

# 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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Office of the Minister of Finance

Office of the Minister of Social Development

Office of the Minister of Workplace Relations

## **COVID-19: Creating a Resurgence Wage Subsidy Scheme and amending the Leave Support Scheme**

### **Proposal**

1. This paper seeks agreement to the criteria for a Resurgence Wage Subsidy Scheme in response to the increased Alert Levels put in place in August 2020. The paper also seeks agreement to amend the Leave Support Scheme to better support the public health measures to restrict the spread of COVID-19, and directs officials to advise on longer-term options to improve access to the Leave Support Scheme.

### **Relation to government priorities**

2. This proposal supports the Government's response to COVID-19 by making changes to the range of financial support available to businesses and workers, to support adherence to public health advice.

### **Executive Summary**

3. The detection of community transmission of COVID-19 and associated increases in Alert Levels announced on 11 August have changed the operating conditions for affected businesses, particularly in Auckland which is currently the only region operating under Level 3 restrictions.
4. Applications for the existing Wage Subsidy Scheme Extension (WSX) are due to close on 1 September 2020. Beyond then, firms, sole traders and the self-employed (firms) that cannot operate at full capacity, or at all, as a result of Alert Level restrictions will face pressure to reduce staff or fold. There are also a number of businesses who have already exhausted the WSX extension so are not currently eligible for further wage subsidy support.
5. In order to provide confidence and certainty of support to businesses in the short-term, we are proposing a two-week extension to wage subsidy support, through the establishment of a Resurgence Wage Subsidy Scheme (WSR), to be available nationally.
6. We also seek agreement to remove the 30% reduction in revenue test and the negatively impacted test from the Leave Support Scheme, to take effect from the same time as the WSR is open for applications. This will help clarify, and expand,

scheme eligibility, incentivising compliance with public health guidance and supporting the Government's resurgence plan and elimination strategy.

7. The criteria for the scheme will otherwise remain the same, <sup>[33]</sup>

#### *Decisions sought on Resurgence Wage Subsidy Scheme*

8. We seek agreement to create a further Wage Subsidy Scheme to respond to the resurgence of COVID-19 and changes to Alert Levels. The Resurgence Wage Subsidy Scheme (WSR) would run alongside the current Wage Subsidy Scheme Extension (WSX) until 1 September- applications for the WSR would close on 3 September. This would provide two weeks of wage subsidies for businesses who meet the criteria and are not currently receiving the WSX. The Scheme could potentially be extended for a further period if heightened Alert Levels continue, or further increase.
9. To help with the ease of understanding and to facilitate speedy delivery, most of the criteria for the WSR will remain the same as the WSX in terms of eligible employers, employees and other eligibility requirements. The key changes would be in the length of payment, application dates, and the period to which the revenue test applies.
10. We propose the following changes to the eligibility criteria:
  - 10.1 Fourteen day revenue test period, to align with the announced duration of current alert levels, with options to extend.
    - 10.1.1 A firm must have had or is predicting a revenue drop of at least 40% for any consecutive period of at least 14 days within the period of 12 August to 10 September, when compared to a similar period last year, which is attributable to effects of COVID 19, including government health restrictions.
  - 10.2 Allowing prospective revenue drop estimates. The WSR revenue test will allow a forward looking revenue test, or a retrospective revenue test, or a combination.
  - 10.3 Applications will be open on 21<sup>st</sup> August. The Minister of Finance will be making an announcement on the criteria on Monday 17 August pending Cabinet's agreement.
11. In order to prepare for any future resurgence and shift the nature of financial support to support sustainable decisions by employers, officials will be asked to report back on a more sustainable longer-term scheme that adapts to changing Alert Levels, is easily administered and can be easily understood and communicated.

### *Decisions sought on Leave Support Scheme*

12. We seek agreement to remove the 30% reduction in revenue test and the negatively impacted test from the Leave Support Scheme, to take effect from the same time as the WSR is open for applications.
13. Officials will report back on further possible changes to the Leave Support Scheme, along with a more sustainable longer-term scheme that adapts to changing Alert Levels.

### *Next Steps*

14. The Minister of Finance will make an announcement on Monday following Cabinet. The Ministry of Social Development estimates that it will be ready to take new applications from 1pm 21 August and payments could begin to be made soon after, provided Cabinet agrees to the proposed recommendations today. A delay or additional modifications will mean this 21 August date will not be met.
15. We have also directed officials to undertake further work on options for more sustainable and flexible support arrangements to enable adaptability in the event of further Alert Level restrictions.
16. In designing options, officials will have regard to the broader context of supports for firms and workers (for example, the availability of the COVID Income Relief Payment and the Small Business Cashflow (Loan) Scheme), the importance of facilitating adaption by businesses to a COVID context, the supply side disruptions that may be created by future health directions (for example for workers to self-isolate) and the likely fiscal impacts of any support.

## **Background**

### *Wage Subsidy Scheme*

17. On 17 March the Government introduced a wage subsidy scheme (WSS) to support New Zealand businesses and employees to maintain labour market attachment. The WSS was designed to provide timely support to firms and individuals, to cushion the blow of the impacts of COVID-19 and associated public health measures.
18. It was paid out in a one-off lump sum to firms that had experienced a 30% revenue loss (actual or predicted), providing them with 12 weeks of support at a rate of \$585.80 per week (gross) for a full-time worker and \$350 per week (gross) for a part time worker.
19. Evidence indicates it has been well suited to the sudden and temporary nature of the COVID-19 shock, is likely to have reduced economic scarring, and facilitated a more rapid economic restart.
20. A key benefit of the scheme was the speed at which it provided cash-flow assistance, which business indicated helped them retain staff, and continue operations.

21. Applications for the WSS closed on 9 June. There are currently still around 21,000 jobs supported by the WSS.
22. As the country came down to Alert Level 1, we agreed to the Wage Subsidy Scheme Extension (WSX), which was targeted at those businesses that continued to suffer a significant drop in revenue as a result of COVID-19.
23. The WSX requires applicants to have an actual 40% revenue drop (instead of a 30%) in a 30 day period in the 40 days immediately before their application and provides an 8-week lump sum payment, at the same rates as the WSS.
24. More than 247,000 jobs were supported by the WSX (as at 24 July) with further applications expected.
25. Applications for the scheme will close on 1 September, and those firms that received support from the WSX scheme when it first opened have now exhausted their entitlement.

#### *Leave Support Scheme*

26. On 17 March 2020, the Government also introduced a COVID-19 Leave Payment Scheme, which was later updated to the Leave Support Scheme (LSS). The LSS financially supports individuals to self-isolate, aiding compliance with public health guidance. The scheme as it currently stands was established on 22 April 2020, although earlier iterations of the scheme, with narrower criteria, existed from 17 March 2020.
27. For employees who have been made redundant, the Government established the COVID-19 Income Relief Payment (CIRP) making 12 weekly payments at similar levels to the wage subsidy. Numbers of people taking up the CIRP are lower than original forecasts, in part due to the WSX. Applications for CIRP close on 13 November 2020.

#### **Agreement in Principle by Cabinet on Friday**

28. On Friday 14 August 2020, Cabinet agreed in principle to extend the WSX nationally, to provide additional support to firms given the AL3 restrictions in Auckland are to be in place for two weeks. Cabinet agreed that this support would be available for an initial two week period, with an extension for a further two weeks if necessary.
29. The economic impact, measured by GDP, of these restrictions in the Auckland region has been estimated to be \$600 million per week. While the major impact of the increased restrictions will be felt in Auckland there will be a ripple effect on businesses in the rest of the New Zealand who rely on customers in Auckland, for example tourism operators.
30. Furthermore the impact of Level 2 restrictions in the rest of the country is being felt by businesses in the tourism, retail and hospitality sectors, many of whom have just got themselves back up and running again in recent weeks.

31. As a result the decision was made to have the scheme apply across New Zealand. Cabinet felt that it was best to build on the success of the WSS and WSX and as much as possible maintain the criteria to enable speedy payments to businesses.
32. Cabinet also agreed in principle to make changes to the LSS, to ensure that it provides optimum support for the Government's resurgence plan. Ministers are particularly concerned with ensuring that no one is deterred from getting a test for COVID 19 or going into managed isolation because of fear that they may lose their job. Some employees have exhausted their leave entitlement and employers may not be willing to provide additional leave.
33. In this context, this paper seeks Cabinet agreement to the criteria for a further Wage Subsidy Scheme, and make changes to the LSS to enhance scheme coverage and efficacy. Officials have recommended that it would be easier to communicate the further Wage Subsidy Scheme as a new scheme- Resurgence Wage Subsidy Scheme (WSR), rather than as a further extension of WSX, as employers can continue to apply for the WSX until 1 September 2020, and the proposed WSR will commence prior to that. No business will be able to receive both the WSX and the WSR at the same time.

### **Designing a resurgence Wage Subsidy Scheme**

34. The WSR would be a new scheme and separate from the WSX (which would remain open until 1 September). However, many of the criteria used for the WSX would also be used for the new WSR. This will enable the new scheme to be implemented quickly.

#### *Criteria*

35. We seek agreement that the same entity-eligibility rules, employee eligibility rules, employer obligations, and state sector eligibility determinations for the previous wage subsidies apply to the WSR, except where explicitly outlined below. Carrying across as many of the existing criteria and application process rules as possible will make it easier to understand and communicate to businesses, as well as being easier and quicker to implement.
36. The duration of the subsidy will be two weeks for each named employee, paid as a lump sum to the employer and at the same weekly rates as the WSX with the payment period being from the date of application.
37. Applications for the scheme will be open for the two week period from 21 August to 3 September. Any further extension of the WSR could be open for another two week period.
38. The current 40% revenue drop will also continue to apply. However, we propose that the test look at a revenue drop over a 14 day period in the 30 days since the Alert Levels were raised, rather than the current requirement to show a revenue drop over 30 days prior to application. This reflects that the WSR payment is for a two week period (as opposed to the 8 week period of the WSX) and the circumstances of the changed Alert Levels. The drop in revenue for the period would still have to be

compared to the closest period last year, and be attributable to effects of COVID 19, including government health restrictions.

39. Firms, sole traders and the self employed will also be able to apply if they have a qualifying actual or predicted revenue loss in the qualifying period. The option of a prospective revenue drop enables firms who anticipate that their revenue will decline to apply for cash flow assistance early. Firms will be able to nominate any 14 day period between 12 August and 10 September. If a predicated loss is not realised firms will have to repay the amount paid to them, in line with the approach taken to the first wage subsidy.
40. The revenue comparison tests for new business, pre-revenue start-up businesses and high-growth firms from WSX would carry across to WSR.
41. An employer will not be able to claim under the current WSX (closing 1 September 2020) and the new WSR, or the COVID-19 Leave Support Scheme in respect of the same employee at the same time.

#### *State Sector Organisations*

42. State Sector Organisations (SSO) can be granted an exemption to apply for the WSS. We are proposing that this ability to apply is continued for the WSX and WSR, and any further extensions in the future.
43. For those SSOs that have already received exemptions to apply, we propose to extend those exemptions to the WSX and WSR. This does not automatically grant access to the wage subsidy for these named SSOs. MSD would still have decision-making rights on whether to grant the application, rather this enable those firms to make an application. For the avoidance of doubt, if the policy parameter significantly changed then the exemptions would not be carried forward. Exemptions were provided to the following State Owned Enterprises and Crown Entity companies: Airways Corporation of New Zealand, Television New Zealand, Quotable Value, New Zealand Post and Kiwi Rail.

#### *Scheme integrity*

44. The Ministry of Social Development will continue to use a high trust model, utilising the existing measures for scheme integrity as with the current extension of the Wage Subsidy Scheme. The only exception is that, currently, MSD checks applications from firms applying for over 80 employees. With the proposed payment period being two-weeks, MSD will no longer be checking these employers.
45. The Wage Subsidy scheme was established at pace as agreed to by Cabinet using a high-trust model, with payments made to applicants as quickly as possible to ensure support for those suffering the immediate economic impacts of COVID-19. The same model has been used in the WSX and is proposed for the WSR.

46. Audit and assurance processes were put in place to support the integrity of the Wage Subsidy under the high-trust model and a similar approach will be applied to the WSR. The audit and assurance processes have been reviewed by Deloitte and improved based on the findings.
47. Pre-payment checks are made on scheme applications including validation with IR to help ensure payments only to genuine businesses and employees and to prevent duplicate or multiple applications.
48. In addition, MSD's Fraud Intervention Service conducts risk-targeted post-grant audits supported by in-house lawyers and with advice from the Crown Law Office. This programme is informed by analytics undertaken by both MSD and IR, together with specific allegations received by MSD and MBIE.
49. Refunds received for the Wage Subsidy (employer-initiated and following audits) totalled \$379M as at 7 August.

### **Leave Support Scheme**

50. The LSS financially supports individuals to self-isolate, aiding compliance with public health guidance. The scheme as it currently stands was established on 22 April, although earlier iterations of the scheme, with narrower criteria, existed from 16 March.
51. While the existing scheme's coverage is broad, eligibility criteria means that firms must have:
  - 51.1 either experienced an actual or predicted revenue drop of at least 30% which is attributable to the COVID-19 outbreak; or
  - 51.2 had their ability to support their employee(s) negatively impacted by the COVID-19 outbreak.
52. This test was introduced early in the New Zealand COVID-19 outbreak, to control fiscal costs of the scheme under scenarios of high infection and scheme uptake.
53. In practice the scheme has had limited uptake to this point (\$84M). This is due to the existence of the wage subsidy scheme and the shorter period that expected spent in higher Alert Levels. The operationalisation of the scheme is now out of date: it refers to the revenue drop experienced between Jan-Jun 2020, excluding some workers based on the historic experience of their business during heightened Alert Levels. Anecdotally, this has created confusion among firms over whether they qualify, which may be reducing uptake.
54. More broadly, Ministers are concerned that any uncertainty about eligibility for the scheme may discourage workers with symptoms and at risk of exposure from self-presenting for testing. If this occurred it would reduce the robustness of the testing, contact tracing and isolation measures which together are key response pillars of our resurgence plan
55. This problem may be particularly acute for those on low incomes and casual contracts who work in managed isolation and quarantine facilities (i.e. cleaners and security guards).



56. Therefore we are recommending to remove the requirement for a revenue drop to access the scheme, either as a percentage or as a result of “significant impacts”. The criteria for the scheme will otherwise remain the same including that you cannot work because you have contracted COVID-19, or are a 'close contact' required to self-isolate, or are someone at most risk of severe illness from COVID-19, or live with someone in that category.
57. There is value in reviewing the LSS to assess whether further modifications are needed to support the Government’s resurgence plan. Cabinet agreed in principle 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].
58. [33]

## Implementation

59. MSD will start accepting applications for the WSR from 1pm Friday 21 August. However, to do this will mean retaining as many of the current settings as possible and continuing to operate the scheme as a high-trust mode. Other features being retained include:
  - 59.1 Using an online portal held on the Work and Income website;
  - 59.2 Employers declaring they are eligible;
  - 59.3 Retaining the existing auditing checks and processes;
  - 59.4 Publishing the names of employers who receive the WSR as per current practice;
  - 59.5 The two-week payment period starting from date of application; and
  - 59.6 Continuing with the current entity-eligibility rules as per the WSX [CAB-19-Min-0219.01]
60. MSD can also remove the revenue and significantly impacted test for the LSS to ensure it supports the Government’s resurgence plan, with this change also going live from 1pm Friday 21 August. Any modifications beyond amending the revenue and significantly impacted test will impact on the ability to make the change by 21 August.

## Risks

### *We are providing a range of supports*

61. The landscape for supporting businesses and employment relationships is now more complex than when the original wage subsidy was introduced.
62. While some payments may explicitly state that an employer cannot receive that payment while receiving the WSX, this is not consistent. MSD also has limited ability to check whether employers applying for the WSX are also receiving other non-wage subsidy payments such as CIRP, and requiring MSD to do so would mean having to delay implementation of the WSR.
63. Officials will provide further advice on this as part of the work to develop a more sustainable longer-term approach.

### *There is risk with operating three schemes concurrently*

64. Introducing the WSR ahead of the WSX closing for applications and making amendments to the LSS may make it harder for employers to understand and identify which payment is best for them. Clear communication will help to mitigate this risk.

### *Administratively complex changes could impact MSD's broader work programme*

65. The more administratively complex the WSR is and more complex the changes to the LSS, the longer and more resource intensive they will be to develop. This would have an impact on MSD's broader work programme, including putting at risk the second Apprenticeship Boost payment. As such, the proposed WSR seeks to incorporate the main existing criteria and changes to the LSS have been targeted at the key features to provide support now to mitigate the risk of disruption.

### *Investigating a more sustainable system*

66. This paper proposes some immediate action in response to what is expected to be a temporary resurgence of COVID-19. A wage subsidy is appropriate in this circumstance to minimise economic scarring and enable rapid economic restart. For prolonged heightened Alert Levels, repeated rollovers of the wage subsidy risk extending unviable businesses and a shift to a more COVID-resilient economy.
67. Officials from Treasury, MSD, MBIE and IRD will undertake further work on options for a more sustainable and flexible arrangement for support in the event of extended restrictions. In designing options, officials will particularly have regard to:
  - 67.1 the broader context of supports for firms and workers (for example, the availability of the COVID Income Relief Payment and the Small Business Cashflow (Loan) Scheme);
  - 67.2 the importance of facilitating market adaptation to a COVID context as a means of encouraging more productive allocation of labour and capital;

- 67.3 the supply side disruptions that may be created by future health directions (for example for workers to self-isolate); and
- 67.4 the likely fiscal impacts of any support.

## **Financial Implications**

### *Available Funding*

- 68. The Government has provided funding of \$15.9 billion to the Wage Subsidy Scheme, with \$10.8 billion coming from the COVID-19 Response and Recovery Fund (CRRF).
- 69. Prior to the recent changes in Alert Levels, it was expected that approximately \$2.0 billion of this funding would no longer be required.
- 70. It is likely that options recommended in this paper can be met from the funding already provided by the Government, after allowing for additional uptake of the WSX, and the WSR.
- 71. If we move to a different context and need to extend the WSR, or if uptake is greater than projected, then an increase in funding and the existing appropriation may be required.
- 72. The COVID Response and Recovery Fund still has approximately \$14 billion remaining in it that could be drawn upon if required.
- 73. The Treasury will be publishing their Pre-Election Economic and Fiscal Update (PREFU) on Thursday 20 August 2020. These forecasts represent a best estimate of the Government's books as at 6 August 2020, therefore they will reflect a reduction in costs of approximately \$2 billion relating to the Wage Subsidy Scheme. Any developments or decisions around the options recommended in this paper will impact on the fiscal forecasts relative to the Treasury's PREFU.

### *Wage Subsidy Extension (current scheme)*

- 74. The heightened Alert Levels will drive firms that have not already done so to apply for the Wage Subsidy Extension scheme, which remains open until 1 September. Firms need to have experienced a 40% revenue drop over 30 of the previous 40 days, versus the closest period last year, in order to qualify.
- 75. The additional uptake of the WSX as a result of the heightened Alert Level is estimated at \$1.1 billion.
- 76. Table A shows estimated costs. There is some offsetting of costs between the schemes as firms cannot 'double-dip' between them. This means high uptake in one scheme will reduce uptake in the other to some extent.
- 77. There is some uncertainty in uptake. The costings provided include a plausible range based on sensitivity testing. A key sensitivity is the extent of uptake by jobs outside of Auckland. A lower uptake could reduce the costs from those shown here, while a higher uptake here could increase costs above the \$2 billion of available funding.

**Table A - Estimated costs**

Cost		Jobs covered 21 Aug – 3 Sept		
		Existing	New	Total
Expected increase in WSX due to Auckland at level 3	\$1,100m	210,000* *net of expiring claims	250,000	460,000
<b>2 week</b> resurgence payment (40% revenue drop):	\$510m	-	470,000	470,000
<b>Total</b>	\$1.6b	210,000	720,000	930,000

**Notes on Resurgence Wage Subsidy Scheme costings**

- 78. The assumed uptake rate is lower than seen under the WSS. This is due to a number of factors:
  - 78.1 The WSX has a stricter revenue drop test (40% vs 30% for the WSS);
  - 78.2 Alert Level 3 allows more people to work than under Level 4 (17% more of the private sector workforce per MBIE modelling), and also more opportunities for consumption;

**Legislative Implications**

- 79. As with previous wage subsidy schemes, no legislation is required.

**Regulatory Impact Statement**

- 80. No change to legislation or regulations are required. A regulatory impact statement has not been provided due to the haste with which this paper has been prepared.

**Population Implications**

- 81. Implementing a WSR and expanding scheme coverage for the LSS will be of benefit to all New Zealanders, as it will support our national effort to eliminate COVID-19, and will provide additional financial support to firms to allow them to continue to pay their staff, and quickly continue operations as soon as Alert Level restrictions allow.
- 82. Uptake of the WSS and WSX was broad across sectors and regions. We similarly expect the WSR to be of benefit to a broad-cross section of society, including women and Māori, who make up a significant proportion of some of the most affected sectors.
- 83. We expect that the benefits of expanding and clarifying LSS eligibility will be particularly impactful for vulnerable groups (such as those on low incomes and

casual contracts) who will now be able to more easily access critical support should they need to self-isolate.

84. We also expect it to have a significant impact on Auckland's Pasifika community, who have been particularly affected by the COVID-19 resurgence.

### **Human Rights**

85. There are no human rights implications resulting from the proposals made in this paper.

### **Consultation**

86. The Ministry of Social Development, the Ministry of Business, Innovation and Employment were consulted on this paper. Inland Revenue were involved in earlier work that informed this paper. DPMC were informed of this paper.

### **Communications**

87. On Friday 14 August 2020, the Minister of Finance indicated at a press conference that Cabinet had agreed in principle to an extension to the Wage Subsidy Scheme and to changes in the Leave Support Scheme and indicated I would be making a further announcement on Monday.

### **Proactive Release**

88. We intend to release this Cabinet paper proactively in whole or in part, in the next 30 business days.

### **Recommendations**

The Minister for Finance recommends that Cabinet:

1. **note** that on Friday 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. **note** 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. **note** estimated increase in take up of the WSX due to Auckland being at level 3 will cost \$1.1 billion;
4. **agree** to a Resurgence Wage Subsidy Scheme that would be a further 2 weeks payment, at an estimated cost of \$510 million;
5. **note** that the cost is sensitive to the take-up of the scheme;
6. **note** that depending on whether there is an extension of current restrictions I may seek further extensions to the Resurgence Wage Subsidy Scheme before 26 August 2020;

### **Wage Subsidy - Eligibility**

7. **note** that for MSD to accept applications as soon as possible, such as from Friday 21 August, 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. **agree** that the same entity-eligibility rules, employee eligibility rules, employer obligations, and state sector eligibility determinations will apply to the Resurgence Wage Subsidy Scheme ( WSR);
9. **agree** to a new revenue loss test, being that a firm has had or is predicting a revenue drop of at least 40% for any consecutive period of at least 14 days within the period of 12 August to 10 September, when compared to a similar period in 2019, which is attributable to effects of COVID 19, including government health restrictions;
10. **authorise** the Minister of Finance, the Minister for Social Development, and the Minister for Workplace Relations and Safety 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. **agree** that a firm will be required to repay the subsidy if a predicted revenue loss is not realised;
12. **agree** 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. **agree** that an employer cannot simultaneously claim or receive the Wage Subsidy Extension Scheme (closing 1 September) and the Resurgence Wage Subsidy Scheme, or the COVID-19 Leave Support Scheme in respect of the same employee for the same subsidy period;

14. **agree** 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 Wage Subsidy Extension and similarly the Resurgence Wage Subsidy Scheme;
15. **note** that exemptions enable companies to apply for the wage subsidy, but do not guarantee they will receive it; the Ministry for Social Development retain control over eligibility decision-making;
16. **agree** that if the policy parameters of the Wage Subsidy Extension or the new Resurgence Wage Subsidy Scheme 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. **agree** that the duration of the subsidy will be 2 weeks, paid as a lump sum to the employer and at the same weekly rates as the current extension to the Wage Subsidy Scheme;
18. **agree** that applications for the scheme will be open from 21 August to 3 September (a 2 week period);
19. **note** that MSD will start accepting applications for the Resurgence Wage Subsidy Scheme from 1pm Friday 21 August 2020;

### **Wage subsidy – possible extension**

20. **note** that the WSR can be extended to enable a second payment with applications open from 4 September to 17 September if required, assuming the criteria remain the same;
21. **agree** that all features of any possible second WSR payment would remain the same as the first;

### **Wage Subsidy - Scheme integrity**

22. **note** 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 extension of the Wage Subsidy Scheme;
23. **note** 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. **note** that the scheme would continue to be a high-trust model;

### **Leave Support Scheme**

25. **agree** to remove the revenue drop test and the significantly negatively impacted test from the Leave Support Scheme;

26. **note** that changes to the Leave Support Scheme will come into effect from 1pm on 21 August 2020;
27. **direct** officials to report to the Minister of Finance, the Minister for Social Development, and the Minister for Workplace Relations and Safety on further changes to the Leave Support Scheme that could be made alongside work to transition towards a more sustainable longer-term scheme that adapts to changing Alert Levels;

### Financial and other recommendations

28. **note** that:
- 28.1 The WSR scheme is expected to cost \$510m;
- 28.2 additional support expected through the existing WSX is expected to be \$1.1 billion as a result of the resurgence;
29. **agree** that changes to the leave support scheme schemes and the introduction of the WSR can be met from within existing appropriations;
30. **note** 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. **approve** the following changes to appropriations to enable MSD to establish, administer and/or pay the scheme and to audit the scheme with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Non-Departmental Other Expenses:</b>					
Business Support Subsidy Covid-19	(967.000)	967.000	-	-	-
COVID-19 Leave Support Scheme	(30.000)	30.000			
<b>Multi-category Expenses and Capital Expenditure</b>					
Improved Employment and Social Outcomes Support					
<b>Departmental Output Expenses:</b>					
Improving Employment Outcomes (funded by revenue Crown)	-	0.400	-	-	-



<b>Total Operating</b>	<b>(997.000)</b>	<b>997.400</b>	<b>-</b>	<b>-</b>	<b>-</b>

32. **agree** that 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. **agree** that the departmental output expenses incurred under recommendation 33 will be charged against the Covid-19 Response and Recovery Fund established as part of Budget 2020;
34. **authorise** the Minister for Social Development and the Minister of Finance jointly to agree the final amount (if any) to be transferred, following completion of the 2019/20 audited financial statements of the Minister of Social Development or beforehand if necessary, with no impact on the operating balance and/or net core Crown debt across the forecast period;

### Next Steps

35. **authorise** the Minister of Finance, the Minister for Social Development, and the Minister for Workplace Relations and Safety to make technical or minor implementation changes to the policy and operational changes agreed above;
36. **direct** officials to advise the Minister of Finance, the Minister for Social Development, the Minister for Workplace Relations and Safety, and the Minister of Revenue and for Small Business on a more sustainable arrangement for support in the event of future restrictions.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

Hon Carmel Sepuloni

Minister for Social Development

Hon Andrew Little

Minister for Workplace Relations and Safety

