

The Treasury

DEV-22-SUB-0160 - Closure of the Short-Term Absence Payment, and Future Leave Support Scheme Funding

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Office of the Minister of Finance

Office of the Minister for Social Development and Employment

Chair, Cabinet Economic Development Committee

Closure of the Short-Term Absence Payment, and future Leave Support Scheme funding

Proposal

- 1 This paper seeks agreement to close the Short-Term Absence Payment (STAP), with the last date for eligible PCR tests being 22 August 2022.
- 2 This paper also seeks agreement to use funding from the Wage Subsidy Scheme (WSS) underspend for the Leave Support Scheme (LSS).

Relation to Government priorities

- 3 The decisions in this paper support the Government's priority to keep New Zealanders safe from COVID-19, including by protecting lives and livelihoods.

Executive Summary

The Short-Term Absence Payment should be closed as it is no longer relevant to the Government's COVID-19 response

- 4 This paper seeks approval to close STAP. STAP has supported thousands of jobs since its introduction in December 2020. It has helped employers to pay their employees who cannot work from home while they wait for a COVID-19 PCR test result.
- 5 In February 2022, the Government moved to the second phase of the Omicron response and Rapid Antigen Tests (RATs) became the primary form of testing in the community. As RATs provide quick results, much fewer people are eligible for STAP, leading to a significant decrease in demand for the scheme.
- 6 We propose closing STAP for new PCR tests as soon as possible following a Cabinet decision, while maintaining the usual eight-week application window for those who have already taken a PCR test. With a Cabinet decision on 1 August 2022, this change could be implemented on 22 August 2022 and STAP would be closed to all applications on 15 October 2022.

Using Wage Subsidy Scheme underspend for the Leave Support Scheme

- 7 We also seek agreement to use the underspend of approximately \$110 million from WSS funding for LSS. ^[33]

[33]

[33]

8 [33]

Background

- 9 In May 2020 the Essential Workers Leave Support Scheme became the COVID-19 Leave Support Scheme [CBC-20-MIN-0047 refers]. The LSS was established to help employers, including self-employed people, to pay their employees who must self-isolate because of COVID-19 and are unable to work from home during that period.
- 10 In December 2020 Cabinet agreed to the introduction of STAP [CAB-20-SUB-0531 refers]. The STAP was established to help employers (including self-employed people) to pay their employees who cannot work from home while they (or their dependant(s)) wait for a COVID-19 PCR test result. There is a one-off payment of \$359 for each eligible worker.
- 11 Early in the 2022 Omicron response, PCR testing played a significant role, and there were large numbers of people staying at home while they waited for the results of their tests. There was significant uptake of STAP prior to the introduction of RATs.
- 12 From 24 February 2022, the Government moved to the second phase of the Omicron response and RATs became the primary form of testing in the community. RATs provide results much quicker than PCR tests (i.e. within approximately 15 minutes as opposed to a few days), resulting in fewer people needing to stay home while waiting for their result.
- 13 Current PCR usage is very low, and 96 percent of results are available within 24 hours. For the period 1 April 2022 to 30 June 2022, the average daily PCR tests completed was 3,565. This shift in approach has greatly reduced the number of people eligible for STAP, and demand has significantly decreased.

STAP should be closed as it is no longer relevant to the Government's COVID-19 response

The role of STAP in the COVID-19 response has changed over time

- 14 Since opening on 9 February 2021, \$44.3 million has been paid out in STAP payments.¹ The Ministry of Social Development (MSD) has received 91,052 applications, supporting 44,299 distinct businesses or self-employed/sole trading individuals to self-isolate while waiting for their PCR result.² Over the entirety of the scheme to the morning of 29 June 2022, MSD has approved 71,731 applications.³ It

¹ MSD Data File Income Support Weekly Update 8 July 2022.

² Based on unique IRD numbers included in applications.

³ Those applications that have not been approved have been closed or declined due to eligibility issues.

is estimated that approximately 25 percent of applications are from self-employed people.⁴

- 15 At its peak in early 2022, STAP supported 28,600 individual jobs in February and 28,300 individual jobs in March. This dropped significantly to 6,500 in April.⁵ The accommodation and food services and construction industries saw the most jobs supported through this two-month period. Jobs in Auckland accounted for over half of all jobs supported.
- 16 Over the 28-day period from 19 June 2022 to 17 July 2022, there have been 1,757 applications for STAP, made by 1,632 distinct businesses. Of the 1,631 applications for STAP that have had a decision made against them, just 199 applications have been approved since 19 June 2022 (12%), with the remaining 1,432 applications being declined (88%) because they were not eligible for STAP. The remaining 126 applications received have yet to have a decision made against them.⁶
- 17 Although PCR tests may be used in limited circumstances (some border workers and border arrivals/returnees), they are generally used in conjunction with RATs rather than on their own. Health advice clearly indicates we are unlikely to return to a COVID-19 response where PCRs are the primary testing mechanism, as RATs would still be a reliable test for the more likely range of future variants.
- 18 We are also unlikely to see a move towards PCR tests as a result of lack of access to RATs. There is currently a significant national stock, and publicly funded RATs are available for individuals and households. To increase uptake in the public's use of RATs, on 14 July 2022 the Government announced that there would no longer be criteria to access free RATs.⁷ People can also purchase RATs themselves via a pharmacy, supermarket or online.

[4], [39]

- 19 [4], [39]

Other economic supports continue to be available for those impacted by the effects of COVID-19

- 20 Since December 2021, MSD has been working with community providers to deliver the Care in the Community Welfare response. Cabinet has agreed to time-limited funding for this Care in the Community response to support people to self-isolate

⁴ These figures are estimates captured from operational reporting sources and may be subject to slight deviations from official reporting numbers.

⁵ LSS and STAP IDI Dashboard produced by MSD Monitoring and Analysis for February and March 2022.

⁶ As above, these figures are estimates captured from operational reporting sources and may be subject to slight deviations from official reporting numbers.

⁷ Before this change, only people with COVID-19 symptoms or household contacts of people with COVID-19 could access publicly funded RATs.

[CAB-21-SUB-0493 refers]. The support available under this model includes financial hardship support, food, and other social supports while a person is required to self-isolate. In the week ending 26 June 2022, approximately four percent of confirmed COVID-19 cases requested this type of support (1,599 people), with 669 people referred to community providers.

- 21 Through Budget 2022, the income limits for MSD hardship assistance⁸ have been permanently increased to ensure wider access to hardship support for those working. This provides support to more low-income households including those who may be experiencing financial stress due to the impacts of COVID-19. In the week ending 26 June 2022, 357 hardship grants were provided to people in self-isolation.
- 22 Some targeted supports continue to be provided through Te Puni Kōkiri and the Ministry for Pacific Peoples. Whānau Ora received ongoing funding at Budget 2022 and commissioning agencies continue to provide wrap-around support to vulnerable and hard to reach whānau through their service providers. The Pacific Aotearoa Community Outreach (PACO) initiative, which is funded until the end of the calendar year, focusses on increasing engagement across Government to ensure support for hard-to-reach Pacific cohorts, as well as supporting community service providers to increase the preparedness of Pacific communities for new COVID-19 health measures and increase awareness of vaccinations.
- 23 On 5 May the Minister for Social Development and Employment announced additional funding to support people significantly impacted by COVID-19, as part of the Government's transition beyond the Omicron peak. The funding includes \$5 million to support the wellbeing of disabled people. The Care in the Community Disability Welfare Fund is targeted to support disabled people and their whānau to transition to life post-Omicron and mitigate the impacts from COVID-19 on their wellbeing. It will be administered by MSD in consultation with disabled communities [CAB-22-MIN-0132 refers].

This approach aligns with international practice

- 24 Overseas, of the countries that did provide support to those waiting for a PCR test result, most have now closed their schemes due to the significant decrease in wait times for PCR test results. For example, the COVID-19 Test Isolation Payment in Victoria closed in March 2022, citing the fact that RATs are now the recommended method of testing as the primary reason for the scheme's closure. Similar schemes across Australia have also closed over the past few months, with an equivalent scheme in New South Wales closing in January, Western Australia's in February and Tasmania's in June.

We are seeking agreement to close STAP for future PCR tests

We recommend closing STAP while providing an eight-week window for applications

- 25 Currently, employers⁹ of people eligible for STAP may apply for the payment up to eight weeks after the date of their relevant PCR test. This enables employers or self-

⁸ MSD Hardship Assistance includes: Special Needs Grants, Recoverable Assistance Payments, and Advance Payments of Benefits.

⁹ Including self-employed people/sole traders.

employed people to apply after they recover from sickness (if they test positive) or for larger employers to apply periodically for multiple eligible employees.

- 26 We recommend continuing an eight-week window for eligible people to apply from the date of closing STAP to new PCR test applications. Clear communications will be required to ensure eligible people are not disadvantaged. A declaration for employers forms part of the application for STAP. To close STAP, the declaration will need to be amended with a final date for eligible PCR tests, and operational policy content and communications will need to be updated to reflect the decision. We expect this will take approximately 15 working days from a Cabinet decision.
- 27 Our proposed approach for closing STAP will mean that only employers of people who have already taken a PCR test before the declaration is updated will be able to apply for support. MSD will provide the usual eight-week window for making an application. People who take PCR tests after the declaration is updated will not be eligible for STAP. This option is preferred as it provides all eligible people with an equal opportunity to apply for STAP, and does not disadvantage any eligible people by limiting their ability to apply.
- 28 We considered other options for closing STAP, including closing STAP to all applications eight weeks after the Cabinet decision, allowing the employer of anyone who takes a PCR test before the date the declaration is updated to apply. This option restricts the ability of eligible people to apply by providing a shortened window for accepting applications.
- 29 Another option considered was turning STAP off immediately, with no new applications being approved after the announcement. We consider this option to be unfair as it would remove the eight-week window for accepting applications without advanced notice. This would leave some eligible people who have already had a PCR test, but whose employer hasn't yet applied, disadvantaged despite previous indications that government would provide financial support.
- 30 The timing to implement this change is illustrated in the table below:

Date of Cabinet decision to close STAP	Last date for eligible PCR tests	Last date for STAP applications	Number of days to apply from taking PCR test
1 August	22 August (15 working days)	15 October (15 working days + 8 weeks)	8 weeks

STAP should only be turned back on under specific circumstances

Our preference is to not turn the scheme back on

- 31 It is anticipated that COVID-19 may continue to create social and economic disruption over the next two to five years. In this context, there is a need to transition

to an economy that is more resilient to ongoing COVID-19-related shocks. A COVID-19-resilient economy is one in which businesses can adapt to living with COVID-19-related shock and with government bearing less of the risk and costs.

- 32 In this context, our preference is to not turn the STAP back on. As we enter the third year of the pandemic, COVID-19 is no longer an unforeseen disruption. The experiences of the pandemic to date mean it is now easier to anticipate the impact of future COVID-19-related disruption. This means COVID-19, including short-term absences, is becoming a 'normal risk' that businesses can manage through prior preparation, risk-specific decision making and appropriate contingency planning. Indeed, many businesses have already taken steps to adapt to disruption from COVID-19 and continuing to provide economic support risks undermining businesses' incentives to make this transition.

STAP could be turned back on if needed under specific circumstances

- 33 Cabinet approval would be required to turn STAP back on. This could be considered if a new variant emerges that requires a shift back to a widespread reliance on PCR testing, and financial support whilst waiting for PCR test results is necessary to incentivise compliance.

- 34 If a decision was made to reactivate STAP, MSD would require a minimum of 15 working days, provided there is no change to settings, to implement and communicate the change once the declaration had been updated.

Using Wage Subsidy underspend for Leave Support Scheme

The LSS is still currently relevant to the COVID-19 response

- 35 Self-isolation has been a core component of the Government's public health response. There is currently a legal requirement for people who test positive for COVID-19 and their household contacts to isolate for seven days. LSS enables businesses, including self-employed people, to pay employees during their period of self-isolation.

- 36 Since December 2021 (when WSS ended), the LSS has paid out \$434 million, out of a total \$583 million since LSS opened in March 2020¹⁰. Demand has been steady in line with COVID-19 cases so far over the winter period. [33]

- 37 [33]

¹⁰ MSD Data File Income Support Weekly Update 8 July. Including the Leave Support Payment, Essential Workers, the Leave Payment and the COVID-19 Leave Support Scheme

[33]

Financial Implications

38 Funding of \$125 million has currently been appropriated to the LSS appropriation in 2022/23. At current demand, this existing funding will likely last less than three months. This is based on current demand for June 2022, which has seen the COVID Leave Schemes paying out an average monthly payment of \$44 million.

39 [33]

40 [33]

The underspend in the Business Support Subsidy COVID-19 appropriation of approximately \$110 million can be used to increase funding in the COVID-19 Leave Support Schemes appropriation in a fiscally neutral manner.

41 The COVID-19 Leave Support Scheme appropriation has been funding both the STAP and LSS. The closure of the STAP will not impact the Leave Support Scheme appropriation as it continues to fund the LSS.

Legislative Implications

42 There are no legislative implications to this proposal.

Impact Analysis

Regulatory Impact Statement

43 A Regulatory Impact Assessment has not been undertaken for this paper because the proposals do not have immediate legislative or regulatory implications.

Climate Implications of Policy Assessment

44 The Climate Implications of Policy Assessment requirements do not apply to this paper as the initiative does not have a direct emissions impact.

Population Implications

45 We do not foresee major population implications for the proposals in this paper. Due to the shift in approach away from PCR testing, the numbers of people affected by the decision to close STAP will be limited. People who test positive will still be eligible to apply for LSS for support while they are isolating with COVID-19.

46 People who are disadvantaged in the labour market, including women, youth, Māori, Pacific peoples, disabled people, older people, and former refugees, recent migrants, and ethnic communities are likely to work in sectors more exposed to

COVID-19, such as hospitality and tourism. They may also be more likely to work in casual or part time roles, with limited or no sick leave. Continued access to LSS over the winter period as COVID-19 case numbers increase will mean further support for these people.

- 47 Vulnerable groups have been disproportionately affected by COVID-19. This trend is continuing with some Māori, Pacific people, disabled people, older people, and those living in deprivation or with co-morbidities, experiencing disproportionate rates of the virus and suffering more significantly from its effects.
- 48 The closure of STAP may disproportionately impact disabled people. While uptake of PCR testing alternatives has increased significantly, the Office for Disability Issues is aware that PCRs remain the testing approach of choice for some disabled people, particularly those who experience accessibility barriers. This impact may be lessened through work underway to explore alternative testing modalities (e.g. lollisponge test) as well as the provision of in-home testing support.
- 49 There is a small number of people who will require a PCR test but will not test positive. They will not be eligible for LSS to cover the 1 – 2 days that they are off work waiting for the result, and will rely on existing sick leave provisions and employer discretion for financial support. Evidence shows that disabled people (among other population groups) may be more likely to work in casual or part time roles, with limited or no sick leave provisions. Disabled people are also more likely to self-rate their standard of health as fair or poor (41.1% of disabled people compared to 9.1% of non-disabled people¹¹). A survey run by the Health Quality and Safety Commission in 2021 found that disabled people were more likely to face barriers in access to primary care and emergency services post COVID-19 lockdowns. Funding of \$5 million has been announced to support the wellbeing of disabled people and their whānau following the post-Omicron peak.

Te Tiriti o Waitangi Analysis

- 50 In late 2021, the Waitangi Tribunal report *Haumarū: The COVID-19 Priority Report* included recommendations that the Crown provide funding, resourcing, data, and other support to assist Māori providers and communities to address the various issues for Māori arising from the pandemic.
- 51 Under Te Tiriti o Waitangi, the Crown has a responsibility to achieve equitable outcomes for Māori. Māori are at increased risk of both infection and adverse health outcomes from Omicron. Targeted supports as detailed in the body of this paper help to address equity issues for Māori, and the ongoing provision of LSS over the winter period will also help support the welfare needs of those required to self-isolate due to COVID-19.

Human Rights

- 52 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

¹¹ NZ Health Survey 2020/2021

Consultation

- 53 The Ministry of Social Development and the Treasury jointly prepared this paper.
- 54 The following agencies have been consulted in the development of this paper: Ministry of Business, Innovation and Employment, Office for Disability Issues (Whaikaha Ministry of Disabled People), Ministry of Health, Te Aka Whai Ora Māori Health Authority, Te Whatu Ora Health New Zealand, Inland Revenue, and the Department of the Prime Minister and Cabinet.

Communications

- 55 MSD will communicate the closure of STAP to employers and the public. Based on a Cabinet decision of 1 August 2022, the Work and Income website will be updated to reflect that the last date for eligible PCR tests for STAP will be 22 August 2022, and STAP applications will be closed on 15 October 2022. Information about the payment and the reasons for closing it will be retained in archived pages. This information will be shared with other agencies so they can update their websites, including Connected.govt.nz, Inland Revenue and the Ministry of Business Innovation and Employment.

Proactive Release

- 56 This Cabinet paper will be proactively released, with any redactions made consistent with the Official Information Act 1982.

Recommendations

The Minister of Finance and Minister for Social Development and Employment recommend that the Committee:

Closure of the Short-Term Absence Payment

- 1 **note** that as PCR testing is no longer the primary testing tool in the COVID-19 response, STAP uptake has significantly declined.
- 2 **agree** that STAP be closed for new applications for PCR tests taken from 22 August 2022, and that applicants will have eight weeks to make an application from this date.
- 3 **note** that STAP could be reactivated if the COVID-19 situation changes and widespread PCR testing becomes a key part of the public health response.

Leave Support Scheme Funding

- 4 **agree** to use an expected underspend of \$110 million in the Business Support Subsidy COVID-19 appropriation in 2021/22 to offset an increase in the COVID-19 Leave Support Scheme appropriation in 2022/23;
- 5 **approve** the following change to appropriations to give effect to the policy decision in recommendation 4 above, with no impact on the operating balance or net core Crown debt:

	\$m – increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-departmental Other Expense: COVID-19 Leave Support Scheme	110.000	-	-	-	-

6 **agree** that the proposed change to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met by Imprest Supply.

7 [33]

8

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Carmel Sepuloni
Minister for Social Development and Employment