

The Treasury

Advice on COVID-19 Response - Tranche Two Information Release

September 2022

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Reference: T2021/3140 SH-3-5

Date: 17 December 2021

To: Minister of Finance (Hon Grant Robertson)

Refer To: Minister for Social Development and Employment (Hon Carmel Sepuloni)
Minister of Revenue (Hon David Parker)

Deadline: Weekly Agency Meeting, 20 December 2021
(if any)

Economic support process and parameters for a localised lockdown: short-term solution

Cabinet has authorised the COVID-19 Ministerial Group (CMG) to take the necessary decisions to reactivate economic support if needed between 21 December 2021 and 25 January 2022 [CAB-21-MIN-0534 refers]. This economic support comprises of the Wage Subsidy Scheme (WSS) and the COVID-19 Support Payment (CSP – formerly the Resurgence Support Payment). This aide-memoire sets out the process to activate this economic support over this period, and the key policy parameters Ministers will need to consider.

The following table sets out the key assumptions and parameters for economic support over the December – January period. More detail on these is outlined below:

Economic support	Payment rate	Revenue decline	Comparator period	Time from decision to activate econ supports to implementation	Earliest possible implementation date
CSP	\$1500+\$400 per FTE	30%	3 – 17 December	7 days prior to implementation	Preferably 21 Jan, but 14 Jan at the earliest
WSS	\$600 per week per full-time employee, \$359 per week per part-time employee	40%	3 – 17 December	To be determined, but at least 7 days prior to implementation	Mid to late Jan

Assumptions for a summer payment

Our working assumption is that localised lockdowns would have similar settings to Alert Level 3 or 4, with the geographic reach being at a territorial authority level or larger. For smaller lockdowns, we recommend relying on existing initiatives like the Leave Support Scheme (LSS), the Short-Term Absence Payment (STAP), the Care in the Communities response, and the broader welfare system. While the CSP and WSS can be utilised for lockdowns at a TLA level, both were designed as national schemes, so businesses outside the lockdown area that meet the revenue decline and attribution tests would be eligible for support.

The earliest the WSS and the CSP could be implemented is mid to late January.

- As you recently discussed with the Commissioner of Inland Revenue, ideally the earliest date a payment would be made is 21 January, from 14 January would require IR to bring staff back from holiday early and increase delivery risks. IR would also need at least one week's notice to have the CSP ready for implementation. This also includes the need for an Order in Council to be approved by the Executive Council and signed by the Governor General.
- MSD has not confirmed an implementation date, but have said they could run another WSS in mid to late January if required, with at least a week's notice to implement (note both MSD and IR staff would need to be present to deliver a WSS). MSD is at capacity delivering usual increased demand for support over the Christmas period and the Care in the Communities COVID-19 response, so trade-offs with other work programmes would be required if the WSS was reactivated.

Key policy parameters to consider when reactivating economic support

CMG will need to make decisions on the following parameters when activating the WSS and CSP. Following the Cabinet decision empowering CMG to reactivate the CSP and/or WSS, we have broadly assumed the schemes would retain the same settings as prior activations – if CMG want policy changes, this will add implementation and integrity risk and may not be possible.

Time in lockdown before economic support is available

Cabinet has previously agreed if New Zealand went to Alert Level 3 or above, economic support would not become available unless the time in lockdown lasted seven or more consecutive days (of which the seventh day may be a partial day) [CAB-20-MIN-0531 refers]. In the August 2021 COVID-19 outbreak, Ministers with the Power to Act decided to enable economic support earlier than seven days (noting the lockdown was already agreed to be at least seven days long) [CVD-21-MIN-0004 refers]. Ministers will need to decide at the time of extending economic support from which date that support should be available from, if there is a return to Alert Level 3 or above, or a localised lockdown within the COVID-19 Protection Framework (CPF). Treasury's view is that businesses should be able to operate without economic support if the localised lockdown is less than seven days long.

Payment rates

We assume the payment rates for the CSP and WSS would remain the same: for the CSP, a base rate of \$1500 plus \$400 per FTE. For the WSS, a payment rate of \$600 per week for each full-time employee (20 hours or more) and \$359 for part-time employees (less than 20 hours).

Revenue Decline

We assume the revenue decline tests would remain the same: 30 percent decline for CSP, 40 percent decline for WSS. The option to change the revenue decline for the CSP remains open.

Comparator period

The comparator period is used to test eligibility for the WSS and CSP, and is typically set at any 14-day consecutive period in the six weeks prior to the increase in alert levels. However, business activity during the summer holidays is either significantly low or high compared to the rest of the year. Some businesses would already be shut down and a decrease in revenue may be attributed to that, rather than COVID-19 restrictions. For other businesses, the summer period is their busiest, and it can therefore be harder to meet the required revenue decline.

The comparator period can be determined by the CMG when decisions to open the CSP and/or WSS are made. Our working assumption is the comparator period would be set between 3 December and 17 December. This is a period when the whole country was under the COVID-19 Protection Framework and the business activity was “normal” (though with the WSS still available), and is therefore the best way to counter the seasonal effects on revenue. However, we note that there are some drawbacks to this comparator period if there is a lockdown over Christmas/New Years. We will reassess this period if there is a lockdown during this period. We also assume the same comparator period would be used for the CSP and the WSS if both are activated.

In general, our preference is that any future comparator periods are based on activity under Red level as the normal revenue period. This is because we expect most businesses that are COVID-19 Vaccine Certificate compliant will be able to operate relatively “normally”, even at Red settings, and therefore Red is an appropriate comparison period for revenue decline under a localised lockdown. During this 3-17 December period, many parts of New Zealand were at Orange level, so the comparator period will not target the impacts of localised lockdown compared to regular economic activity under the CPF as strongly. However, given it will address seasonal revenue effects, we assume it is a preferable comparator period than alternatives.

Next steps

In the event of a localised lockdown or return to Alert Level 3 or higher, officials will provide you with a draft Cabinet paper reflecting decisions of Ministers with the Power to Act on these policy parameters.

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