

The Treasury

Advice on COVID-19 Response - Tranche Three Information Release

September 2022

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- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
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Treasury Report: Adapting COVID Leave Schemes to an Omicron environment

Date:	4 February 2022	Report No:	T2022/84
		File Number:	SH-3-5-4

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note the contents of this report.</p> <p>Agree the recommendations in this report.</p> <p>Discuss this report with officials and provide feedback at the Weekly Agency Meeting (WAM) on 8 February 2022.</p>	8 February 2022.
Hon Carmel Sepuloni Minister for Social Development and Employment	<p>Note the contents of this report.</p> <p>Agree the recommendations in this report.</p>	8 February 2022.

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Katie Keir	Analyst, Welfare & Oranga Tamariki	[39]	[35] ✓
Sam Holmes	Principal Advisor, Welfare & Oranga Tamariki		
Keiran Kennedy	Manager, Welfare & Oranga Tamariki		

Minister's Office actions (if required)

<p>Return the signed report to Treasury.</p> <p>Refer report to Minister for Workplace Relations and Safety, and Minister of Revenue.</p>

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Adapting COVID Leave Schemes to an Omicron environment

Executive Summary

As Aotearoa faces an emerging Omicron outbreak, the COVID-19 Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP) will play an important role in the Government's response given the large rates of self-isolation anticipated during the outbreak.

Officials have been working at pace to review the policy, operational and integrity settings of the LSS and STAP (the Schemes) to identify what might be needed to adapt the Schemes to an Omicron environment and ensure they remain fit for purpose.

We have also been engaging with the Ministry of Health (MoH) to understand the impacts of the Testing, Tracing, Isolation and Quarantine (TTIQ) Strategy on the Schemes, noting that some policy decisions have yet to be taken regarding the TTIQ Strategy and this may further impact the application of the Schemes.

We understand that you would like the Schemes to have broad coverage, particularly in the absence of any broad-based support.

The anticipated higher volumes through the Schemes create integrity, operational and fiscal challenges which need to be balanced against the desire for a broad-based scheme.

With the above in mind, officials have identified where changes to the current settings may be needed. In particular, we seek an indication from Ministers whether they would like further advice on a 'hard-payment' cap for the LSS which would limit the number of weekly payments that could be made per employee / self-employed person. There are operational, integrity and fiscal benefits to this proposal, however these benefits would need to be weighed against potential equity considerations and consistency with the public health response.

We have also assessed the eligibility criteria for the Schemes against the three phases of the TTIQ Strategy, and have identified some areas where we may need to seek Ministers' agreement to clarify or tweak the settings to align with, in particular, Phase 3 of the Strategy – for example, the introduction of rapid antigen testing, and the approach to "probable" cases (as defined by public health guidance).

Given the significant anticipated uptake of the Schemes as case numbers continue to increase, additional funding will be required to pay for the Schemes. Our preference is that additional funding is sought from the recently replenished CRRF in the first instance, with an option to reprioritise unspent funding from the wage subsidy appropriation if required. Officials will provide you with further advice on funding requirements in order for you to seek Cabinet's agreement to additional funding from the CRRF.

Note that this report has been prepared in collaboration with MSD and MBIE officials, who are comfortable with the content and recommendations.

Recommended Action

We recommend that you:

Policy objective of the COVID Leave Support Scheme and Short-Term Absence Payment (the Schemes)

- a **agree** that the primary policy objective of the Schemes continues to be to support employees and employers to comply with public health rules related to self-isolation and testing.

Agree/ disagree
Minister of Finance

Agree/ disagree
Minister for Social Development and Employment

Eligibility criteria for the Schemes

- b **note** officials have reviewed the eligibility settings for the Schemes against the Omicron TTIQ Strategy and are looking to seek agreement from Ministers that:
- “confirmed or probable” cases (as defined by public health guidance) are eligible for the LSS;
 - “advised to self-isolate” includes notification from the Ministry of Health via its proposed self-investigation tool;
 - a person who is not advised to self-isolate in accordance with public health guidance, but is choosing to do so, is not eligible for LSS;
 - eligibility for STAP does or does not include tests other than PCR e.g. rapid antigen testing.
- c **note** that officials have reviewed the exclusions for eligibility to the Schemes and do not intend to propose any changes, other than reviewing the intent relating to the current air crew exclusion which officials are currently working through.
- d **agree** that the STAP remains available at this stage, but that officials will closely monitor uptake of the Schemes in the coming weeks and provide subsequent advice (if needed) on the continued role of the STAP in a high case environment and increased use of rapid antigen tests.

Agree/ disagree
Minister of Finance

Agree/ disagree
Minister for Social Development and Employment

Delivery of the Schemes

- e **note** the anticipated increase in applications for the COVID Leave Schemes will put significant operational pressure on MSD (and to a lesser extent IR) systems.
- f **note** that MSD officials have assessed that:
- at approximately 2,500 applications per day (across the COVID Leave Schemes), MSD would need to cease manual verification of self-employed applicants which currently takes place pre-payment; and
 - at greater than 12,000 applications per day, MSD would likely no longer be able to meet the current five-day payment turnaround for all applications.
- g **note** decisions may need to be sought from the Minister for Social Development and Employment on reprioritisation of MSD’s work programme if applications look likely to reach over 12,000 applications per day.

Integrity measures

- h **note** the LSS and STAP have integrity measures in place which have been proportionate to the modest uptake of the Schemes, which include some pre-payment checks.
- i **note** current integrity measures include a 'soft-cap' at payment four when MSD will call the applicant to verbally reconfirm eligibility.
- j [4], [36], [39]
- k **note** introducing a hard-payment cap limiting the total number of weekly LSS payments for a given person in a given period could preserve or improve integrity while reducing operational impacts, but could be perceived as contrary to the public health strategy and could disproportionately affect more vulnerable groups.
- l **indicate** if you would like further advice on introducing a hard-payment cap for the LSS, and associated costs and lead in time for implementation.

Yes/ no

Minister of Finance

Yes/ no

Minister for Social Development and Employment

- m **agree** that LSS applications must be made within 8 weeks of the employee or self-employed person's self-isolation period ending, which is consistent with the STAP rules.

Agree/ disagree

Minister of Finance

Agree/ disagree

Minister for Social Development and Employment

Vulnerable groups and employment law considerations

- n **indicate** if you are interested in further advice on a change to the LSS and STAP to ensure that the same calculation method is used in determining the LSS payment rate paid by the Government as is used to determine the employer's minimum payment obligations.

Yes/ no

Minister of Finance

Yes/ no

Minister for Social Development and Employment

- o **note** the change in recommendation n above addresses a potential inequity in the current Schemes for casual workers with no contracted hours and part-time workers who normally work more than their contracted hours.
- p **note** the Minister of Workplace Relations and Safety has requested that officials develop options to address the issue of employers potentially being disincentivised to apply for the Schemes given the amounts paid do not necessarily cover the full employee wage costs. This will form part of further cross-agency advice on the LSS and STAP.

Fiscal implications

- q **note** the existing funding for the COVID Leave Schemes is expected to deplete quickly as COVID case numbers rise, and a significant top up to the Leave Support Scheme appropriation will be required.
- r **agree** to seek additional CRRF funding in the first instance with the option of reprioritising unspent funding from the wage subsidy appropriation if required.

Agree/ disagree

Minister of Finance

- s **note** officials will provide you with further advice on funding requirements in order for you to seek Cabinet's agreement to additional funding from the CRRF.

Next steps

- t **discuss** this report with officials and **provide feedback** at the Weekly Agency Meeting on 8 February 2022.

Discuss/ do not discuss.

Minister of Finance

- u **refer** to the Minister for Workplace Relations and Safety, and the Minister of Revenue.

Refer/ not referred.

Keiran Kennedy
Manager, Welfare & Oranga Tamariki

Hon Grant Robertson
Minister of Finance

Hon Carmel Sepuloni
Minister for Social Development and Employment

Treasury Report: Adapting COVID Leave Schemes in an Omicron environment

Purpose of Report

1. The purpose of this report is to:
 - inform you of key policy, operational, legal and integrity considerations for the Leave Support Scheme (LSS) and Short Term Absence Payment (STAP) (together, the COVID Leave Schemes or Schemes) which are a consequence of the new three phased Testing, Tracing, Isolation and Quarantine strategy (TTIQ Strategy) and anticipated high self-isolation volumes in an Omicron outbreak; and
 - propose options to test with you to address the policy, operational, legal and integrity challenges identified and to help ensure the Schemes continue to be fit for purpose in an Omicron environment.
2. We would like to discuss the contents of this report with you at the next Weekly Agency Meeting on 8 February 2022, with a view to preparing a decisions paper for Joint Ministers following our discussion with you.
3. This report has been prepared with input from Ministry of Social Development (MSD), Ministry of Business, Innovation and Employment (MBIE), and Inland Revenue (IR) officials who are comfortable with its contents, and plan on discussing the report with their respective Ministers.

Background

4. As Aotearoa faces an emerging Omicron outbreak, the existing COVID Leave Schemes will play an increasingly key role in the Government's COVID-19 response. Both Schemes are important tools to support people to self-isolate when they cannot work from home, and are intended to work alongside the Caring in the Community – welfare response and other COVID-19 related economic supports available [CAB-22-MIN-0007 refers].
5. The existing COVID Leave Schemes were not designed to be 'high use', meaning there are significant operational, integrity, legal and fiscal considerations to address in an Omicron environment. The Schemes also need to align with the Ministry of Health's new three-phased TTIQ Strategy as community cases significantly increase and more workers become impacted.
6. Officials from Treasury, the MSD and MBIE have been working at pace to review the policy, operational and integrity settings of the COVID Leave Schemes and identify options to adapt the Schemes to reflect the Omicron environment. We have also been engaging with the Ministry of Health (MoH) to understand the impacts of the TTIQ Strategy on the Schemes, noting that some policy decisions have yet to be taken regarding the TTIQ Strategy and will potentially impact on the application of the COVID Leave Schemes.

Policy objectives of COVID Leave Schemes

7. The COVID Leave Schemes were originally established with the primary objective of supporting employees and employers to comply with public health rules related to self-isolation. The Schemes also support labour market attachment by helping employers to retain their workers by providing wage support.
8. We seek confirmation from Ministers that they are comfortable with these policy objectives continuing to be the primary objectives of the Schemes rather than, for example, providing economic support to employers.
9. Our view is that there are other economic supports available or able to be explored which are better placed to provide economic support for businesses – for example, the COVID Support Payment or the Small Business Cashflow Scheme. You are receiving separate advice from Treasury officials on how these supports could be used if needed in the Omicron outbreak, including options to expand the wage component of the CSP [T2022/137 and T2022/101 refers].

Delivery of Schemes in an Omicron outbreak

10. The anticipated increase in applications for the COVID Leave Schemes will put significant pressure on the Schemes, which to date have experienced a comparatively lower uptake compared to the Wage Subsidy Scheme and COVID Support Payment.
 - At approximately 2,500+ applications per day, MSD would need to cease routine phone calls to self-employed applicants pre-payment, but the other current integrity settings would remain (see Appendix One for more detail on integrity settings). As this number increases, MSD will likely need to pivot additional staff from the broader BAU work programmes.
 - At greater than 12,000 applications per day, MSD would likely no longer be able to meet the current five-day payment turnaround for all applications, and decisions may need to be sought from the Minister for Social Development and Employment on reprioritisation of MSD's work programme.
11. We note for reference that if STAP was decommissioned at fewer than 5,500 cases per day, MSD could continue to meet the average five-day turnaround where the cases in the community is around 5,500 per day. However, decommissioning STAP runs the risk of excluding people who need a test, are self-isolating at home, cannot work and are unable to get a rapid antigen test and have to wait for a test result following a PCR test. We note we have previously provided advice on the role of the STAP under the COVID Protection Framework and our recommendation for its role to be reviewed [T2021/2879 and REP/21/11/1255 refers].
12. We seek agreement from Ministers that the STAP remains available at this stage, but that officials will closely monitor uptake of the Scheme in the coming weeks and provide subsequent advice (if needed) on the continued role of the STAP in a high case environment and increased use of rapid antigen tests.
13. For context, currently MSD is receiving an approximate average of 770 applications per day (which includes both LSS and STAP applications). This suggests that MSD's '2,500+' tipping point will likely be reached at Phase 2 of the TTIQ Strategy i.e. when we see 1,000 – 5,000 cases per day. Likewise, Inland Revenue is receiving around 900 calls a week from MSD to assist with COVID Leave Scheme applications. Based on current LSS rates and previous wage subsidy work, Inland Revenue require around 1 FTE for every 3 FTEs MSD provides to process the applications.

Options to adapt the COVID Leave Schemes

14. We understand that Ministers consider the COVID Leave Schemes to play an important role in the Government's Omicron response and would like the Schemes to have broad coverage, particularly in the absence of any broad based economic support.
15. On this basis, we have developed initial advice which focuses on maintaining broad based self-isolation support schemes. Our initial advice is outlined below and assesses the LSS and STAP against key criteria including eligibility, integrity and delivery implications, and identifies options and proposed next steps which we would like to test with you.
16. [36]
17. If you wish to consider additional targeted options for the Schemes such as by tightening eligibility (for example, to limit fiscal costs or manage integrity and/or operational risks), then officials can look into this further once more information is available on the duration of the Omicron outbreak and uptake of the Schemes.

Introducing a cap on LSS payments per person

18. The integrity measures in the LSS and STAP are relatively light which has been appropriate for the low uptake of the Schemes to-date, and the need to focus agency resources on more significant risk areas, such as the Wage Subsidy Scheme (Wage Subsidy).
19. With the Wage Subsidy no longer available we expect the Omicron outbreak to drive significantly higher volumes into the LSS and STAP, increasing the possible scale of fraud. [4], [36], [39]
20. Appendix One describes the integrity checks currently in place. Note that there are several automated pre-payment checks against IR data and pre-payment 'exceptioning' of higher-risk applications. These mitigate some key scheme risks, in a similar way to Wage Subsidy processes. Note also that we consider the STAP to be lower risk than the LSS in general since it has a lower payment rate and a 30 day 'stand down' rule between automated payments.
21. A notable risk area is the possibility of payments to people who do not meet the LSS health eligibility criteria. [4], [39]
22. As application volumes to the LSS increase significantly, [4], [39]

which may mean payment times increase.

LSS fourth payment hard-cap option

23. Converting the LSS 'soft-cap' to a hard-cap would provide a simpler way of managing integrity risks relating to people who do not meet the health eligibility criteria. In this option people would be eligible for no more than e.g. 4 payments in a 6 week period. Subsequent applications from those people would be automatically declined. The cap

would 'reset' to allow further applications later on, in case of another COVID-19 outbreak or a second COVID-19 exposure for example.

24. This option would achieve the same or better integrity control as the current soft cap, but with much lower operational demands and associated risk to MSD's service delivery, across this and other schemes at a time of increased pressure.
25. A significant trade-off with this approach is consistency with the health response depending on where the cap is set. Requiring self-isolation but only subsidising part of that period could reduce social license for continued use of self-isolation mandates. Vulnerable and disadvantaged populations will likely be over-represented in the group of people who are isolating for long periods due to severe illness.
26. On the other hand, a hard-cap would send a signal that the government expects businesses and households to begin to share more of the cost of COVID-19 related leave. Also, those people in hardship and/or with welfare needs during long periods of self-isolation are expected to be able to access other MSD supports, including Care in the Community. Additionally, a hard cap potentially sets a pathway for exiting from the Schemes and signals that this is time limited support.
27. If you are interested in introducing a hard-cap for the LSS then we will work with the Ministry of Health to understand an appropriate cap that balances integrity risk with supporting the majority of self-isolating people and the public health strategy and provide you with options to consider, and the legal issues identified above.

Further integrity measures

28. MSD's view is that the measures that will remain in place, with or without the addition of a hard-cap – checks against IR data, pre-payment exceptioning of higher risk applications, responding to allegations and complaints - are appropriate integrity measures for LSS/STAP within the current operational constraints. They focus on pre-payment integrity (prevention is the most effective way to manage fraud). They are also manageable with the significant forecast volumes of applications.

29. [4], [39]

30. You asked us to consider whether post-payment spot checking was possible for the LSS. The challenge with this is the same limitations set out above. MSD [4], [39] consider it is more effective and efficient to focus on pre-payment checking rather than resource-intensive post-payment checking. We will continue to work with MSD to explore other integrity measures.

31. As a further integrity measure, we seek agreement that LSS applications must be made within 8 weeks of the employee or self-employed person's self-isolation period ending, which is consistent with the STAP rules and helps mitigate the risk of applications being made for.

Alignment of current eligibility settings with proposed Omicron TTIQ strategy

32. Appendix One of this report provides a summary table outlining the current eligibility settings for the Schemes.
33. Officials have reviewed the eligibility settings for the COVID Leave Schemes against MoH's Omicron TTIQ Strategy and are looking to seek agreement from Ministers that:
- “Deemed or probable” cases (as defined by public health guidance) are eligible for the LSS i.e. a symptomatic household contact who has not had a positive COVID test;
 - “Advised to self-isolate” includes notification from the Ministry of Health via its self-investigation tool which we understand will come into effect in Phase 2 and 3 of the TTIQ Strategy;
 - A person who is not advised to self-isolate in accordance with public health guidance, but is choosing to do so, is not eligible for LSS – this may be more prevalent in an Omicron environment where individuals may choose for personal health reasons to self-isolate without being officially advised to do so;
 - Eligibility for STAP does or does not include tests other than PCR e.g. rapid antigen testing – noting that, practically speaking, a person is unlikely to be eligible for the STAP if they have taken an unsupervised rapid antigen test as a result is provided within approximately 15 minutes.
34. Officials have also reviewed the exclusions for eligibility for the COVID Leave Schemes to identify whether they still stand in an Omicron environment. We consider that the exclusions currently in place still stand except for potentially the air crew exclusion.¹ The intent of the LSS and STAP payments is to incentivise businesses to comply with public health guidance, not to compensate for any loss in complying with that guidance. International air crew are excluded from the LSS and STAP as eligibility would not increase compliance with public health guidelines/requirements as their employers have specific rules and requirements for self-isolation and testing outlined via an Order-in-Council. As the employers of international air crew are legally required to comply, specifically in allowing workers to self-isolate/quarantine if required, it was considered that the LSS and STAP were redundant for these workers as it would not increase compliance. Officials are working through this exclusion and will provide further advice if the exclusion does need to change or be clarified.
35. Following any feedback received from you, we will seek formal decisions from you and the Minister for Social Development and Employment on the above in a subsequent Joint Report and recommend that you provide an update to Cabinet on any proposed changes to the COVID Leave schemes.

What we do not propose to change

36. At this stage, officials do not intend to revisit either the payment rate or the payment period for the COVID Leave Schemes. These are core policy settings which may be more appropriate to revisit as part of a ‘steady state’ scenario.
37. We consider the current weekly payment frequency (for a minimum of 4 days self-isolating) balances the risk of over and under-paying and is flexible to future changes in self-isolation durations.
38. We seek confirmation from Ministers that the payment rate and payment period are not to be revisited at this stage.

¹ The Leave Support Scheme cannot be paid for employees, or self-employed people who employed as an air-crew member and required to comply with any orders.

Vulnerable Groups

Variable hours employees

39. Potential inequities have been identified for employees with no agreed hours of work (casual employees) and for part-time employees who customarily work longer hours than stated in their employment agreements.
40. The current LSS guidance allows employers to apply for the scheme and receive a payment rate on the basis of an employee's average hours worked over an appropriate reference period (\$359 for less than 20 hours per week or \$600 for 20 hours or more). However, scheme pass-through rules allow employers to base what is passed through to the employee on the employment agreement alone.
41. This creates an inequity in the Scheme for workers in this position and may result in windfalls for some employers. This can be addressed by amending scheme rules to ensure that the same calculation method is used in determining the LSS payment rate paid by the Government as is used to determine the employer's minimum payment obligations.
42. There is a small chance this change could reduce applications to the scheme by some employers of casual workers, leaving those workers with no support in this situation. However, we consider that this setting is not the main driver of employer treatment of casual workers and that addressing this issue is likely to marginally improve outcomes overall for workers who need to self-isolate.
43. The issues observed with LSS are less material for STAP since it covers much shorter periods off work. However, if the LSS is amended then we recommend harmonising the settings across both schemes for consistency.
44. If you are interested in these changes then we will seek formal agreement and advise on any legal implications next week.

Larger households and the digital divide

45. Moving to self-investigation / self-management models of care, and models that require increased use of personal technology (for example to provide evidence of a test result / close contact verification), risks exacerbating inequities in our vulnerable communities, including those affected by the digital divide.
46. For the LSS, there is a particular concern for larger households where individuals may end up being advised to self-isolate for extended (or multiple) periods of time². This sort of scenario will need to be borne in mind when considering a payment cap.
47. Officials consider that a key way to ensure accessibility of support to vulnerable communities is through clear and effective communications through a range of channels. For example, communications should make it clear the range of support available to individuals and households and give them clear channels to seek help to access those support e.g. through a community provider or a call centre. MSD is working on COVID Leave Schemes communication material to be used as part of the Care in the Community programme.
48. We note that individuals may also have access to Care in the Community or other MSD hardship assistance if suffering significant hardship during the Omicron outbreak e.g.

² Ministry of Health officials have indicated to us that the TTIQ rules may change to reduce the need for multiple, back-to-back isolation periods as COVID moves through a multi-person household.

Special Needs Grants,³ Recoverable Assistance Payments,⁴ Advance Payments of Benefit⁵. We note that this assistance (unlike the LSS and STAP) is income and asset tested.

49. These equity considerations span beyond the COVID Leave Schemes – it is important that the COVID economic and individual supports available work collectively to support the most vulnerable.

Employment law considerations

50. There are broader employment law and health and safety issues relating to self-isolation which influence the uptake and effectiveness of the COVID Leave Schemes.

Legal obligation to pay employees

51. The key issue relates to whether employers are obliged to pay employees who are self-isolating (but are not themselves sick or caring for a dependant who is sick).
52. There is a general legal principle that an employer is required to pay an employee if they are “ready, willing and able” to work. In the context of Government-imposed lockdowns, the Employment Relations Authority has held that employers were obliged to continue paying employees who could not work from home, finding that the employers were unable to provide work to employees who were nonetheless “ready, willing and able” to work.
53. [36]
54. The COVID Leave Schemes oblige employers to continue paying the employee. The Government contribution is a subsidy towards that, and in most cases does not cover the full cost of paying employees their ordinary wages. But this obligation would not necessarily exist if employers simply choose not to apply for the subsidy.
55. The Minister for Workplace Relations and Safety has requested that officials develop options to address this issue. This will form part of further cross-agency advice on the LSS and STAP.

Fiscal implications

56. The amounts paid out to date under the COVID Leave Schemes have been modest compared to the other economic supports provided in previous outbreaks.⁶ In an Omicron outbreak the fiscal cost of the Schemes will significantly increase as a greater number of New Zealanders are expected to self-isolate. Appendix Two of this report

³ Special Needs Grants (SNGs) – provide one-off recoverable or non-recoverable financial assistance to meet people’s immediate and essential needs. A person does not have to be in receipt of a main benefit to qualify for an SNG.

⁴ Recoverable Assistance Payments (RAPs) – provide interest free, recoverable assistance to non-beneficiaries to meet immediate and essential needs. A repayment arrangement is negotiated with clients before the RAP is granted.

⁵ Advance Payments of Benefit (Advances) – advances for up to the value of six weeks of a client’s weekly benefit, which are available to all clients who need assistance to meet a particular immediate need for an essential item or service. If a client is receiving an income-tested benefit, then they would generally meet the income test for an Advance Payment of Benefit.

⁶ Appendix 2 of this report provides a high level stocktake of the uptake of both the LSS and STAP.

provides a high-level data stocktake of the uptake and associated amounts paid out under the Schemes.

57. As we have previously advised, under MoH's Phase 3 case scenario (5,000 – 50,000 per day) the fiscal cost of the Schemes under current settings would become significant. By way of example, costs could reach at least \$50 million per week just for the LSS with 350,000 people self-isolating (which is feasible with 25,000 COVID-19 cases per day). Demand for STAP is highly uncertain as it will depend on the approach to testing and self-isolation requirements. However, STAP costs are expected to rise substantially in an Omicron outbreak during Phases 2 and 3 of the TTIQ Strategy where there is expected to be a significant increase in testing due to high infection rates.
58. As at 3 February, there is \$144.3 million left in the Leave Support Scheme appropriation which funds the COVID Leave Schemes. Based on MoH's Omicron case scenarios, there is likely to be a significant uptake in the Schemes compared to current levels which will deplete the remaining funding and necessitate a significant top-up.
59. There may be an opportunity to reprioritise unspent funding in the wage subsidy appropriation to help pay for the COVID Leave Schemes (as at 2 February there is approximately \$450 million of unspent funding). However, our preference at this stage would be to seek CRRF funding as the first 'port of call' – while Treasury's advice to date has been to not provide broad based economic support for Omicron, we consider it prudent at this early stage to keep the unspent funding in the wage subsidy appropriation until Cabinet has made decisions on the broader approach to economic supports in an Omicron outbreak.
60. Officials will provide you with further advice on funding requirements in order for you to seek Cabinet's agreement to additional funding from the CRRF.

Next steps

61. We would like to discuss the contents of this report with you at the next Weekly Agency Meeting on Tuesday 8 February. Following your feedback, officials can prepare a joint report with MSD and MBIE which seeks decisions on proposed changes to the COVID Leave Schemes.
62. We understand that our colleagues at MBIE and MSD also intend to discuss the contents of this report with their respective Ministers.
63. We expect that a cabinet paper will be subsequently required to inform Cabinet of changes to the COVID Leave Schemes as well as seeking funding decisions to top up the Leave Support appropriation.

Appendix One: Current LSS and STAP Eligibility and Integrity settings

	COVID Leave Support Scheme	Short Term Absence Payment
<p><i>Eligibility settings</i></p>	<p>Under current eligibility settings, an employee (including self-employed person) must have been “<i>advised to self-isolate</i>”⁷ for a period of at least four consecutive days for any one of the following reasons (and be unable to work from home for that period):</p> <ul style="list-style-type: none"> • They have COVID-19; or • They are a close contact of a person who has COVID-19; or • they are the parent or caregiver of a dependant who has been advised to self-isolate; or • they are in the category of people most at risk of severe illness from COVID-19; or • they have household members in the category of people who are most at risk of severe illness from COVID-19. <p>“<i>Advised to self-isolate</i>” means advice:</p> <ul style="list-style-type: none"> • From a medical practitioner (as defined in the Health Act 1956); or • Given through the National Investigation and Tracing Centre; or • From a medical officer of health (as defined in the Health Act 1956) or their delegate; <p>OR</p> <p>A named employee has advised their employer that they have been named as a person, or are the parent or caregiver of a dependent who has been named as a person, who must stay at home or in a managed isolation facility a relevant COVID-19 order under the COVID-19 Public Health Response Act 2020; or</p>	<p>Businesses can apply for the STAP if they’ve been advised that their employee, or a self-employed person is unable to work from home and is:</p> <ul style="list-style-type: none"> • staying at home while waiting for a COVID-19 test result, in accordance with public health guidance, or are • the parent or caregiver of a dependant who is staying home while waiting for their COVID-19 test result, in accordance with public health guidance, and the dependant needs support to do so safely, or are • a household member or secondary contact (as described in public health guidance) or someone who is a close contact of a person with COVID-19, and the worker has been advised to stay at home while waiting for the close contact’s test results. <p>The STAP settings are silent on which COVID tests would be covered vs not covered under the Scheme – instead, the emphasis is on the person needing to miss work to stay at home while waiting for a test result.</p> <p>The MSD website also lists scenarios where a person is not eligible for STAP.</p>

⁷ “Advised to self-isolate” means advice:

- From a medical practitioner (as defined in the Health Act 1956); or
- Given through the National Investigation and Tracing Centre; or
- From a medical officer of health (as defined in the Health Act 1956) or their delegate;

OR

A named employee has advised their employer that they have been named as a person, or are the parent or caregiver of a dependent who has been named as a person, who must stay at home or in a managed isolation facility a relevant COVID-19 order under the COVID-19 Public Health Response Act 2020; or a direction made by a medical officer of health under s 70 of the Health Act 1956.

	COVID Leave Support Scheme	Short Term Absence Payment
	<p>a direction made by a medical officer of health under s 70 of the Health Act 1956.</p> <p>The MSD website also lists scenarios where a person is not eligible for the LSS.</p>	
<i>Integrity settings</i>	<p>Current integrity measures in place:</p> <ul style="list-style-type: none"> • Verification with IR of all applications to confirm the applicant is a legitimate business and for employers that the employee they are claiming for is employed by the employer. • [4], [39] • • Respond to allegations / complaints about misuse • Higher risk applications are 'excepted out' for further review e.g. where applicants already under investigation for WS • Declaration which outlines obligations which applicant must sign, including that employers are required to retain evidence of eligibility • [4], [39] • Inability to work from home is asked of the applicant in scenarios where MSD needs to contact the applicant <p>[4], [39]</p>	<p>Current integrity measures in place:</p> <ul style="list-style-type: none"> • Verification with IR of all applications to confirm the applicant is a legitimate business and for employers that the employee they are claiming for is employed by the employer • Respond to allegations / complaints about misuse • Exceptioning out (higher risk) applications, e.g applicants already under investigation for WS • Declaration which outlines obligations which applicant must sign <p>[4], [39]</p>

Appendix Two: High Level Data of COVID Leave Schemes

- In total the LSS has paid out approximately \$152 million and the STAP has paid out approximately \$20 million, noting the STAP was only introduced in February 2021 while the LSS has existed (in some form) since March 2020. This is compared to the Wage Subsidy Scheme which has since March 2020 paid out over \$18 billion.
- The LSS and STAP remain active under the COVID Protection Framework to support employees and employers with the burden of complying with public health rules related to self-isolation requirements. The LSS moved from a two week payment to a one week payment from 10 December to allow greater flexibility as self-isolation rules evolve. The following table provides a breakdown of the number of LSS and STAP applications have been paid out and the corresponding cost since the 10 December 2021 (which is when the Wage Subsidy Scheme ended):

	10 Dec 2021 – 28 Jan 2022
LSS paid	\$3.7m
LSS approved	3,110
STAP paid	\$3.8m
STAP approved	6,676