

# The Treasury

## Advice on COVID-19 Response - Tranche Two Information Release

September 2022

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**Joint Report:** Wage Subsidy August 2021 scheme: Second six-week review

<b>Date:</b>	2 November 2021	<b>Report No:</b>	T2021/2753 REP/21/11/1197
		<b>File Number:</b>	SH-3-5

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<b>Sign</b> the attached Cabinet paper.	5 November 2021
Minister for Social Development and Employment (Hon Carmel Sepuloni)		

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Danijela Tavich	Analyst, Welfare & Oranga Tamariki, Treasury	[39] [35]	
Keiran Kennedy	Manager, Welfare & Oranga Tamariki, Treasury		✓
Megan Beecroft	Policy Manager, Employment Policy, Ministry of Social Development		

**Actions for the Minister's Office Staff (if required)**

<p><b>Return</b> the signed report to Treasury and the Ministry of Social Development. <b>Lodge</b> the Cabinet paper with the Cabinet Office for Cabinet at 1:00pm 8 November.</p>
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Note any feedback on the quality of the report

**Enclosure:** No

## Treasury Report: Wage Subsidy August 2021 scheme: Second six-week review

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The Wage Subsidy August 2021 scheme (WSSAUG21) was activated on 20 August 2021 in response to an escalation to COVID-19 Alert Level 4 that began on 17 August 2021. Ministers with Power to Act invited the Minister of Finance and the 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 [CVD-21-MIN-0004]. The first six-weekly review of the WSSAUG21 was provided in September 2021 [CAB-21-MIN-0392 refers].

A sixth Wage Subsidy August 2021 payment (WSSAUG21-6) opened at 9:00am on 29 October 2021 and will close at 11:59pm on 11 November 2021. The closure of WSSAUG21-6 will also mark 12 weeks of Wage Subsidy August 2021 scheme operation.

On 1 November 2021, Cabinet agreed that Auckland and parts of the Waikato will remain in Alert Level 3 until 11:59pm on 16 November 2021 [CAB-21-MIN-0450 refers]. Subject to Cabinet agreement of ongoing scheme availability, a seventh Wage Subsidy payment would need to open at 9:00am on 12 November 2021 if we are to ensure seamless Wage Subsidy coverage of the continued Alert Level escalation.

### ***There are upcoming decisions around the transition to the COVID-19 Protection Framework...***

We consider the overall objectives of supporting the public health response and reducing the social and economic disruption of outbreaks, as well as the tools supporting these objectives, including the Wage Subsidy scheme, remain appropriate for the next six weeks should Alert Level 3 or 4 remain in place anywhere in the country. This is subject to decisions about ceasing supports under the Alert Level framework. An upcoming decision point will be how to manage Auckland's transition to the new COVID-19 Protection Framework (CPF). The Treasury will provide you advice to support this decision in the coming weeks.

### ***...In the meantime, the level of Wage Subsidy support remains appropriate for a further six weeks***

There remains significant uncertainty around the macroeconomic situation. There is a risk that the economic outlook could worsen if it takes longer than expected to vaccinate a sufficient portion of the population, border restrictions take longer to ease than currently forecast, or the behavioural response to the new strategy reduces the speed of the economic bounce-back. Public health restrictions remaining in place in Auckland for an extended period increases the likelihood of firm failures, higher unemployment and lower business investment [T2021/2424 and T2021/2525 refer].

This broad uncertainty reinforces the need to maintain the current 'watch and wait' approach to COVID-19 support, to avoid adding to aggregate demand at a time where it may be unnecessary, while maintaining flexibility to increase fiscal support through the COVID-19 Response and Recovery Fund (CRRF) as required. At this point, on balance, we consider it appropriate to stay the course on WSS support for a further six weeks, though noting that increasing the level of support provided via the Resurgence Support Payment [T2021/2654 refers] risks compounding inflationary pressures. The Treasury will provide further advice on this separately as part of advising on the overall economic supports package for the CPF.

We note that the Wage Subsidy has in-built fiscal controls which limit the risk of over-stimulating the economy somewhat: the individual payment triggers based on ongoing Alert Level 3 and the revenue decline test and attribution test<sup>1</sup> for applicants means that support will automatically decrease as economic activity increases. Meanwhile, the six-week review

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<sup>1</sup> Eligible business must attribute their revenue decline to the effects of Alert Levels 3 or 4.

gives Cabinet regular opportunities to review scheme settings and availability based on the economic conditions.

***The attached draft paper seeks authorisation for the continuation of the scheme***

The attached draft Cabinet paper fulfils the second six-week report back as requested by Cabinet, and seeks Cabinet authorisation to the ongoing availability of the current scheme, subject to Alert Level 3 or 4 remaining in place. The paper:

- **Confirms the scheme will remain available for a further six weeks** while Alert Level 3 or 4 remains in place, with the same settings as agreed by Ministers with Power to Act [CVD-21-MIN-0004 refers] and Cabinet [CAB-21-MIN-0392 refers]. As mentioned above, this is subject to any subsequent decision to cease support under the Alert Level framework as part of the transition to the CPF.
- **Seeks funding from the COVID-19 Response and Recovery Fund (CRRF)** for the next two scheme payments should the relevant triggers be met, and updating Joint Ministers' delegation to draw down funds.
- **Foreshadows the need for further Cabinet decisions on:**
  - Managing the WSS during the transition to CPF and advice on economic supports under the new Framework, including the role of the Leave Support Scheme and Short-Term Absence Payment. Officials will provide further advice on this in the coming weeks.
  - Arrangements for operationalising the WSS should it be required over the Christmas period.
- **Seeks agreement to an approach to completing an open WSS payment for regions that move to the CPF.**
- **Seeks agreement that, in the interim, the COVID-19 Leave Support Scheme (LSS) and the COVID-19 Short-Term Absence Payment (STAP) are not intended to provide support to people solely affected by the overarching orders that provide for public health lockdowns on a geographic basis, with further advice to be provided in late November.**

***Next steps***

Should you agree to sign the attached Cabinet paper, we recommend it should be lodged for consideration at Cabinet on 8 November 2021. This timeline will ensure appropriate Cabinet authorisations are in place for a seventh payment to open on Friday 12 November 2021.

Officials will prepare a further six-week report back by 13 December if required.

**Recommended Action**

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We recommend that you:

- a **note** that a seventh WSSAUG21 payment (WSSAUG21-7) has been triggered by Cabinet's decision that Auckland and parts of the Waikato will remain in Alert Level 3 until 11:59pm on 16 November 2021 [CAB-21-MIN-0450 refers] (*subject to Cabinet's agreement that the scheme remains available*)

- b **agree** to seek Cabinet approval to keep the WSSAUG21 scheme available for another six weeks (three payments), while Alert Level 3 or higher continues to remain in place anywhere in the country

*Agree/disagree*

**Hon Grant Robertson**

*Agree/disagree*

**Hon Carmel Sepuloni**

- c **agree** to maintain the status quo settings for the WSSAUG21 scheme, as agreed on 18 August 2021 by Ministers with Power to Act [CVD-21-MIN-0004 refers] and Cabinet on 27 September 2021 [CAB-21-MIN-0392 refers], with relevant changes only to the revenue test period, as required

*Agree/disagree*

**Hon Grant Robertson**

*Agree/disagree*

**Hon Carmel Sepuloni**

- d **agree** the attached Cabinet paper should be lodged for consideration by Cabinet on 8 November 2021, subject to relevant feedback from your colleagues being incorporated

*Agree/disagree*

**Hon Grant Robertson**

*Agree/disagree*

**Hon Carmel Sepuloni**

- e **note** the proposals in the attached Cabinet paper are subject to any subsequent decision to cease support under the Alert Level framework as part of the transition to the COVID-19 Protection Framework.

Keiran Kennedy  
**Manager, Welfare & Oranga Tamariki, The Treasury**

Megan Beecroft  
**Policy Manager, Employment Policy, Ministry of Social Development**

Hon Grant Robertson  
**Minister of Finance**

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