Social Policy Responses To COVID-19 In Canada and The United States: Explaining Policy Variations Between Two Liberal Welfare State Regimes

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Social Policy Responses To COVID-19 In Canada and The United States: Explaining Policy Variations Between Two Liberal Welfare State Regimes

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Abstract
Canada and the United States are often grouped together as liberal welfare-state regimes, with broadly similar levels of social spending. Yet, as the COVID-19 pandemic reveals, the two countries engage in highly divergent approaches to social policymaking during a massive public health emergency. Drawing on evidence from the first 5 months of the pandemic, this article compares social policy measures taken by the United States and Canadian governments in response to COVID-19. In general, we show that Canadian responses were both more rapid and comprehensive than those of the United States. This variation, we argue, can be explained by analysing the divergent political institutions, pre-existing policy legacies, and variations in cross-partisan consensus, which have all shaped national decision-making in the middle of the crisis.

1 INTRODUCTION
As COVID-19 hit North America, it took a heavy toll in terms of lives lost and economic damage in both Canada and the United States. By early September 2020, according to data collected by the John Hopkins Coronavirus Resource Center (2020), the United States had suffered more than 190,000 fatalities due to the virus and Canada was approaching a total of 9,200 deaths. As a public health response to limit the spread of the disease, both countries had adopted measures limiting individual freedoms to associate and in effect continue normal economic life. In both countries, federal arrangements were front and centre, as the extent and duration of these “lockdowns” varied by state and province, but the economic consequences were felt nationwide. By the standards of China, the lockdown restrictions were somewhat liberal but nevertheless were unprecedented in modern times. The economic fall-out was immediate and stark with dramatic falls in GDP predicted as a consequence of these public health measures (OECD, 2020a). The extraordinarily rapid downturns produced extreme pressure for a range of immediate policy responses from government. Under these circumstances, it was only the state, rather than the private sector, that had the fiscal capacity to provide support for individual households and the economy.

This article investigates social policy responses to COVID-19 in both Canada and the US. While both of these countries are known to have liberal welfare state regimes (Esping-Andersen, 1990; Myles, 1998), the scope and pace of policy change varied greatly during the first months of the COVID-19 crisis, as Canada enacted proportionally bolder emergency measures than the United States while responding more rapidly to this pandemic than its southern neighbour. These differences can be explained, we argue, by analysing divergent policy legacies, political institutions and partisan polarisation across the two countries. Specifically, Canada's quick response can be attributed to distinct pre-existing social policy legacies, a parliamentary system with fewer institutional veto points, and a greater level of cross-partisan consensus.

The article begins with an overview of the measures enacted in both countries across multiple policy areas during the first months of the pandemic, especially from March to June 2020. This comparative analysis leads to a Discussion section that stresses and explains key differences between the two countries. The Conclusion assesses whether permanent social policy changes could come out of the crisis before assessing whether the politics of austerity could emerge as a response to the fiscal stress trigged by the economic downturn associated with the pandemic.

2 FROM THE PANDEMIC TO THE ECONOMIC CRISIS
One aspect of the ‘liberal welfare regime’ is a comparatively low level of social spending (Esping-Andersen, 1990). In 2019, social spending represented 18.7% of GDP in the United States and 17.3% of GDP in Canada. Both figures are below the OECD (Organisation for Economic Co-Operation and Development) average for that year, which was 20.1% of GDP and well below, Germany, the biggest economy in Europe at 25.1% of GDP (OECD, 2020b).
Yet while both countries are broadly similar in terms of their levels of social spending, their social policy architectures differ markedly. Such differences are related to variations in both policy design and political institutions, particularly federalism. First, in terms of policy design, Canada relies extensively on universal benefits and services. This is not the case of the United States, which operates a mix of social insurance and social assistance programmes (Béland & Waddan, 2017). Simultaneously, with both countries being federations, the territorial organisation of benefits varies within and between countries from one policy area to the next. Particularly crucial here is the fact that, in Canada, Employment Insurance (EI) is a purely federal programme (Courchene & Allan, 2009) while, in the United States, Unemployment Insurance (UI) is decentralised, as each state operates its own UI system (Woodbury, 2014).

While these policy infrastructures differed, the economic outlook for both countries before the pandemic was positive despite uncertainty caused by geopolitical tensions. Unemployment levels were at record lows in both countries and government debt was under control. Although, in 2019 the debt-to-GDP ratio was more than three times higher in the United States than in Canada, the interest rate being paid on that debt was at near historical lows (Desilver, 2019). Even though growth slowed in 2019, the US had experienced its longest period of sustained economic growth on record over the previous decade and the unemployment rate was only 3.5% in December 2019 (Bureau of Labor Statistics, 2020b). In Canada, growth had slowed by the end of 2019, but the economic outlook was positive for 2020 (Bank of Canada, 2020). Highly dependent on international trade (especially trade with the United States), Canada’s economic outlook was buoyed by the expected ratification of the latest iteration of the North American free trade agreement, the Canada–United States–Mexico Agreement, after 3 years of negotiations and revisions stemming from President Trump’s pledge to renegotiate the existing trade deal amongst the three countries. Furthermore, labour markets were strong in most provinces. With its dependence on the price of oil, Alberta was a notable exception, but overall unemployment was also quite low in Canada, at 4.8% in 2019 (Statistics Canada, 2020c).

Even so, during the first 2 months of the crisis, on a per capita basis, COVID-19 proved deadlier in the United States than in Canada. This situation related in part to the erratic and contentious leadership of the White House, which contrasted with the more scientifically based and consensual approach adopted by the Trudeau government, which mostly collaborated with the provinces instead of arguing with them (Beauchamp, 2020). Overall, Canada experienced a high level of partisan and public consensus over COVID-19, a situation that contrasted with both the regional tensions between Ottawa and several provinces such as Alberta that existed before the pandemic and the strong partisan divides and intergovernmental tensions prevailing in the United States (Merkley et al., 2020). Beyond the immediate political responses to the pandemic, another factor reflecting long-term policy developments that may have led to worse outcomes in the United States than in Canada is the lack of universal health care in the former country (Panetta, 2020), as well as the uneven quality of care available and the under resourcing of some public hospitals (New York Times, 2020a).

As of early September 2020, in the United States, the COVID-19 mortality rate was 58.34 per 100,000 inhabitants, compared to only 24.84 in Canada (John Hopkins Coronavirus Resource Center, 2020). Yet, national figures do not tell the full story, especially in these two large federal countries. This is the case because some states/provinces had mortality rates that proved far higher than the national average (New York Times, 2020b). Finally, beyond these dramatic territorial disparities within each country, some demographic groups proved more vulnerable than others. This is particularly the case of older people, who accounted for most COVID-19 deaths on both sides of the border. In the United States, racial disparities in infection rates have also become an issue in the debate over the impact of COVID-19 (Serwer, 2020). Data on racial disparities was not systematically collected in Canada, but there was evidence that black and immigrant communities were disproportionately impacted in that country as well (Choi, Zajacova, Haan, & Denice, 2020).
Lockdown and social distancing measures enacted in response to COVID-19 also had measurable impacts on key economic indicators in both the US and Canada. In the United States, Gross Domestic Product fell by 5% between the fourth quarter of 2019 and the first quarter of 2020, reflecting primarily a decrease in services, health care, food services and accommodations. It further decreased by an annualised rate of 32.9% in the second quarter of 2020 (BEA, 2020), which was the sharpest contraction since World War II when modern record keeping measures were introduced. Between February and March, Canada’s real GDP fell by 7.2%, with the sharpest declines in key service sectors, including accommodation and food services, educational services, transportation and retail trade (Statistics Canada, 2020a). Real GDP continued to fall by 11.8% between March and April but increased slightly by 4.5% between April and May. This means real GDP fell by 14.7% in Canada during the confinement. By June of 2020, unemployment stood at 12.3% in Canada and 11.1% in the US (OECD, 2020c). Both countries also exhibited significant sectoral variation in unemployment rates. The various parts of the leisure and hospitality industries saw a 48.3% drop in the number of employees between February and April, while there was only a 3% drop in the numbers employed in financial activities (Paine, 2020). The former sector saw some recovery through June (Bureau of Labor Statistics, 2020a), but then renewed lockdown measures affecting bars and restaurants were implemented in several southern and western states in July. The Canadian accommodation and food services sector posted comparable losses. Other hard-hit sectors in both countries included wholesale and retail trade, as well as transportation. There were demographic variations as well. The US unemployment rate was higher for women (11.7%) than men (10.6%), and higher for black and Hispanic workers (15.4% and 14.5%, respectively) than white workers (10.1%) (Bureau of Labor Statistics, 2020a). There was greater gender parity in Canada, by contrast, with unemployment for adult men (25 years and older) at 12.1% and adult women at 12.7% (Statistics Canada, 2020b).

3 POLICY RESPONSES

This section draws on a review of public and media documents to compare the scale and speed of social policy responses to COVID-19 in Canada and the United States. Our review comprised the areas of employment protection, unemployment protection, health care, social assistance and family policies, and housing (see Table 1 for summary). We conclude with a review of fiscal realities facing these policy arenas in the near term.

**TABLE 1. Summary of social policy responses to COVID-19**

<table>
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<th>Canada</th>
<th>United States</th>
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<td>• Temporary supports (varies at province level)</td>
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<td>• Temporary unemployment extension from disaster relief fund</td>
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<td>• Assistance to individuals (varies at province level)</td>
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<td><strong>Health care</strong></td>
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Housing

- Federal funding for mortgage pools
- Rental assistance payments (varies at province level)
- Temporary eviction moratoria (federal/state)
- Rental assistance payments (varies at state level)

3.1 Employment protection

Canada has centralised unemployment protection in its EI programme, however employment protection is a competence shared with its provinces. Most workers in Canada are covered by provincial employment legislation with the federal government only being able to legislate employment in its areas of jurisdiction. As the pandemic began to affect labour markets, employment protection regulations in many provinces were relaxed to allow businesses to let go of unnecessary staff and defer payments and credits for workers compensation and employment standards. The most common response in Canada was to avoid large-scale redundancies by encouraging affected businesses to continue to employ their workers through massive subsidies.

This effort at employment protection began on March 25 with the central government’s creation of a 3-month Temporary 10% Wage Subsidy to increase liquidity for eligible businesses by reducing the amount of payroll deductions given to Revenue Canada. This was followed by a bolder initiative, the Canada Emergency Wage Subsidy (CEWS) on April 11. The retroactive subsidy covers up to 75% of employees’ salary for up to 3 months for businesses severely impacted by the crisis. Criteria were modified multiple times during the crisis to expand eligibility and extend benefits past the initial June end-date. When announced, the CEWS was Canada’s most expensive emergency social policy measure at an estimated $73 billion CAD. However, the policy did not prove as popular as expected, delivering only $31.73 billion CAD in subsidies by the end of August (Government of Canada, 2020b). Explanations for low CEWS take-up include long delays and eligibility criteria, which increased uncertainty for businesses (Harris, 2020a).

Some smaller initiatives were also adopted. Students ineligible for EI and existing benefits were targeted by the Canada Emergency Student Benefit. However, this initiative was never implemented due to a conflict of interest scandal involving the Prime Minister, Finance Minister Bill Morneau (who resigned in the wake of the scandal), and WE Charity, a non-profit organization that had initially been tasked to implement the programme (Jackson, 2020). Provinces created temporary supports as stop gaps to ensure individuals unable to work during the crisis had access to financial assistance. Examples of this include Quebec’s Temporary Aid for Workers Programme, Saskatchewan’s Self-Isolation Support Programme and Leave for Employees during Public Health Emergencies, Alberta’s Emergency Isolation Support, and the Yukon’s Paid Sick Leave Rebate for employers. In most provinces minimum wages were not changed, but provincial governments did adopt bonuses for frontline workers, especially those working in long-term care facilities, and encouraged employers in relevant sectors to do the same.

Where employment protection is concerned, the United States lacked appropriate policy instruments to ensure that workers could remain on payrolls in the middle of the economic shutdown. Instead, Congress appropriated $660 billion for a temporary emergency programme, known as the Paycheck Protection Programme (PPP), which was targeted at the small business sector and administered by the Small Business Administration. While the funding for the programme was arguably adequate, its structure yielded perverse results. First, the initial funding for the programme ran out almost immediately, and banks that administered the stimulus dollars often required businesses to carry a pre-existing line of credit to apply. Second, as initially passed, PPP was a loan programme that converted into a grant as long as businesses used 75% of the funding they received for payroll over an 8-week period. By June, Congress had revised the programme, lowering the threshold to 60% and extending the payroll period through the end of 2020. This shift allowed businesses to push off rehiring workers
and converted the programme's effects from paycheck protection to small-business protection. As one analysis suggested, had the $510 billion programme given funds directly to workers, each worker at every small business in the United States would have received roughly $8,650 dollars (Klein, 2020). At the subnational level, 19 states and 16 cities developed small-business assistance programmes of their own. Yet as with PPP, these programmes largely targeted funds at small businesses rather than employees themselves (Tregurtha, 2020).

3.2 Unemployment protection

Canada's UI system, known as EI, is purely federal and centralised. However, this programme features relatively low benefits and strict eligibility criteria, which vary from one region of the country to the next in relationship to unemployment rates. Overall, in normal times, fewer than half of the unemployed qualify for EI benefits, which is a serious limitation (Lim, 2020).

Probably because of these eligibility issues and the fact that the sudden and massive influx of applicants during the COVID-19 crisis created tremendous administrative challenges as far as processing an unprecedentedly large number of EI claims during a very short period (Roman, 2020), the federal government decided to create a new temporary programme alongside EI to deliver emergency support to the unemployed in the swiftest manner possible. A purely federal programme sending checks to people through Service Canada and the Federal Revenue Agency, the Canada Emergency Response Benefit (CERB) is a massive yet temporary programme that is much more focused on delivering aid than on assessing eligibility criteria, something that is done after the checks are sent to individuals (Robson, 2020). Initially set to be phased out in early October 2020 and worth an estimated 24 billion CDN in total spending, the CERB provided ‘$500 a week for up to 16 weeks’ in taxable benefits to eligible workers who lost their income because of the COVID-19 crisis. Adopted on March 25, 2020, the CERB was expanded a few weeks later, on April 15, to cover contract, part-time, and seasonal workers, who had initially been excluded from the programme (Harris, 2020b). This benefit proved more popular than expected with $72.55 billion CAD spent by the end of August, more than double initial government projections (Government of Canada, 2020a). The creation of the CERB took place in the context of an ongoing debate on both universal and targeted forms of minimum income in Canada (Forget & Segal, 2020). Although, it soon became clear that many CERB recipients were not entitled to benefits and would have to repay them at a later stage (Cullen & Everson, 2020). Those who did qualify also faced varying federal and provincial clawbacks (Tweddle & Stapleton, 2020). Nonetheless, the fact that the new programme was able to distribute checks to 7.3 million Canadians by early May (Blewett, 2020) was labelled ‘a bureaucratic miracle’ (Taylor-Vaisey, 2020) on the part of the federal government that allowed this massive counter cyclical programme to take off almost immediately. This miracle was somewhat dampened by government confirmation of cyberattacks stealing account information in mid-August (Patel & Ling, 2020). Nonetheless, the CERB renewed interest in EI and social assistance reforms with former politicians, academics and policy wonks writing on the issue, many of whom argue in favour of a targeted version of minimum income in Canada and echo existing research on the subject (Blais, 2020; Jacques, 2020; Wright, 2020).

In contrast, in the United States, the reliance on a decentralised and administratively deficient UI framework weakened what were apparently similarly impressive counter-cyclical efforts (Rocco, Béland, & Waddan, 2020). In the United States, instead of a national UI system, the 1935 Social Security Act created a federal payroll tax system that incentivizes the states to create their own UI programmes subject to federal guidelines and policy prescriptions (Woodbury, 2014). Across the states, there are essentially three ‘tiers’ of UI insurance. Tier 1 is available in each state, financed through federal payroll taxes, and is available for up to 26 weeks. Tier 2, the Extended Benefits (EB) programme, is designed to automatically expand the programme during recessions, lengthening the benefit duration by 13 weeks (or, if states choose, 20 weeks). Tier 3 represents emergency benefit extensions passed by Congress during recessions. These ‘tier 3’ benefits are made even more significant
given that ‘tier 2’ benefits are designed to switch off as the unemployment rate falls relative to the prior 2 years, even if long-term unemployment persists.

The US response to COVID-19 thus depended crucially on the second and third tiers, but was also shaped by the fragmentation of eligibility criteria and benefit levels characterising the first tier. This is true because the emergency provisions under tiers 2 and 3 reproduce existing cross-state policy disparities. For example, under EB, states must extend the duration of benefits by 50% when insured unemployment reaches specified levels (Department of Labor (DOL), 2019). Consequently, benefit durations continue to vary across states after EB kicks in. At the same time, the large discrepancies in benefit levels that existed before the crisis remain (for an overview of these initial differences see Department of Labor (DOL), 2020).

Soon after the onset of COVID-19, Congress took emergency action to expand ‘tier 3’ benefits, providing $1 billion in funding to states to process and expand unemployment benefits, an essential measure given significant declines in administrative grants to the states since the 1990s (Emselfem & Evermore, 2020). More comprehensively, Congress enacted three temporary expansions to the UI system, including the Pandemic Emergency Unemployment Compensation, which extended regular unemployment benefits for 13 weeks; the Pandemic Unemployment Assistance programme, which offered benefits for up to 39 weeks, including to the self-employed and other workers who would not usually qualify for UI; and the Federal Pandemic Unemployment Compensation programme, which boosted benefits by $600 dollars per week (Gigante, Mufson, & Martin, 2020).

Despite the introduction of these unprecedented emergency programmes, access to UI benefits remained uneven across the states, due to a combination of administrative challenges and political struggles over-extending UI benefits (Goger, Loh, & George, 2020). In Wisconsin, the legislature’s delay in waiving the 1-week waiting period for UI caused the state to forgo an additional $25 million in support under the CARES Act (Beck, 2020). In Florida, where only 5% of UI applicants received benefits during the first month of the COVID-19 crisis due largely to administrative problems, Democrats accused Republican Governor Ron DeSantis of not using the full range of his powers to increase access to UI benefits (Fineout, 2020). Beyond Florida, in April 2020, millions of Americans struggled to access UI benefits and some states like Ohio postponed the implementation of emergency measures such as PUA until mid-May (Nielson, 2020). Difficulties in accessing state UI systems contributed significantly to a lag in the receipt of benefits. If the 23 million who the Bureau of Labor Statistics reported as unemployed in April of 2020 received average UI payments for the full month, the total of UI payments would have been double what was actually paid out (Nunn et al., 2020). Equally important, emergency benefits enacted by Congress were designed to expire at the end of July 2020, despite Congressional Budget Office projections that unemployment would be well over 10% at that point (Swagel, 2020). As that deadline approached Democrats urged an extension of the emergency measures, but some Senate Republicans protested that the benefit levels were too generous and provided a disincentive to people to return to work (O'Brian, 2020). This came as the country saw the nineteenth consecutive week of more than 1 million new unemployment claims (Siegel & Van Dam, 2020). Facing pressure to act in the absence of legislation from Congress, President Trump released an executive order in August that allowed governors to redeploy existing Disaster Relief Funds to create a temporary federal unemployment extension of $300 per week, with the option to kick in an additional $100 per week. Yet a combination of pre-existing revenue shortfalls and a lack of clear federal guidance delayed, and in some cases prevented, states from taking advantage of Trump’s offer (Broadwater, Cochrane, Mervosh, & Rappeport, 2020).

3.3 Social assistance and family policies
While the virus is indiscriminate, there are groups that are made more vulnerable due to living conditions and chronic illnesses (Noppert, 2020). These people are more prevalent amongst those on social assistance. In
Canada, the federal and provincial governments increased spending and relaxed criteria for several existing social assistance programmes. This includes programmes for indigenous communities, women's shelters, homeless populations, food banks and youth as well as some policies for low-income seniors. For example, low-income families eligible for the Goods and Services Tax Credit would also receive a one-time payment. On May 12, Trudeau announced a one-time payment of up to $500 CAD for low-income seniors and those on the quasi universal Old Age Security (Harris, 2020a, 2020b). Several provinces also relocated the homeless to reduce transmission levels within this group (Vennavally-Rao & Bogart, 2020).

With schools and daycares closed across the country, governments sought to increase transfers to families. And while the federal government does not have jurisdiction over social assistance, it does have the ability to influence policies via financial transfers. At the federal level, the Canada Child Benefit is an income-tested benefit that targets middle and low-income voters (Banting & Myles, 2016). Maintaining its commitment to middle-class families, the Liberal government temporarily increased this flagship policy with a one-time increase of $300 per child in May (PMO, 2020). Quebec and Ontario governments also targeted families by increasing childcare payments and tax credits.

The United States does not have any form of family allowance or child benefit programme at the federal level. The Aid to Families with Dependent Children (AFDC) programme, which had provided a cash benefit to particularly vulnerable, mostly single parent, low-income families, was abolished and replaced by Temporary Assistance to Needy Families (TANF) in 1996. TANF receipt was time limited and much more contingent on perceived work effort and served fewer poor families. As COVID-19 hit, the Administration for Children and Families (2020) issued guidance to states about how they could use some flexibility in TANF regulations to assist families. This included waiving work requirements in the programme or extending emergency payments for a short period through non-recurrent short-term benefits. Several states did waive or ease their work requirements and some also put their ‘time limit clocks’ on hold (Burnside, 2020a), but these changes impacted only a very limited number of families and TANF remained a marginal source of support for low-income families further distressed by COVID-19 (Burnside, 2020b). The CARES Act did extend TANF funding through the end of November 2020 but did not offer any increased funding to states or address work requirement rules (Falk, 2020).

As TANF served a diminishing population the Supplemental Nutritional Assistance Programme (SNAP) became a much more important source of support for low-income households. Regularly assisting one in eight Americans, SNAP expands automatically to cover an increased number of eligible recipients during economic downturns. In addition to this normal stabilising response, over the opening weeks of the crisis most states took advantage of opportunities to apply for waivers allowed by the Families First Coronavirus Response Act to provide extra aid through the programme. As reported by the Center on Budget and Policy Priorities (2020) in mid-June ‘All states have boosted emergency supplementary benefits, the vast majority have taken steps to ease SNAP administration and maintain participation, and over 40 have been approved for school meal replacement benefits’. In practical terms, this meant that households would receive improved benefits and that new applicants and those households needing to recertify their claims would have to navigate a simplified process. Yet, these expansions and easing of access requirements should not be exaggerated. The new flexible arrangements were temporary ‘and contingent on both a federal public health emergency and a state declaration of an emergency or disaster declaration’. In addition, states needed to apply to renew these programme waivers every month.

Further to adjusting these existing programmes, the CARES Act provided income from the federal government directly to many households. Under this law, each household that filed taxes in 2019 received a payment of $1,200 per adult and an extra $500 per dependent child. This was paid out to individuals earning up to $75,000 and was then phased downwards to zero for people earning $99,000. This money was a one-off payment. This
disappointed some more liberal Democrats who had pushed for a series of regular monthly payments. Though it
did represent a push back against early Senate GOP proposals that called for a minimum income from 2019 tax
filings or a phase-in of the payment so that the very poor would get less money than the middle class
(Matthews, 2020).

3.4 Health care
In Canada, the COVID-19 crisis exerted pressure on the health care system, as spending increased to address this
public health emergency. Simultaneously, the crisis revealed the extent of the challenges facing Canada’s long-
term care facilities. In Canada, long-term care, just like health care more generally, falls under provincial
jurisdiction and the extent of federal fiscal support in the area remains limited.

A large proportion of people who died from COVID-19 were residents of both public and private long-term care
facilities. The failure to contain the virus in many of these facilities proved so obvious that, in the two largest
provinces, Ontario and Quebec, members of the armed forces were deployed in some of the hardest hit
facilities. In this context, long-term care reform has moved to the centre of both federal and provincial policy
agendas (Béland & Marier, 2020).

In the United States, health financing arrangements, which rely heavily on a fragmented system of employer-
sponsored insurance, public financing for aged, disabled, and low-income Americans, and public subsidies for
individual market coverage, left millions of Americans vulnerable to losing insurance coverage as the result of
the pandemic. Of the 31 million workers filing unemployment claims between March 1 and May 2, an estimated
26.8 million became uninsured. Forty-seven percent of these individuals were likely eligible for Medicaid
coverage, while 31% were eligible for subsidised individual market coverage (which often comes with high cost-
sharing). The remaining 22% were not eligible for coverage (Garfield, Claxton, Damico, & Levitt, 2020).

The responsiveness of public programmes as ‘automatic stabilisers’ depended on pre-existing state policies. In
particular, states that did not expand Medicaid under the Affordable Care Act had wider coverage gaps into
which newly uninsured Americans fell. Emergency programmes created by Congress enabled states to
temporarily expand eligibility, by authorising a 6.2% point increase in federal Medicaid matching funds and
required states to meet maintenance of eligibility conditions that ensured continuous coverage for current
enrollees. Nevertheless, a surge in Medicaid enrolment spelled trouble for state Medicaid programmes, which
rely extensively on financing from state governments, which cannot engage in counter-cyclical spending during
economic crises. Four in ten states surveyed reported projected shortfalls in Medicaid budgets by the end of the
fiscal year—prompting governors and state Medicaid directors to call for a temporary expansion of federal
financing for Medicaid (Rudowitz & Hinton, 2020).

3.5 Housing
In Canada, the federal government promised $50 billion CAD in funding to purchase insured mortgage pools.
These mortgages are insured by the Canadian government in cases in which the buyer did not have enough
capital to have their loan approved by their financial institution. This represents the largest single investment in
the banking industry in Canada since the 2007–2008 financial crisis. The federal government also requested
banks work on a case-by-case basis with homeowners affected by COVID-19 to ensure they may continue to
make their payments in the long-term. Housing initiatives varied across the provinces. British Columbia provided
the most generous support with $300–500 a month in a Temporary Rental Supplement.

In the United States, COVID-19 also accentuated a pre-existing housing crisis. Even prior to the pandemic, as
many as 15% of US households reported being housing insecure. With massive unemployment that followed
from the health crisis, as many as 1 in 3 Americans lost their ability to pay rent. In the CARES Act, Congress
enacted emergency measures to support renters, including a temporary moratorium on eviction filings and
other protections for tenants in federally supported rental properties and federally supported mortgages. Nevertheless, only a small percentage of respondents to a national survey reported benefiting from these federal policy provisions (Grinstein-Weiss, Gupta, Chun, Lee, & Despard, 2020). State policies to protect renters and homeowners also varied widely. While many states enacted eviction moratoria at the beginning of the pandemic, these soon began to sunset, even as unemployment remained high. By August of 2020, fewer than half of the states maintained moratoria on each of the five phases of eviction (Regional Housing Legal Services (RHLS), 2020). Cash assistance to renters also varied throughout the states. Thirty-nine states had statewide emergency rental assistance programmes. In 11 states, emergency rental assistance was available only through local governments. Whereas, a large number of cities in some states (as many as 23 in Massachusetts) maintained their own emergency rental assistance programmes; few cities in other states, such as Wisconsin and Georgia, maintained similar programmes (National Low Income Housing Coalition (NLIHC), 2020). With months to go before the election and a simmering crisis, the Trump administration took action in the form of an emergency order issued by the Centers for Disease Control and Prevention, barring evictions for most renters until the end of the year. While this forestalled many of the immediate effects of the housing crisis, the absence of relief payments for renters and homeowners ensured that the problem would re-emerge once the new moratorium ended (Badger, 2020).

3.6 Fiscal realities

While tax policy was not the primary means of emergency relief, both governments used their respective tax codes to ease the economic burdens of individuals and businesses (Deloitte, 2020a; Deloitte, 2020b). Yet, by far the most significant developments in fiscal policy were on the spending side.

In Canada, the most important news has been the advent of large federal and provincial deficits, a situation that stems from both increased spending and revenue losses stemming from the sudden economic slowdown triggered by COVID-19. For instance, on July 8, 2020, the Trudeau government announced that the federal deficit for the 2020–2021 fiscal year would climb to $343 billion CDN or 15.9% of GDP (Curry & Leblanc, 2020). As for the provinces, territories and municipalities, they face even greater fiscal challenges than the federal government (Béland, Lecours, Paquet, & Tombe, 2020).

In the US, the fiscal response to COVID-19 varied across levels of government. State and local governments faced steep revenue losses. Between 2020 and 2022, state governments were projected to experience a $650 billion revenue shortfall, while city governments were set to experience a $360 billion shortfall (Leachman, 2020; National League of Cities, 2020). In mid-May, House Democrats' proposals for a multi trillion-dollar discretionary fiscal support programme passed along largely partisan lines but failed to gain traction in a Republican-controlled Senate. Yet even though the deficit impact of Congress's COVID-19 relief legislation was significant—roughly $2.4 trillion dollars—it was likely far too limited to have the significant counter-cyclical effects necessary to generate a fast economic recovery (Federal Open Market Committee, 2020).

4 DISCUSSION

The preceding analysis reveals several fundamental sources of divergence between the US and Canadian social policy responses to the COVID-19 pandemic. First, as shown in the cases of unemployment protection and health care, Canada possessed a social policy architecture that enabled a quicker response to rapidly emerging conditions. For example, Canada’s universal single-payer system meant that massive unemployment did not translate into historic waves of health insurance losses, as it did in the United States. Where unemployment was concerned, the centralised nature of the Canadian EI system enabled emergency funding (in the form of the CERB) to be enacted and implemented rather quickly. The decentralised UI system in the United States, by contrast, posed a structural impediment to the implementation of emergency policies. While Congress did enact
an unprecedented temporary extension of the programme, it was set to expire at the end of July 2020, as the pandemic and its economic exigencies persisted.

Relatedly, in the areas of housing and social assistance, the singularly residual character of the US welfare state appeared to require, but not to generate, more significant emergency policy responses. As for family policy, there is simply no American analogue to the Canadian Child Care Benefit, which the Trudeau government temporarily expanded during the crisis. While the US did make emergency adjustments to SNAP and offered a one-time income-support payment to individuals and families, these measures lacked the comprehensiveness of the Canadian response. Furthermore, COVID-19 only accentuated the pre-existing housing crisis in the US caused by chronic underinvestment in public housing subsidies.

Second, the greater power concentration in Canada’s parliamentary system contributed to a faster federal response than in the United States, where checks and balances tend to slow down legislative approval. Although Prime Minister Trudeau heads a minority government, swift action was easier to take in Canada because of its weak and unelected Senate and a fusion of executive and legislative power that increases policy coordination. In fact, the configuration of the US government (divided control of Congress, with a single party holding control of both the Senate and the White House) has made it particularly difficult to revise or expand discretionary emergency relief programmes in the early days of the pandemic.

Third, despite several moments of bipartisan consensus, US political parties also exhibit an extraordinary level of polarisation relative to their Canadian peers. This only accentuates the gridlock caused by divided control of Congress, further frustrating the development of emergency relief programmes. By contrast, Canadian political parties have overall demonstrated a stronger consensus. Although most provinces had conservative governments at the onset of the pandemic, collaboration with the Trudeau Liberal government proved relatively seamless, despite occasional criticisms of federal initiatives such as the CERB, which some premiers criticised for its lack of work incentives.

To be sure, there were some similarities in the Canadian and US responses. For example, where the truly novel features of the crisis demanded new forms of emergency relief, both countries faced implementation issues. In the case of Canadian employment protection, strict eligibility requirements and a backlog of applications hindered take-up of the CEWS. The US’s PPP programme allowed banks to play a gate-keeping role in policy implementation and was redesigned in ways that did not generate the stated goal of rehiring workers. Even so, our analysis suggests that major differences in the policy and institutional architectures of both countries continue to reverberate for their social policy responses to COVID-19.

5 CONCLUSION

The above analysis shows 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. What this analysis cannot do is assess the long-term impact of the social policy measures enacted in response to the pandemic. Although these measures are generally temporary in nature, the longer the pandemic and the related economic downturn last, the more likely it is that permanent changes to the welfare state occur. Moreover, the COVID-19 crisis has altered the social policy agenda in both countries in ways that could have lasting consequences. This is particularly the case in Canada, where long-term care reform in the provinces has moved onto the agenda and where lasting policy responses are already being debated. Problems in long-term care facilities were known before the beginning of the COVID-19 pandemic, but the number of deaths in these facilities increased the salience of the issue to the point of making reform significantly more likely than before (Béland & Marier, 2020).
The passage of the CARES Act with large bipartisan majorities in Congress very briefly suggested that US partisan polarisation, which had exacerbated the ever-present difficulties of policy making in an institutionally fragmented system, had been put aside in the face of the pandemic. This raised the possibility of more permanent fixes on issues addressed temporarily as part of the initial emergency legislation. For example, the Families First Coronavirus Response Act gave access to paid sick leave for workers suffering from COVID-19 symptoms (Long, 2020). Since only 12 states plus Washington DC had existing mandatory paid sick leave programmes, the obvious importance of keeping sick people away from work during the pandemic led to debate about whether there should be federal legislation establishing a permanent programme and thus bringing the US into line with all other OECD countries apart from South Korea (Desilver, 2020). That bipartisan moment did not last however, as illustrated by the fate of the HEROES Act, which was passed by the Democratic controlled House in May but was not given serious consideration in the Republican-controlled Senate with negotiations about a further possible support package extending into August. Thus, as health and economic conditions worsened, Congress pushed key decisions on social protection measures down the road. The pandemic clearly exposed the inequalities in US society and the ongoing risks associated with living in a low-income household, but the existing political fault lines on the benefits of expanding the social safety net saw only minor and temporary shifts rather than tectonic movement. Finally, we can say that, in both countries, the temporary measures enacted during the first months of the COVID-19 crisis did more to stress the limitation of existing social programmes than to bring about permanent change, which only remains a distant possibility in key policy areas, especially in the United States, because of the factors discussed above.

Another issue that might make it less likely for that permanent, expansionary policy changes to emerge in the immediate aftermath of the COVID-19 crisis is the advent of larger public deficits at the federal and the subnational level in both countries. In Canada, the fiscal situation of some provinces like Newfoundland and Labrador is especially dire and the present crisis is increasing talk of reforming fiscal federalism and specific federal transfers to the provinces and territories, which premiers were already criticising before the onset of the pandemic (Béland et al., 2020). Similarly, American states and local governments are teetering on the edge of fiscal collapse, with significant revenue losses projected if Congress or the Federal Reserve do not step in to provide relief, either in the form of fiscal transfers or new forms of liquidity.

The possibility that the advent of large public deficits triggers the politics of austerity at both the federal and the subnational level in Canada and the United States will depend on electoral outcomes and partisan ideologies. In Canada, at the federal level, austerity is unlikely as long as the Liberals remain in power. Because they have a minority government, however, federal elections could occur sooner rather than later (i.e., if and when the Liberals lose confidence of Parliament). If the outcome of such an election is a Conservative majority government, austerity could move onto the agenda. As for the situation prevailing in the provinces and territories, it varies greatly from one jurisdiction to the next, depending on fiscal realities but also partisan configurations. The fact that conservative parties are in power in most provinces make austerity more likely at the subnational level than at the federal level, at least for the time being.

In the United States, the response to the pandemic quickly became mired in partisanship and election-year politics. This was reflected in the differing public health responses across states as President Trump encouraged a re-opening of the economy seemingly most concerned about his re-election chances. This in turn emphasised the importance of electoral outcomes. While still in the midst of the pandemic the Trump administration doubled down on its support for a legal challenge to the Affordable Care Act, which, if successful, would likely lead to the loss of health insurance for over 20 million Americans. On the other hand, the Democratic nominee for the 2020 election, former Vice President Biden was committed to expanding the provisions of the ACA and would likely come under pressure to push further to the left if he the Democrats controlled both chambers of Congress in January 2021. Under the current political configuration, it is unlikely that the pandemic will prove to
be a critical juncture leading to a transformation of the architecture of the US welfare state. Yet, dependent on election results and broader social mobilizations, it could add to pressures for expanding the safety net in some areas.

The public health and social policy situations in both Canada and the United States remain in flux, and it is far too soon to tell whether the pandemic will generate substantial changes in both nation's social policy architectures. Nevertheless, the evidence is already quite clear that pre-existing political institutions and policy legacies as well as variation in the level of cross-partisan consensus about the pandemic have created a visible and meaningful divide in the two countries' responses to this virtually unprecedented crisis.

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