes make a comeback.

Noteworthy is the case of New Zealand, an outlier in many respects; the trend towards the privatisation of healthcare and pensions was not followed and at least rhetorically the creation of a "wellbeing economy" is promoted. While there are still significant social problems, e.g. the high poverty rates (Figure 6.6), the country represents a successful model of reducing the economic and social costs of the pandemic by prioritising health and wellbeing. It remains doubtful that this model will be replicated by the other liberal welfare states, given the structural weakness of unions as well as left and green parties that would support an equal consideration of economic, social and environmental sustainability.

The past decade has also shown, however, that there is no uniform liberal welfare model as there are important differences between countries and within countries over time. This has been most clearly demonstrated in the case of the US where the idiosyncrasy of the Trump Administration led to some extreme policy decisions – such as drastic tax cuts on the one hand and a reversal of the liberal migration model on the other hand. In turn, the first policy announcements of the Biden Presidency have the potential for some path-breaking developments. There clearly are opportunities for policy learning from the pandemic; whether these will be taken, remains an open question.

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