

The Treasury

Advice on COVID-19 Response Information Release

December 2021

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Date: 23 September 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Wage Subsidy Scheme and Resurgence Support Payment: insights and update on costings

This aide memoire responds to a request from your office for information on forecast costs of business support (**Part One**). We are also taking this opportunity to provide an update on insights on the uptake of the Wage Subsidy (**Part Two**).

Part ONE

The costs of business support over the next eight weeks will be highly driven by the alert level decisions, and the timing of those decisions. WSSAUG21 is only available if somewhere in the country is at Alert Level 3 or above. There are two further RSPAUG21 payments agreed in this period which will be made available if somewhere in the country is at Alert Level 2 or above.

Cost for WSSAUG21 and RSPAUG21

- WSSAUG21 – Based on our cost assumptions, every time a new WSSAUG21 payment is triggered, it will cost an additional **\$350 to \$650 million per two-week payment** (based on the assumption that Auckland is the region remaining in Alert Level 3, and the rest of NZ is at Alert Level 2).
- RSPAUG21 – Based on our cost assumptions, an RSP scheme with an impacted period while Auckland is at Alert Level 3, and the rest of NZ is at Alert Level 2, will cost **\$200 million per payment**. If the impacted period falls when the whole country is at Alert Level 2, then the payment will cost **\$100 million per payment**.

Cost scenarios based on when Auckland moves to Alert Level 2

The cost scenarios all assume that the rest of the country remains at Alert Level 2 for at least 8 more weeks. Therefore, RSPAUG21-3 and RSPAUG21-4 will be paid under all scenarios outlined below. We assume Alert Level decision are made on Mondays and take effect on Tuesdays.

- If Auckland moves to Alert Level 2 on 5 October (i.e. **1 more week at AL3**), with the rest of the country at Alert Level 2 until the end of November, then the additional combined cost of business support will be \$650 to \$950 million. Under this scenario, only WSSAUG21-4 is triggered, plus RSP payments 3 and 4.
- If Auckland moves to Alert Level 2 on 19 October, (i.e. **3 more weeks at AL3**), with the rest of the country at AL2 until the end of November, then the additional combined cost of business support will be \$1,000 to \$1,600 million. Under this scenario, WSSAUG21-4 and WSSAUG21-5 are triggered, plus RSP payments 3 and 4.
- If Auckland moves to Alert Level 2 on 2 November (i.e. **5 more weeks at AL3**), with the rest of the country at AL2 until the end of November, then the additional combined cost of business support will be \$1,450 to \$2,350 million. Under this scenario, WSSAUG21-4 through WSSAGU21-6 are triggered, plus RSP payments 3 and 4.
- If Auckland moves to Alert Level 2 on 16 November (i.e. **7 more weeks at AL3**), with the rest of the country at AL2 until the end of November, then the additional combined cost of business support will be \$1,800 to \$3,000 million. Under this scenario, WSSAUG21-4 through WSSAUG21-7 are triggered, plus RSP payments 3 and 4.

These costs are in addition to the expenditure to date on the WSSAUG21 and RSPAUG21 payments opened to date. The first three wage subsidy payments are expected to cost between \$2,800 and \$3,250 million combined. The first two RSP payments are expected to cost between \$1,100 to \$1,200 million combined. The combined expected cost of the payments opened to date under these schemes is therefore between **\$3,900 and \$4,450 million**.

For reference, the trigger dates for further payments under the wage subsidy and RSP are as follows:

	Wage Subsidy	RSP
Friday 1 October	WSSAUG21-4	-
Friday 8 October	-	RSPAUG21-3
Friday 15 October	WSSAUG21-5	-
Friday 22 October	-	-
Friday 29 October	WSSAUG21-6	RSPAUG21-4
Friday 5 November	-	-
Friday 12 November	WSSAUG21-7	-

Part TWO

Insights on the August 2021 Wage Subsidy Scheme

Based on data as at 23 September, the estimated total cost of *paid, approved and pending* applications for the first, second and third payments of the August 2021 Wage Subsidy scheme is \$2.69 billion, of which, \$2.54 billion has been paid out by MSD.

Limiting the analysis to only *paid* applications allows us to look at the overlap between the three payments. 89% of jobs paid WSSAUG21-3 had already received payments 1 and 2. In total, **1.233 million jobs** have been *paid* at least one payment (87% employees and 13% self-employed), of these:

- **22%** received all three payments (19% employees plus 3% self-employed).
- **41%** received two payments (36% employees plus 5% self-employed)
- **37%** received only one payment (32% employees plus 5% self-employed).

Looking at each payment:

- Payment one (WSSAUG21-1) – *Paid, approved and pending* applications include a total of **1.200m jobs** (1.036m employees and 164.7k self-employed) – an uptake rate of 41.8% of jobs¹ (excluding self-employed). 97.1% of *paid, approved and pending* jobs have been paid (99.3% of employees and 83.3% of self-employed). This is 19.5k more jobs paid since last week, however 34.9k jobs remain not yet been paid.
- Payment two (WSSAUG2-2) – *Paid, approved and pending* applications include a total of **842k jobs** (714.7k employees and 127.6k self-employed) – an uptake rate of 28.8% of jobs (excluding self-employed). 95.7% of *paid, approved and pending* jobs have been paid (96.8% of employees and 89.5% of self-employed). This is 77.3k more jobs paid since last week, however 36.1k jobs remain not yet been paid.
- Payment three (WSSAUG2-3), day 7 – *Paid, approved and pending* applications include a total of **359k jobs** (297.4k employees and 61.8k self-employed). This uptake rate represents 12.0% of jobs (excluding self-employed). 84.1% of *paid, approved and pending* jobs have been paid (83.5% of employees and 87.0% of self-employed), meaning 57.2k jobs have not yet been paid.

By day 7 of the application period of WSSAUG21-1, applications for approximately three-quarters of total jobs had been received. In contrast, by day 7 of WSSAUG21-2, applications for approximately two-thirds of total jobs had been received. In general, applications from small firms and self-employed tend to be received earlier, and larger firms later. By day 7, only 15-20% of applications for jobs in large firms had been submitted for the first two payments. Based on the trends to date, it looks likely that the WSSAUG21-3 may come in at the lower end of our cost estimate of \$550 to \$900 million.

¹ Note that the number of jobs is based on data from MSD showing total jobs in March 2021 (this was used as the denominator for WSSMAR21 analysis). This is used as it includes both a regional and industry split of jobs and is comparable with previous analysis. Total jobs used is 2,477,995. This will not directly align with the latest analysis from MSD but is consistent with analysis to date [T2021/2170 refers].

Industry and regional analysis of WSSAUG21-1 and WSSAUG21-2

MSD have undertaken more detailed analysis of the first two payments in the IDI. This allows for greater insights around the industry and regional breakdown of recipients. This analysis is based on employees included in *paid* applications as at 17 September and excludes self-employed recipients. The coverage of the analysis is as follows:

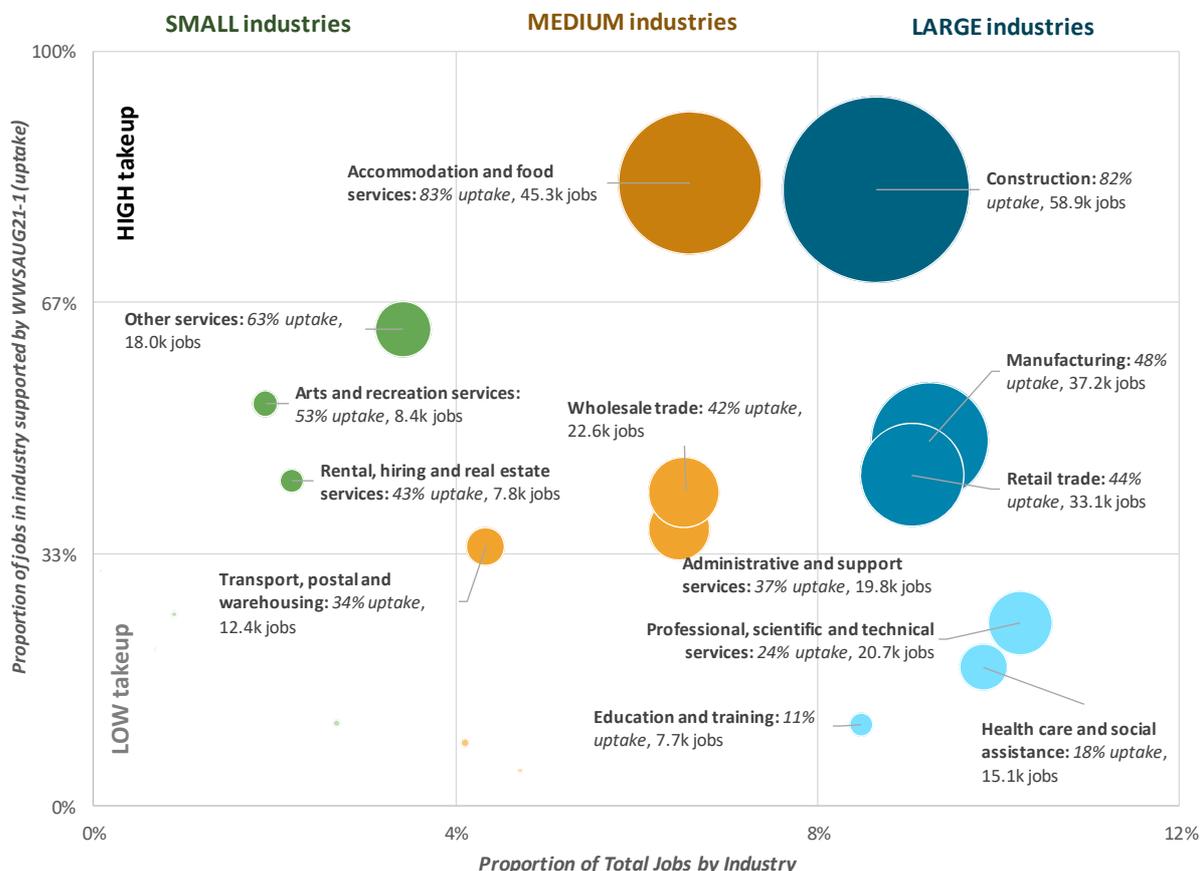
- WSSAUG21-1 – Analysis covers **98.3%** of the 1.036 million employees included in paid, approved and pending applications as at 23 September
- WSSAUG21-2 – Analysis covers **93.1%** of the 714.7k employees included in paid, approved and pending applications as at 23 September. The jobs included in the analysis were roughly evenly split inside and outside Auckland.

Auckland

- Uptake for payments one and two is relatively similar across industries in Auckland. Two industries have had **high uptake** (i.e. over 66% uptake). These were *accommodation and food services* (90% and 83% uptake) and *construction* (90% and 82% uptake).
- A further eight industries have had **medium uptake** (i.e. 33 to 66% uptake). Two are large industries – *retail trade* and *manufacturing*, three are medium industries – *wholesale trade*, *transport, postal and warehousing*, and *administrative and support services*, and the remaining three are small industries – *other services*, *arts and recreations services*, and *rental, hiring and real estate services*.

Industry overview of jobs supported by WSSAUG21-2 AUCKLAND

Circle size is number of jobs supported [IDI analysis, paid as at 17 Sept]

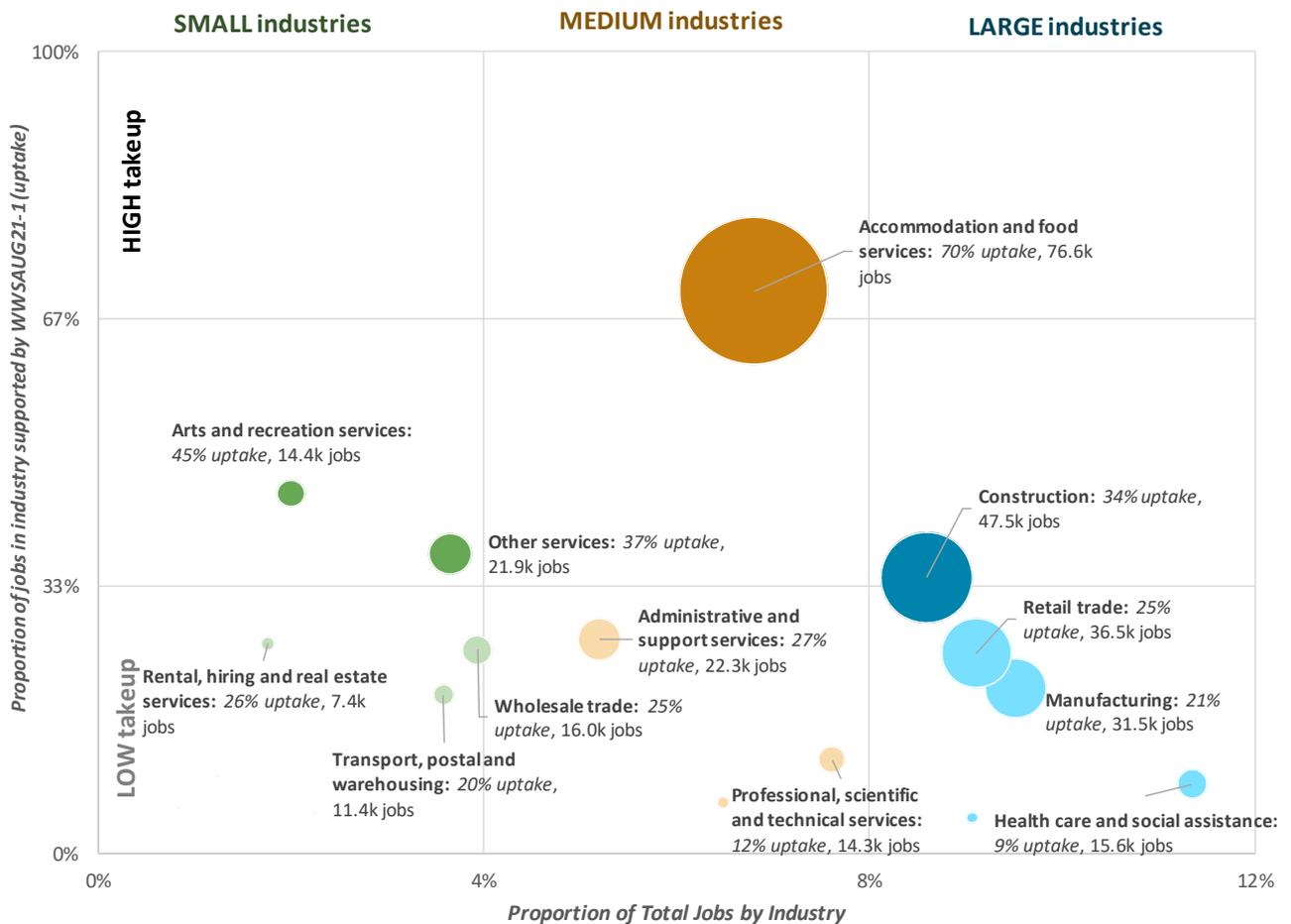


Rest of New Zealand

- Only one industry had **high uptake** for payment 2, which was *accommodation and food services* (70% uptake). 76.6k jobs were supported, which is just over three quarters of the number of jobs supported by payment one, and just under a quarter of the jobs supported by payment two that were outside of Auckland.
- A further three industries had **medium uptake**. These were *arts and recreation services* (45% uptake), *other services* (37% uptake) and *construction* (34%). There were a further seven industries which had medium uptake for payment one, and low uptake (i.e. under 33%) for payment two.
- *Arts and recreation services* had the smallest reduction in jobs supported compared with the first payment (52% to 45% uptake). *Information media and telecommunications* had a similarly small reduction (11% to 10% uptake). Despite still having medium uptake, *construction* had one of the largest reductions in the jobs supported compared with the first payment (93% to 34% uptake).

Industry overview of jobs supported by WSSAUG21-2 Rest of NZ

Circle size is number of jobs supported [IDI analysis, paid as at 17 Sept]



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Appendix 1: Notes on approach to costing the Wage Subsidy Scheme

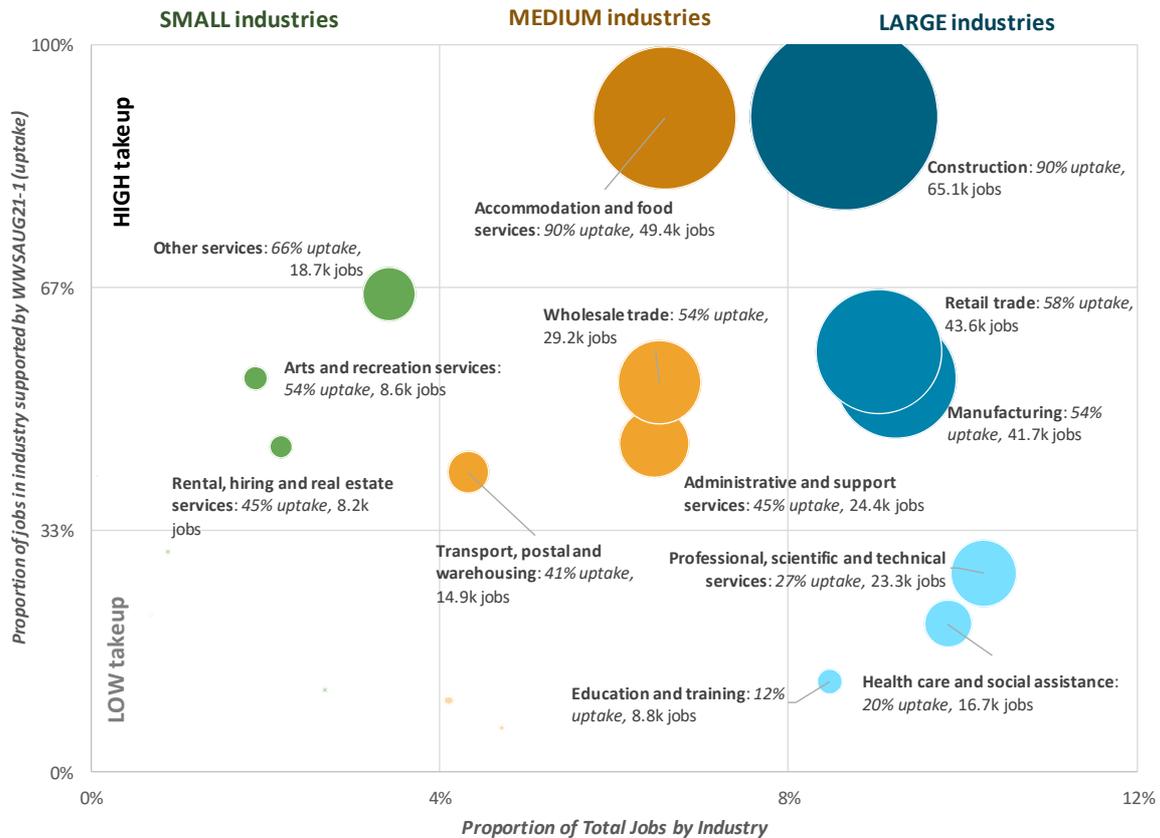
We have costed the scheme based on assumptions around uptake for the scheme, related to the economic activity permissible at different levels and actual data. This updates our assumptions outlined previously [T2021/2170 refers]. Our uptake assumptions for alert levels are as follows:

Alert Level	Uptake assumption
Alert Level 4 (at least 8 days of the revenue period)	40-50% (revised upwards for payment 3 from 35-45%, based on uptake in Auckland for payment 1)
Alert Level 3 (at least 8 days of the revenue period)	20-30% (revised upwards for payment 4 from 15-25%, based on uptake in rest of NZ for payment 2)
Alert Level 2	5-15%

Based on IR data, a third of jobs are in Auckland, with the remaining two thirds of jobs across the rest of New Zealand. Our costings therefore assume that a payment with Auckland at Alert Level 3, and the rest of the country at Alert Level 2, would support between 10 and 20% of all jobs (excl. self-employed) – with up to two thirds of these jobs located in Auckland.

Appendix 2: Industry breakdown by region for WSSAUG21-1

Industry overview of jobs supported by WSSAUG21-1 AUCKLAND
 Circle size is number of jobs supported [IDI analysis, paid as at 17 Sept]



Industry overview of jobs supported by WSSAUG21-1 Rest of NZ
 Circle size is number of jobs supported [IDI analysis, paid as at 17 Sept]

