

The Treasury

Advice on COVID-19 Response - Tranche Two Information Release

September 2022

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Joint Report: COVID-19 Leave Schemes and Wage Subsidy:
transition period and improvement options

| | | | |
|--------------|-----------------|---------------------|------------------------------|
| Date: | 22 October 2021 | Report No: | T2021/2568 REP/21/10/1165 |
| | | File Number: | SH-3-5 |

Action sought

| | Action sought | Deadline |
|--|--|------------------------|
| Minister of Finance (Hon Grant Robertson) | Agree the recommendations in this report. | Monday 25 October 2021 |
| Minister for Social Development and Employment (Hon Carmel Sepuloni) | | |
| Minister for Workplace Relations and Safety (Hon Michael Wood) | | |

Contact for telephone discussion (if required)

| Name | Position | Telephone | 1st Contact |
|----------------|---|------------------|--------------------|
| Keiran Kennedy | Manager, Welfare & Oranga Tamariki, The Treasury | N/A [35] (wk) | ✓ |
| Chris Hubscher | Manager, Employment Standards Policy, Ministry of Business, Innovation and Employment | N/A (wk) | |
| Megan Beecroft | Manager, Employment Policy, Ministry of Social Development | N/A (wk) | |

Minister's Office actions (if required)

Return the signed report to Treasury, MBIE and MSD.

Enclosure: No

Joint Report: COVID-19 Leave Schemes and Wage Subsidy: transition period and improvement options

Executive Summary

This report outlines our current thinking on the role of support schemes, including decisions required to land support settings. It recommends you commission this work through a Ministerial meeting in mid to late November to clarify COVID-19 work programme priorities.

The Government announced details on the COVID-19 Protection Framework (CPF) on Friday 22 October. The public health strategy that supports the CPF contains several uncertain variables, increasing the complexity in considering the necessary economic policy and initiatives to support the transition and new framework. This is particularly so with multiple scenarios being considered for the transition period, and the likelihood that parts of New Zealand will move to the CPF at different times.

Local and regional lockdowns

There are decisions to make about what level of support is desired for local and regional lockdowns.

Decisions now

The current eligibility for the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP) under local lockdown scenarios is unclear. We recommend clarifying for the time being that the policy intent is not to cover this scenario with the LSS by default. This mitigates the risk of unintentionally triggering a *de facto* local Wage Subsidy scheme without Ministerial consideration and supports operational planning by the Ministry of Social Development (MSD). It also maintains the principle that the COVID-19 Leave Schemes are primarily supports for the public health response, rather than broad-based economic supports.

Decisions later

Developing policy options and taking decisions now regarding ensuring the LSS and STAP will remain fit for purpose, given all possible variables, is very difficult. We recommend waiting to make most decisions on the LSS and STAP until the outcomes related to the public health strategy becomes clearer over the next few weeks.

Casual and vulnerable workers

Agencies are undertaking work on options to better support casual and vulnerable workers to self-isolate. Like other economic policy to support the public health strategy, there are currently many uncertain variables, so decisions made now on additional or revised supports for casual and vulnerable workers risk not aligning with where the public health strategy lands over the coming weeks. A clear theme to date across this work is agency operational capacity constraints.

Clarifying the Wage Subsidy approach for regions transitioning to different settings

Cabinet agreed an approach to manage the Wage Subsidy scheme (WSS) transition when Alert Levels change during a payment period. This paper seeks clarification of how this rule applies to businesses that are outside of, or that are partly located within, the region that shifts Alert Levels. We are also proposing the same approach should apply to regions that move to the CPF during a WSS payment period.

Recommended Action

We recommend that you:

- a **agree** to delay most decisions regarding changes to COVID-19 Leave Schemes (LSS and STAP) until mid-late November, to allow time for the outcomes of the public health strategy and the CPF to become clearer;

| | | |
|----------------------------|---|--|
| <i>Agree/ disagree</i> | <i>Agree/ disagree</i> | <i>Agree/ disagree</i> |
| Minister of Finance | Minister for Social Development and Employment | Minister for Workplace Relations and Safety |

- b **confirm** the COVID-19 Leave Schemes are not intended to provide support for people solely affected by lockdowns with a geographic basis;

| | | |
|----------------------------|---|--|
| <i>Agree/ disagree</i> | <i>Agree/ disagree</i> | <i>Agree/ disagree</i> |
| Minister of Finance | Minister for Social Development and Employment | Minister for Workplace Relations and Safety |

- c **agree** to seek Cabinet agreement to recommendation b as part of the six week report back to Cabinet on Wage Subsidy availability and settings in the first week of November;

| | | |
|----------------------------|---|--|
| <i>Agree/ disagree</i> | <i>Agree/ disagree</i> | <i>Agree/ disagree</i> |
| Minister of Finance | Minister for Social Development and Employment | Minister for Workplace Relations and Safety |

- d **note** the Treasury, the Ministry of Social Development, and the Ministry of Business, Innovation and Employment will continue to develop policy options regarding the COVID-19 Leave Schemes, in conjunction with the Ministry of Health, to align with the November report backs required under CAB-21-MIN-0421;

- e **note** that agency operational capacity constraints may impact potential options to help incentivise casual and vulnerable workers to self-isolate;

- f **agree** that the Ministers of Finance, Social Development and Employment, Revenue, and Workplace Relations and Safety will meet in late November to discuss prioritising the COVID-19 work programmes at the Treasury, the Ministry of Social Development, and the Ministry of Business, Innovation and Employment;

| | | |
|----------------------------|---|--|
| <i>Agree/ disagree</i> | <i>Agree/ disagree</i> | <i>Agree/ disagree</i> |
| Minister of Finance | Minister for Social Development and Employment | Minister for Workplace Relations and Safety |

Clarifying the Wage Subsidy approach for regions transitioning to different settings

- g **note** Cabinet agreed that if a region moves from Alert Level 3 or 4 to Alert Level 2, or from Alert Level 2 to Alert Level 3 or 4 during a revenue test period, businesses in that region will be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 4, 3, and 2 effect, but not to Alert Level 2 effects alone [CAB-21-MIN-0392 refers];
- h **agree** to clarify the application of this rule to businesses that are outside of, or that are partly located within, the region that shifts Alert Levels (“the shifting region”):
- a. **Businesses fully located outside of the shifting region**, that are eligible for the WSS because they can attribute their revenue decline to the AL3+ escalation in the shifting region (e.g. due to supply chain), can calculate their revenue decline test for the period the shifting region was in AL3+ only, and cannot factor in AL2 effects as part of this.
 - b. **Businesses partly located within the shifting region**, can only take into account AL2 effects within the region that has moved either in or out of AL3+;

Agree/ disagree

Minister of Finance

Agree/ disagree

**Minister for Social
Development and
Employment**

- i **note** that, if agreed, officials will reflect these clarifications in the WSS Declaration for Wage Subsidy Payment 6;
- j **note** the Cabinet paper “COVID-19 Protection Framework: transition report and planning ahead”, Cabinet minute pending] sought Cabinet’s agreement that, in the event that *the whole of NZ* moves to the CPF during a WSS payment period, businesses can meet the revenue decline test using a combination of AL3 and CPF effects;
- k **agree** the same approach should apply in a scenario where regions transition to the CPF *on an individual basis*, that is, while the Alert Level framework remains in place elsewhere in the country;

Agree/ disagree

Minister of Finance

Agree/ disagree

**Minister for Social
Development and
Employment**

- l **confirm** this approach as part of the six week report back to Cabinet on Wage Subsidy availability and settings in the first week of November.

Agree/ disagree

Minister of Finance

Agree/ disagree

**Minister for Social
Development and
Employment**

- m **note** that the six week Wage Subsidy report back to Cabinet will also include further detail on the Wage Subsidy settings for the transition to the CPF;
- n **refer** this paper to the Minister of Revenue for noting.

Agree/ disagree

Minister of Finance

Agree/ disagree

**Minister for Social
Development and
Employment**

Agree/ disagree

**Minister for Workplace
Relations and Safety**

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Hon Grant Robertson
Minister of Finance

Hon Michael Wood
**Minister of Workplace Relations
And Safety**

Hon Carmel Sepuloni
**Minister for Social
Development and Employment**

Joint Report: COVID-19 Leave Schemes and Wage Subsidy: transition period and improvement options

Purpose of Report

1. This report outlines our current thinking on the role that the COVID-19 Leave Schemes could play in the transition to the CPF. It recommends you confirm COVID-19 work programme priorities through a Ministerial meeting in mid to late November to enable work to progress.
2. It also seeks to clarify immediate risks regarding COVID-19 Leave Schemes and local lockdowns, and the Wage Subsidy scheme rules for businesses transitioning Alert Levels and to the CPF.
3. It also sets out initial work on potential medium-term options to help incentivise casual and vulnerable workers to self-isolate.

Background

The LSS and STAP will have a greater role to play under a new public health framework

4. The Leave Support Scheme (LSS) and Short-term Absence Payment (STAP) were established to support employees and employers with the burden of complying with public health rules related to self-isolation requirements. They are an important component of the public health response. The LSS and STAP schemes (“COVID-19 Leave Schemes”) are the economic supports most targeted at compliance with public health measures.
5. The Government announced details on the CPF on Friday 22 October.
6. The Minister of Finance has indicated that the COVID-19 Wage Subsidy scheme (WSS) and other broad-based economic supports would be turned off once the transition away from the current Alert Level framework is complete. The timing of that transition is currently unclear, however it is envisaged that the WSS will be retained as a backstop in case of a return to regional or national lockdowns [Rec 14 in Cabinet paper “COVID-19 Protection Framework: transition report and planning ahead”, Cabinet minute pending]. Economic and other supports under the CPF will be considered by Cabinet in mid-November.
7. Moving away from the WSS, and a greater reliance on individual compliance with public health rules rather than wide-scale lockdowns under the CPF will mean a shift to more individual-based support that is built off the COVID-19 Leave Schemes as the primary economic supports [T2021/2479 refers].

An initial review of the COVID-19 Leave Schemes suggest refinements are needed

8. We recently provided advice on the findings of an initial review of the COVID-19 Leave Schemes [T2021/2479 refers].
9. The initial review identified issues under the status quo public health framework (i.e. Alert Level system) such as a lack of understanding of eligibility criteria, limited awareness, and limited perceived benefits to employers of these schemes. There is also uncertainty about the intent and application of the COVID-19 Leave Schemes for local lockdowns from orders under section 70 of the Health Act 1956 if these orders are to become a feature of the COVID-19 Protection Framework.

10. Our review also suggested that employers may be less likely to apply for the COVID-19 Leave Schemes for casual workers given they have less obligations to them under employment law (i.e. in relation to leave entitlements).
11. The Minister of Finance requested further advice on whether the COVID-19 Leave Schemes are appropriate for use in local lockdowns, and on options for making these schemes more individualised. This paper provides advice on these matters.

Appropriate support under local lockdowns

New health framework

12. The implications of the CPF for self-isolation requirements and numbers, and for frequency of local lockdowns are not yet fully clear. Regardless, these statutory powers are available, and we consider it important to prepare for this contingency.
13. The policy intent and application of the COVID-19 Leave Schemes under localised lockdowns is unclear. This is because the scheme design and eligibility is based around individual rather than blanket population restrictions. We are seeking clarification of this situation (see below).

Decisions are still needed on support for lockdowns under the CPF

14. You have already made some decisions on the availability of support through the Resurgence Support Payment under the new framework, including availability at the red level. You have also indicated that the WSS would be turned off once the transition to the new framework is complete, but be retained as a backstop [Cabinet paper "COVID-19 Protection Framework: transition report and planning ahead", Cabinet minute pending].
15. Given the fiscal, macro-economic and signalling implications of a return to the WSS, we consider introduction of such a scheme would require a prolonged and/or geographically large lockdown and be subject to Ministerial discretion at the time. We are planning to provide advice on the triggers for any return to a WSS in late November.

There may be a gap in support for local lockdowns

16. In the case of local lockdowns (sub-regional), broad-based supports are not appropriate. The LSS and STAP will support people with COVID-19 or who face a specific self-isolation instruction or need to take a test during the lockdown and can't work from home. This leaves a potential gap in support for those who have to stay-at-home under a blanket local restriction.
17. Support for personal self-isolation directives are likely sufficient to support public health compliance, but a lack of equivalent support for those staying at home under blanket orders raises equity concerns which could erode social license for local lockdowns in the longer term. In the case of prolonged and urban lockdowns there is an increasing case to allow support for this group on economic grounds.

Appropriate options for any support in local lockdowns are currently uncertain

18. There is current uncertainty about an appropriate response to local lockdowns until the implications of the CPF for self-isolation requirements and numbers, and for local lockdowns, are better known. Report-backs are due to Cabinet in November by the Minister of Health on updated testing, tracing and isolation strategies and by the

Minister for COVID-19 Response on progress on transition plans [CAB-21-MIN-0421 refers].

19. High-level options for support in local lockdowns include:
 - a. a backstop WSS with defined triggers and Resurgence Support Payments, and/or
 - b. expansion of the LSS (and STAP) scope to cover local lockdowns, or
 - c. expansion of the LSS under local lockdowns but with caps or triggers for support.
20. All near-term options include significant trade-offs between over and underpaying, due to the blunt nature of the schemes. Expanding the LSS for use in local lockdowns risks confusion about scheme purpose and creating a *de facto* WSS which could pre-empt Ministerial discretion on reactivating broader-based economic supports.
21. Before progressing with this advice we would need key decisions from Ministers on the matters below (as well as greater clarity on the new health framework and its application in practice):
 - a. objectives for support in local lockdowns
 - b. the balance between automatic support vs discretionary Ministerial triggers for schemes in the 'steady state'
 - c. relative priority for advice on local lockdowns vs core LSS and STAP functionality in the steady state (rate, coverage, duration, accessibility and integrity trade-offs, and employee-led applications).
22. We recommend commissioning this work through a discussion between the Ministers of Finance, Social Development and Employment, and Workplace Relations and Safety. We suggest this discussion take place following the November report backs required under CAB-21-MIN-0421.

The transition to the new framework poses particular risks

23. The period of transition creates potential confusion for workers and employers and operational risks for MSD if both the LSS and WSS are in play. These risks are greater under a staggered move to the CPF across the country.
24. We recommend making no substantive changes to LSS or STAP in this period and retaining the WSS as your primary support tool until the transition is complete. Ministers can consider WSS eligibility in case of new types of restriction (such as localised lockdown) or changes in restrictions on a case by case basis. This will preserve simplicity and certainty for business as far as possible during this uncertain period and make any operational implications manageable for MSD [Cabinet paper "COVID-19 Protection Framework: transition report and planning ahead", Cabinet minute pending].

Ministers could make a 'holding' policy decision on LSS and STAP availability under local lockdowns

25. The unclear role of the LSS and STAP under local lockdowns remains a residual risk until the broader approach to support in this scenario is developed. A lack of clarity means less ability for MSD to plan for this contingency and could result in inequitable outcomes and confusion in case high volumes of applications are made to the scheme in this scenario but later found to be ineligible.
26. Ministers previously agreed in September 2020 [CAB-20-MIN-0451 refers] that the LSS eligibility would cover people directed to self-isolate by a Medical Officer of Health or their delegate (being the local District Health Board Public Health Unit). This technically

covers people who might need to isolate or stay-at-home under a geographic-based health order by the Director-General of Health under the Health Act or under the COVID-19 Public Health Response Act.¹ However given the timing of this decision, it is not clear that Cabinet had the scenario of local lockdowns in mind when it made this decision and so the decision should be revisited. An analogous questions arises for STAP eligibility under local lockdowns.

27. Relevant public health restrictions under the new framework are [CAB-21-MIN-0421 refers]:
- a. Isolation of individuals implemented through section 70 of the Health Act 1956, or orders under the COVID-19 Public Health Response Act 2020 (the Act).
 - b. Temporary closure of workplaces, schools under Section 70 orders of the Health Act or the Act.
 - c. Localised lockdowns enabled through orders in the Act (geographic basis).
 - d. Wider lockdowns similar to the measures in Alert Level 3 or 4 (geographic basis).
28. With no changes to the LSS and STAP declarations, it is possible that people who are directed to self-isolate or stay-at-home or get tested by a geographic-based health order issued by a Medical Officer of Health (but not necessarily individually directed to self-isolate) would be technically eligible for the LSS. This would be an expansion of scheme scope from a policy perspective with associated fiscal costs. This ambiguity also raises additional risks during the transition period to the new framework in terms of which support (LSS or WSS) is intended to be used, particularly if parts of the country shift to the new framework at different times.
29. Options to address this are:
- a. Agree for the time being that the LSS and STAP are intended to provide support for those under geographic stay-at-home orders, excepting those within the Alert Level framework **[not recommended]**.
 - b. Agree for the time being that the intent is that the LSS and STAP do not provide support for those under geographic stay-at-home orders **[recommended]**.
 - c. Do nothing until the public health framework and direction of travel is more certain, but direct officials to provide rapid advice in case of a local lockdown with substantial population coverage.
30. Decisions under **Options a or b** would be revisited in light of further advice on the broader approach to steady state supports.
31. We recommend **Option b** due to the greater clarity it provides for operational planning purposes and because it avoids unintentionally triggering a *de facto* local WSS without Ministerial consideration. The resulting eligibility settings under **Option b** are shown in Table 1:

Table 1 Eligibility for LSS and STAP under proposed 'holding position'

¹ Note Alert Level restrictions do not qualify people for the LSS because these are effected through orders made by the Minister.

| Public health restriction | Eligible for LSS or STAP on basis of this restriction |
|---|---|
| Testing and/or isolation of individuals implemented through section 70 of the Health Act 1956, or orders under the COVID-19 Public Health Response Act 2020 (the Act) | Yes (assuming other eligibility conditions met, including unable to work from home) |
| Temporary closure of workplaces, schools under Section 70 orders of the Health Act or the Act | Yes , for those individuals directed to self-isolate and/or test as a result of the order or otherwise (such as by a medical practitioner or through contact tracing) (assuming other eligibility conditions met, including unable to work from home) |
| Localised lockdowns enabled through orders in the Act (geographic basis) | No |
| Wider lockdowns similar to the measures in Alert Level 3 or 4 (geographic basis). | No |

32. We propose you seek Cabinet agreement to this decision in the WSS six week review paper.
33. Note that the requirements for self-isolation, testing or staying at home under various public health conditions may continue to evolve, and so may the language used to describe these in public health orders. We may need to propose further eligibility clarifications as a result.

Making LSS/STAP payments more accessible to casual and vulnerable workers

34. The Minister of Finance has indicated making income support more accessible to casual and vulnerable workers to encourage them to self-isolate is a priority, and asked whether an individualised payment that does not rely on the employer link (as the LSS/STAP payments do) could achieve this.
35. This paper defines “casual and vulnerable workers” as people who have public health reasons to self-isolate for a period of time, however their employers are not paying or would not pay them during the self-isolation period or apply for COVID-19 Leave Supports.²
36. There is some data to suggest this may be a problem. Overall though, evidence of the size of this problem is limited:
- MBIE analysis found some casual and vulnerable workers are unsure of their eligibility for the WSS, have been told by employers they are not eligible, or have told the employee to apply themselves rather than the employer applying (MBIE Wage Subsidy Analysis, August 2021). Some employees seeking advice from MBIE were reluctant to approach their employer to discuss whether their approach to the WSS was fair.
 - While the WSS is a different payment to the LSS or STAP, its broad use to support employees to self-isolate means this evidence is likely comparable to what we can expect to happen for casual and vulnerable workers when

² Either to wait for COVID-19 test results or because they have contracted or been exposed to COVID-19, noting further work to define parameters of the public health strategy is still being drafted.
T2021/2568

LSS/STAP are used much more to support self-isolation as part of the public health strategy.

- The Council of Trade Unions (CTU) is also preparing a petition about workers who have not been paid during lockdowns, which likely includes casual and vulnerable workers.

37. Some support and additional policy work that will reach this group of casual and vulnerable workers has already been agreed:

- Additional support for low income households.** Officials recently provided advice on supporting low-income households [T2021/2225 and T2021/2355 refer]. In that advice Ministers decided to temporarily increase income limits for hardship assistance for six months from 1 November 2021, with the option to combine with temporary additional Non-Governmental Organisation (NGO) funding. Ministers decided against a one-off payment. The amendments to hardship assistance have subsequently been agreed by Cabinet and were announced on 22 October 2021 [CBC-21-MIN-0118 refers].
- Services to handle employment disputes and WSS complaints.** MBIE runs a complaints process for WSS issues, and established the Early Resolution Service after the first COVID-19 lockdown in 2020 to provide support to employers and employees with issues before they escalate. Hundreds of queries and complaints have been answered, with most visitors to the website being employees.
- Campaign to increase knowledge of the COVID-19 Leave Schemes.** In the short-term, you have agreed to a communications campaign to promote knowledge of the COVID-19 Leave Scheme payments, so employers and employees are aware of these supports and eligibility for them [T2021/2529 refers]. The Treasury has approached MSD to initiate discussions on an approach to the communications plan. Our initial thinking is to initiate a two-phase communications approach:
 - An initial 'light-touch' push through existing channels of what the LSS and STAP are, who is eligible, and how to apply. We will progress this as soon as possible.
 - A 're-launch' of the schemes once policy work on ensuring they are fit for purpose for the CPF is completed. Our early thoughts are for this to be a campaign-based approach to ensure wide-reaching awareness of the schemes among employers and employees across the country. This phase may require additional funding to be allocated.

Medium-term options (from February 2022)

38. In the medium-term, officials have considered several options that could further reach casual and vulnerable workers to achieve Ministers' aim of encouraging self-isolation over work when appropriate under the public health strategy. Some options beyond the status quo support and any changes as part of the broader potential use of the COVID-19 Leave Schemes we have considered include:

- Employee-led applications for LSS/STAP.
- An additional payment for testing and self-isolation (options regarding means-testing, rate).
- Additional incentives for employers to apply for the LSS/STAP.
- Enabling trusted third-party providers to verify individual applications instead of employers.

39. However, a clear theme emerging so far is agency operational capacity constraints – some or all of these options may not be feasible to implement due to other operational pressures for all likely delivery agency options. For example, MSD is considering how to prepare for greater volumes of LSS/STAP applications under the new CPF, including the possibility of running both the WSS and LSS/STAP at the same time. Inland Revenue will need to provide ongoing support for the LSS/STAP processes as well, and is still undertaking their business transformation programme.
40. Medium-term options may also overlap and become misaligned with any changes made to the LSS/STAP as part of making it fit for purpose in the transition period and steady state if progressed simultaneously.
41. We recommend the Ministers of Finance, Social Development and Employment, Revenue, and Workplace Relations and Safety meet in mid to late November to discuss the relative priority of this work amongst the other items on agencies' COVID-19 work programmes, particularly given some work is already underway to improve support and accessibility of the COVID-19 Leave Schemes to casual and vulnerable workers. If Ministers agree this work is a high priority, agencies can be clearly commissioned with a stronger mandate to engage on delivery options for any new or changed initiatives (noting operational constraints and timeframes would continue to pose significant challenges).

Other Relevant Information

Clarifying Wage Subsidy, LSS and STAP settings for pass through to casual workers

42. The Minister for Workplace Relations and Safety has asked MBIE to provide separate advice on clarifying WSS, LSS and STAP settings for passing through payments to casual workers. We will include further advice on this as part of our six week report back on WSS settings and availability in the week of 1 November.

Clarifying Wage Subsidy settings where regions transition in and out of AL3+

43. Cabinet agreed that if a region moves from Alert Level 3 or 4 to Alert Level 2, or from Alert Level 2 to Alert Level 3 or 4 during a revenue test period, businesses in that region will be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 4, 3, and 2 effects, but not to Alert Level 2 effects alone [CAB-21-MIN-0392 refers].
44. The rule applies to businesses located in the region that has moved Alert Levels (the “shifting region”). We propose to clarify the application of this rule to businesses that are outside of, or that are partly located within, the shifting region:
 - a. **Businesses fully located outside of the shifting region**, that are eligible for the WSS because they can attribute their revenue decline to the AL3+ escalation in the shifting region (e.g. due to supply chain), can calculate their revenue decline test for the period the shifting region was in AL3+ only, and cannot factor in AL2 effects as part of this. This difference reflects the level of flexibility businesses outside AL3+ regions have in their operations in lower Alert Level environments.
 - b. **Businesses partly located within the shifting region**, can only take into account AL2 effects within the region that has moved either in or out of AL3+. For example, a shared-employer commonly-owned group in Christchurch, which is partly in Auckland, can take into account AL2 effects **in Auckland only** as part of calculating their revenue decline. This clarification is to avoid the event where the example business interprets the rule as meaning they can take into account AL2 effects **in both Auckland and Christchurch** in

calculating their revenue decline. Such an interpretation may cause boundary issues for WSS eligibility, as it is not designed to be available for AL2.

45. If agreed, officials will reflect these clarifications in the WSS Declaration for Wage Subsidy Payment 6.

Clarifying Wage Subsidy settings for the CPF transition

46. The Minister of Finance's Cabinet paper on transition support and planning ahead for the CPF sought Cabinet's agreement that, in the event that *the whole of NZ* moves to the CPF during a WSS payment period, businesses can meet the revenue decline test using a combination of AL3 and CPF effects [Cabinet paper "COVID-19 Protection Framework: transition report and planning ahead", Cabinet minute pending].
47. We recommend the same approach should apply in a scenario where regions transition to the CPF *on an individual basis*. That is, while the Alert Level framework remains in place elsewhere in the country. We recommend that you confirm this approach as part of the six week report back to Cabinet on WSS availability and settings in the week of 1 November. That report will also include further detail on the WSS settings for the transition to the CPF.

Interaction with the possible future public health strategy

48. An updated testing strategy is under development to support the future framework that considers vaccination status of the population, which may vary by region. New contact tracing categories have been defined and are currently being finalised to support the most effective use of the contact tracing system nationally. Changes in the testing strategy and categories of contacts who need to self-isolate, and for how long, will have flow-on impacts to the LSS/STAP. The Minister of Health will report back to Cabinet in November on the new testing, tracing and isolation strategies [CAB-21-MIN-0421 refers]. We will liaise with the Ministry of Health on this paper and how economic supports can adjust to support the public health strategy.

Next steps

49. Following your decisions, we will provide a further report in mid-November reflecting your decisions in this paper. That advice will cover further COVID-19 Leave Scheme matters to reflect in the November Cabinet paper on economic and other support of the new CPF and approach to testing and self-isolation.