

# The Treasury

## Proactive Release of Cabinet Paper: Activating the COVID-19 Wage Subsidy March 2021 Scheme Information Release

May 2021

This document has been proactively released by **Minister of Finance (Hon Grant Robertson)** and the **Minister for Social Development and Employment (Hon Carmel Sepuloni)** on the Treasury website at <https://treasury.govt.nz/publications/information-release/finance-portfolio-cabinet-material>

### Cabinet Document Details

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### Information Withheld

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# Cabinet

## Minute of Decision

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### Activating the COVID-19 Wage Subsidy March 2021 Scheme

**Portfolios**                      **Finance / Social Development and Employment**

On 1 March 2021, Cabinet:

- 1        **noted** that on 14 December 2020, Cabinet agreed to:
  - 1.1        the circumstances in which future Wage Subsidy Schemes would be introduced including where there is an escalation to Alert Level 3 or higher lasting seven or more consecutive days (of which the seventh day may be a partial day), with the introduction of the scheme subject to approval by Cabinet at the time;
  - 1.2        the settings for future wage subsidy schemes including matching the duration of payment to duration at Alert Level 3 or above, rounded to the nearest 14 days;

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- 2        **noted** that on 27 February 2021, Cabinet agreed that Auckland go into Alert Level 3 from 6.00am on 28 February 2021 and the rest of the country into Alert Level 2 for a period of seven days;
- 3        **noted** that on 27 February the Minister of Finance indicated publicly that the Wage Subsidy would be made available as the trigger for application had been met;
- 4        **agreed** to activate a nationwide wage subsidy scheme, the COVID-19 Wage Subsidy March 2021 scheme (WSSMAR21), with the settings agreed to by Cabinet in December 2020;
- 5        **noted** that employers will be able to apply for a two week payment once the scheme opens;
- 6
  - 6.1        **agreed, subject to paragraph 6.2**, to open the WSSMAR21 for applications on Monday, 8 March 2021;
  - 6.2        **authorised** the Prime Minister, Minister of Finance and the Minister for Social Development and Employment to take decisions on an earlier opening date for applications, if necessary;
- 7        **noted** that to give effect to the decision referred to in paragraph 1.2, if Alert Level 3 is extended to last three weeks or more, the WSSMAR21 will be extended to provide a further two-weekly payment;
- 8        **agreed** that employers who receive a payment under the WSSMAR21 will be required to re-apply for each subsequent payment;

- 9 **invited** the Minister of Finance and Minister for Social Development and Employment to report back to Cabinet on the ongoing availability and settings of the scheme every six weeks should it remain open at that point;
- 10 **noted** that an employer cannot receive a wage subsidy payment for an employee who is currently covered by the Leave Support Scheme or the Short-term Absence Payment but can receive the Resurgence Support Payment at the same time as the wage subsidy;
- 11 **agreed** that applicants to the scheme will be able to nominate a revenue decline test period of 14 consecutive days during the period 28 February to 20 March;
- 12 **noted** that the default comparator period for the revenue decline test of the typical revenue within the six weeks prior to 28 February is not appropriate given the Alert Level escalation between 14 February and 22 February is likely to have depressed business revenue in Auckland and beyond;
- 13 **agreed** that the default comparator period for the revenue decline test be a typical 14-day consecutive period of revenue in the six weeks prior to 14 February 2021;
- 14 **noted** that in spite of the decision in paragraph 13, as previously agreed by Cabinet, seasonal and pre-revenue firms may be allowed to use a different comparator to the default comparator period;
- 15 **authorised** the Minister of Finance and the Minister for Social Development and Employment to jointly make decisions on further revenue decline assessment periods should the scheme be extended beyond an initial two-week period, on the revenue decline test for pre-revenue and highly seasonal firms, and other minor policy and consequential policy decisions or operational settings for the WSSMAR21;
- 16 **noted** that officials are redrafting the declaration made by applicants to take into account the changes agreed by Cabinet in December 2020 and any further decisions made by joint Ministers under paragraph 15;
- 17 **agreed** that exemptions previously provided to State Sector organisations (including State Owned Enterprises) enabling them to apply for a COVID-19 Wage Subsidy Scheme will be automatically extended to the WSSMAR21 and any future wage subsidy schemes;
- 18 **noted** that exemptions enable companies to apply for the wage subsidy, but do not guarantee they will receive it, as the Ministry of Social Development (MSD) retains control over eligibility decision-making;
- 19 **noted** that officials will report separately to the Minister of Finance and the Minister of Social Development and Employment on the details of an evaluation of the WSSMAR21 and previous Wage Subsidy Schemes;
- 20 **authorised** the Minister of Finance and the Minister for Social Development and Employment to draw down up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) established as part of Budget 2020 for MSD to undertake an evaluation of the WSSMAR21 and previous wage subsidy schemes;
- 21 **noted** that the WSSMAR21 is expected to cost \$520 million every two weeks based on current alert level settings;
- 22 **noted** that funding for payments under the scheme will be provided in the first instance from the approximately \$1.3 billion underspend remaining in the existing Business Support Subsidy COVID-19 appropriation for the 2020/21 year;

- 23 **noted** that if the \$1.3 billion remaining in the appropriation is required to be spent there will be a corresponding impact to the operating balance and net core Crown debt, as the latest fiscal forecasts assume that the unallocated appropriation will not be spent; and
- 24 **noted** that if additional funding beyond the \$1.3 billion underspend is required, the Minister of Finance will seek approval from Cabinet for further funding for the WSSMAR21 as a charge against the CRRF.

Martin Bell  
for Secretary of the Cabinet