

The Treasury

Creating a Resurgence Wage Subsidy Scheme and Amending the Leave Support Scheme Information Release

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Cabinet Document Details

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Date: **17 August 2020**

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Cabinet

Minute of Decision

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Creating a Resurgence Wage Subsidy Scheme and Amending the Leave Support Scheme

Portfolios **Finance / Workplace Relations and Safety / Social Development**

On 17 August 2020, Cabinet:

Resurgence Wage Subsidy Scheme

- 1 **noted** that on 14 August 2020, Cabinet agreed in principle that:
 - 1.1 the Wage Subsidy Scheme be extended nationally to provide further wage subsidy support if the government decides to extend Level 3 restrictions in Auckland to a total of two weeks;
 - 1.2 this be for an initial two week period, with an extension for a further two weeks if necessary;
 - 1.3 the Leave Support Scheme should be modified to support the government's resurgence plan, and that these modifications could include removing the financial impacts test for firms to qualify, relaxing eligibility for workers in aged care facilities, expanding eligibility to include the parents and caregivers of someone who is required to self-isolate and hard-linking eligibility to instructions to self-isolate;

[CAB-20-MIN-0399]
- 2 **noted** that the current targeted extension to the Wage Subsidy Scheme (WSX) agreed by Cabinet continues to be open for applications until 1 September 2020 [CAB-20-MIN-0219.01];
- 3 **noted** that the estimated increase in take up of the WSX due to Auckland being at level 3 will cost \$1.1 billion;
- 4 **agreed** to a Resurgence Wage Subsidy Scheme (WSR) that would be a further 2 weeks payment, at an estimated cost of \$510 million;
- 5 **noted** that the cost of the WSR outlined in paragraph 4 above is sensitive to the take-up of the scheme;
- 6 **noted** that depending on whether there is an extension of current restrictions, further extensions to the WSR may be sought before 26 August 2020;

Wage Subsidy - Eligibility

- 7 **noted** that for the Ministry of Social Development (MSD) to accept applications as soon as possible, such as from Friday 21 August 2020, would mean retaining as many features of the current WSX as possible into the WSR, including the:
 - 7.1 high trust model;
 - 7.2 the two-week payment period starting from the date of application;
 - 7.3 same entity-eligibility rules;
 - 7.4 publish on MSD's website some details of firms that receive the WSR in line with current practice
- 8 **agreed** that the same entity-eligibility rules, employee eligibility rules, employer obligations, and state sector eligibility determinations will apply to the WSR;
- 9 **agreed** to a new revenue loss test, being that a firm has had or is predicting a revenue drop of at least 40 percent for any consecutive period of at least 14 days within the period of 12 August to 10 September 2020, when compared to a similar period in 2019, which is attributable to effects of COVID-19, including government health restrictions;
- 10 **authorised** the Minister of Finance, Minister for Workplace Relations and Safety and Minister for Social Development to make further decisions, if necessary, on details of the operational design of the prior-year comparison period for the purposes of the new revenue loss test;
- 11 **agreed** that a firm will be required to repay the subsidy if a predicted revenue loss is not realised;
- 12 **agreed** that the revenue comparison tests for new business, pre-revenue start-up businesses and high-growth firms for WSX would continue to apply for WSR;
- 13 **agreed** that an employer cannot simultaneously claim or receive the WSX (closing 1 September 2020) and the WSR, or the COVID-19 Leave Support Scheme in respect of the same employee for the same subsidy period;
- 14 **agreed** that exemptions provided to State Sector Organisations (SSOs) (including State Owned Enterprises) enabling them to apply for the Wage Subsidy Scheme will be automatically extended to the WSX and similarly the WSR;
- 15 **noted** that exemptions enable companies to apply for the wage subsidy, but do not guarantee they will receive it, and the Ministry for Social Development retains control over eligibility decision-making;
- 16 **agreed** that if the policy parameters of the WSX or the new WSR change significantly, then SSOs which have received exemptions (including State Owned Enterprises) will need to seek new exemptions, if SSOs are not automatically eligible to apply;

Wage Subsidy - Payment and duration

- 17 **agreed** that the duration of the WSR will be 2 weeks, paid as a lump sum to the employer and at the same weekly rates as the current WSX;
- 18 **agreed** that applications for the scheme will be open from 21 August to 3 September 2020 (a 2 week period);
- 19 **noted** that MSD will start accepting applications for the WSR from 1pm Friday 21 August 2020;

Wage subsidy – possible extension

- 20 **noted** that the WSR can be extended to enable a second payment with applications open from 4 September to 17 September 2020 if required, assuming the criteria remain the same;
- 21 **agreed** that all features of any possible second WSR payment would remain the same as the first, including that firms would need to apply for the extension;

Wage Subsidy - Scheme integrity

- 22 **noted** that the Ministry of Social Development will continue to administer the scheme and apply largely the same measures for scheme integrity as with the current WSX;
- 23 **noted** that the Ministry of Social Development will likely cease the pre-application checks of employers with more than 80 employees as was standard practice under the WSX due to the short duration of the scheme;
- 24 **noted** that the scheme would continue to be a high-trust model;

Leave Support Scheme

- 25 **agreed** to remove the revenue drop test and the significantly negatively impacted test from the Leave Support Scheme;
- 26 **noted** that changes to the Leave Support Scheme will come into effect from 1pm on 21 August 2020;
- 27 [33]

Financial and other recommendations

- 28 **noted** that:
 - 28.1 the WSR scheme is expected to cost \$510 million;
 - 28.2 additional support expected through the existing WSX is expected to be \$1.1 billion as a result of the resurgence;
- 29 **agreed** that changes to the Leave Support Scheme and the introduction of the WSR can be met from within existing appropriations;
- 30 **noted** that if demand exceeds the current appropriations, this will need to be sought from the Covid-19 Response and Recovery Fund established as part of Budget 2020;

- 31 **approved** the following changes to appropriations to give effect to the above decisions with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Other Expenses:				
Business Support Subsidy Covid-19	967.000	-	-	-
COVID-19 Leave Support Scheme	30.000			
Multi-category Expenses and Capital Expenditure				
Improved Employment and Social Outcomes Support				
Departmental Output Expenses:				
Improving Employment Outcomes (funded by revenue Crown)	0.400	-	-	-
Total Operating	997.400	-	-	-

- 32 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that in the interim, the increases be met from Imprest Supply;
- 33 **noted** that the increase in non-departmental appropriations is met from funding that was not used from these appropriations in the 2019/20 fiscal year;
- 34 **agreed** that the departmental output expenses incurred under paragraph 31 above be charged against the Covid-19 Response and Recovery Fund established as part of Budget 2020;

Next Steps

- 35 **authorised** the Minister of Finance, Minister for Workplace Relations and Safety, and Minister for Social Development to make technical or minor implementation changes to the policy and operational changes agreed above;

36 [33]

Michael Webster
Secretary of the Cabinet