

# The Treasury

## COVID-19 Information Release

April 2020

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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [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
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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# Cabinet

## Minute of Decision

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### Expanding the COVID-19 Wage Subsidy Scheme and Adapting it to Support Furloughed Workers

**Portfolios** Finance / Social Development

On 23 March 2020, Cabinet:

#### Background

- 1 **noted** that on 16 March 2020, Cabinet agreed to implement a temporary COVID-19 wage subsidy scheme to help affected employees and businesses to adjust to the impact of COVID-19 [CAB-20-MIN-0108];
- 2 **noted**:
  - 2.1 the government has announced a Four-Level COVID-19 Alert System;
  - 2.2 these alert levels specify the public health and social measures to be taken;
  - 2.3 New Zealand is currently at COVID-19 Alert Level 2, but will be shortly moving to Level 3 and is expected to move to Level 4 within 48 hours;
- 3 **noted** that internationally, two types of wage subsidy schemes are emerging in response to COVID-19, those which focus on active workers, and those which focus on furloughing workers;
- 4 **noted** that New Zealand's existing COVID-19 wage subsidy scheme is an active worker model, focussed on supporting employment and economic activity;

#### Removing the \$150,000 cap on support per employer

- 5 **noted** that a move to Alert Level 3 or higher will have significant effect for firms of all sizes across the economy;
- 6 **noted** that to scale up existing measures the cap of \$150,000 per firm should be removed;
- 7 **agreed** to remove the cap on the COVID-19 wage subsidy scheme;
- 8 **approved** the following change to appropriations to fund the COVID-19 wage subsidy scheme with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)				
Vote Social Development Minister for Social	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears

<b>Development</b>					
<b>Non-Departmental Other Expense:</b>					
Business Support Subsidy Covid-19	4,200		-	-	-
<b>Total Operating</b>	<b>4,200</b>		-	-	-

- 9 **noted** this takes the total amount appropriated to the wage subsidy scheme to \$9.3 billion;
- 10 **agreed** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 11 **agreed** that expenses incurred under the decisions above be established outside Budget allowances, with a corresponding impact on the operating balance and net core Crown debt;
- 12 **agreed** that the new cap will apply to all new applications, applications made and yet to be processed by the Ministry of Social Development, and that any person who has already been granted the wage subsidy may make a further application in relation to new employees not included in the original application for an amount up to the new cap;
- 13 **authorised** the Minister of Finance, the Minister for Economic Development, and the Minister for Social Development to increase/decrease funding for the COVID-19 wage subsidy scheme if required;

#### **Transitioning to a furloughed worker level 4 wage subsidy scheme**

- 14 **noted** that there may be a need to transition to an enhanced Wage subsidy scheme if New Zealand moves to an Alert Level 4;
- 15 **invited** the Minister of Finance and the Minister for Social Development to report to Cabinet to seek agreement on detailed design parameters for the transition to a furloughed worker wage subsidy scheme;
- 16 **noted** the significant issues which warrant further consideration, including:
- 16.1 the adequacy of \$585.80 per week as the level of support this subsidy would provide;
  - 16.2 other measures to protect individuals' welfare including consideration of payment holidays for mortgages, utilities and rent; and no eviction notices;
  - 16.3 alignment with the wider support for businesses including credit guarantees to support lending;

#### **Other minor changes to the existing scheme (as per Annex One)**

##### **Leave Payments**

- 17 **noted** that Cabinet authorised the Minister of Finance, Minister for Social Development, and the Minister of Workplace Relations and Safety to make technical design changes and minor policy decisions relating to the wage subsidy scheme [CAB-20-MIN-0108];
- 18 **noted** that Cabinet agreed that the eligibility of the scheme is open to all firms, the self-employed, and for contractors;

- 19 **noted** that the Cabinet decision does not explicitly include registered charities, incorporated societies, non-government organisations, or post settlement governance entities (i.e. Māori Authorities), who can also be employers;
- 20 **noted** that this creates gap in our public health strategy to delay the onset of community transmission of COVID-19;
- 21 **agreed** that registered charities, incorporated societies, non-government organisations, or post settlement governance entities are eligible for the leave payment scheme to support their workers who cannot work from home, but need to self-isolate, they are able to do so;
- 22 **agreed** that workers who are staying at home in line with stage two guidance, and workers whose employers have asked them to remain away from work in line with this guidance, are eligible;

#### Wage Subsidies

- 23 **noted** that to be eligible for the payment, businesses must be registered and operating in New Zealand;
- 24 **noted** that this Cabinet decision does not explicitly include registered charities, incorporated societies, non-government organisations, or post settlement governance entities who can also be employers;
- 25 **noted** that these organisations may also have a drop-in revenue leading them to reduce staff hours or lay-off their staff;
- 26 **agreed** that registered charities, incorporated societies, non-government organisations, or post settlement governance entities are eligible for the wage subsidy;
- 27 **noted** that under a literal interpretation of the revenue loss assessment agreed by Cabinet, some businesses may not be eligible;
- 28 **noted** that Cabinet agreed that the wage subsidy would apply to all businesses, and that the revenue loss assessment will be based on a period of at least one month and the loss of revenue is at least 30 percent lower than the equivalent period one year ago;
- 29 **noted** that the application of this revenue loss assessment means that some businesses are inadvertently excluded from the scheme;
- 30 **agreed** that new businesses (i.e. where they are less than a year old) are also eligible where they can demonstrate the revenue loss assessment against a similar time period (ie, 30 percent loss of income attributable to COVID-19 comparing January 2020 to March 2020);
- 31 **agreed** that high growth firms (e.g. ones that have had significant increase in revenue) are eligible where they can demonstrate the revenue loss assessment against a similar time period (i.e., 30 percent loss of income attributable to COVID-19 comparing January 2020 to March 2020);
- 32 **agreed** that self-employed people with variable monthly incomes are eligible if they can demonstrate the revenue loss assessment against the previous years' monthly average (i.e. 30 percent loss of income attributable to COVID-19 comparing March 2020 to the average monthly income in the period March 2019 to March 2020);

- 33 **noted** that clarifying revenue loss assessment for the subsidy to these firms does not incur any additional fiscal risk as each of these firms were included in cost modelling.

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

Prime Minister  
Deputy Prime Minister  
Minister of Finance  
Minister for Social Development

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