

# The Treasury

## COVID-19 Information Release

### April 2020

This document has been prepared for release by the Treasury.

#### Context

This report clarifies operational matters for the wage subsidy scheme [CAB-20-MIN-0108 refers].

#### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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**Treasury Report:** COVID-19 - Minor policy decisions and amendments for business continuity package

<b>Date:</b>	16 March 2020	<b>Report No:</b>	T2020/669
		<b>File Number:</b>	SH-1-6-1-3 (Coronavirus COVID19)

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>  Hon Phil Twyford <b>Minister for Economic Development</b>  Hon Carmel Sepuloni <b>Minister for Social Development</b>  Hon Iain Lees-Galloway <b>Minister for Workplace Relations and Safety</b>  Hon Stuart Nash <b>Minister of Revenue</b>	Agree to the proposed changes / clarification of policy intent for both the Covid-19 Wage Subsidy and the COVID-19 Leave Payment Schemes.	9:00 am 17 March 2020

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
Scott Russell	Senior Analyst, Transitions Regions and Economic Development	39	n/a (mob)	✓
Justine Cornwall	General Manager, Employment and Housing Policy, MSD	35		
Jon Cable	Manager, Enterprise Policy, MBIE			
Jivan Grewal	Manager, Skills and Employment Policy, MBIE			
Emma Grigg	Deputy Commissioner, Policy and Strategy, IRD			

**Minister's Office actions** (if required)

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**Return** the signed report to Treasury, Ministry of

Note any  
feedback on  
the quality of  
the report

**Enclosure:**      **No**

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## Treasury Report: COVID-19 - Minor policy decisions and amendments for business continuity package

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### Executive Summary

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Cabinet agreed to establish a Covid-19 Wage Subsidy scheme and a Covid-19 leave payment scheme this afternoon (16 March 2020). As work has progressed on the design of the scheme officials have uncovered several outstanding policy decisions required to enable immediate implementation of the schemes at 2:00 pm, on 17 March 2020 when announcements are made. They include:

- Clarifying that those caring for a dependent who needs to self-isolate, tests positive for COVID-19, or has been instructed to stay home as a result of central government decisions on social distancing policies (including school closures) are eligible for the leave scheme (noting this will extend the coverage and costs of the scheme);
- Clarifying the Wage subsidy scheme only applies to employees legally working in New Zealand;
- Seeking decisions on whether to publish the names of businesses who receive the wage subsidy; and

[33]

### Recommended Action

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We recommend that you:

#### *Covid-19 Leave payment changes*

- a **agree** that workers caring for dependents who are required to self-isolate or who test positive for COVID-19 are eligible for the COVID leave scheme

*Agree/disagree.*

- b **note** dependents includes anyone who is reasonably dependent on that person and is not restricted by age or other qualifications.

*Agree/disagree.*

- c **agree** that if schools and/or businesses close to prevent the spread of COVID-19 as a result of social distancing policies, this is considered a requirement to self-isolate for the purpose of eligibility for this scheme.

*Agree/disagree.*

OR

- d **Note** that if you do not agree to recs a, b, and c above, and Cabinet does subsequently agree to a more broad-ranging social distancing policy such as school or business closures ministers will need to also decide on whether people affected by those decisions are eligible to receive this leave payment (Treasury preferred option).



*Agree/disagree.*

- e **note** that extending the scheme is broadly consistent with the policy rationale, but may significantly increase the number of people eligible and subsequent fiscal cost.
- f **agree** that payments made under the leave scheme be made in two-week instalments for each eligible employee

*Agree/disagree.*

[33]

*Agree/disagree.*

*Covid-19 Wage subsidy changes*

- h **agree** that only employees legally working in New Zealand should be eligible for the wage subsidy.

*Agree/disagree.*

- i **direct** officials to investigate public notification of successful applicants.

*Agree/disagree.*

- j **Note** that the authority to publish the names of businesses receiving the wage subsidy will be included in the disclaimer employers will sign when applying for the wage subsidy.

- k **agree** that employers established between 17 March 2019 and 1 December 2019 should be able to make a revenue loss comparison against an alternative month, which they consider gives a reasonable approximation of the income losses caused by COVID-19

*Agree/disagree.*

[33]

*Agree/disagree.*

m **note** that the decisions in recommendations h and i do not impact the estimated costings for the scheme.

n **agree** that firms that have experienced a 30% decline in revenue compared to the year before, or can be expected to experience a 30% decline within the duration of the scheme should be able eligible for the wage subsidy scheme.

*Agree/disagree.*



Jordan Ward  
**Manager, Welfare and Oranga Tamariki,  
Treasury**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister for Economic Development**



Justine Cornwall  
**General Manager, Housing and  
Employment Policy MSD**

Hon Carmel Sepuloni  
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Hon Iain Lees-Galloway  
**Minister for Workplace Relations and  
Safety**



Emma Grigg  
**Deputy Commissioner, Policy and  
Strategy, IRD**

Hon Stuart Nash  
**Minister of Revenue**

## Treasury Report: COVID-19 - Minor policy decisions and amendments for business continuity package

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### Purpose of Report

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2. To urgently seek your joint decisions on several policy matters relating to the Wage Subsidy and Leave payments scheme of the COVID-19 business continuity package. These issues have emerged during further design work and your decisions are necessary to enable immediate implementation of the schemes at 2:00 pm, on 17 March 2020 when announcements about the scheme are made.
3. For clarity the paper is divided into decisions on the leave payment scheme first. Cabinet has delegated authority to the Minister of Finance, and the Ministers for Social Development and Workplace Relations and Safety to approve other policy matters and operational details of the scheme.
4. The second part of the paper addresses amendments and policy decision relating to the wage subsidy scheme. Cabinet has delegated authority to the Minister of Finance, the Minister for Economic Development, the Minister for Social Development and the Minister of Revenue to make final technical design decisions about the targeted wage subsidy scheme.

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### Decisions for the Covid-19 Leave payment scheme

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***Clarify that those caring for a dependent who needs to self-isolate or tests positive for COVID-19 are eligible for this scheme.***

6. On Monday 16 March 2020 Cabinet agreed to establish a financial assistance scheme to compensate and incentivise workers to self-isolate to help manage the spread of the COVID-19 virus in New Zealand.
7. It was agreed the key elements of the scheme would comprise of:
  - a an entitlement for a period of 14 days for those who self-isolate in accordance with Ministry of Health guidelines and register with Healthline, and for the entire period of sickness for those who contract COVID-19
  - b eligibility will be only for those who are not able to work from home;
  - c eligibility will be only for those legally working in New Zealand; a payment equal to the Wage Subsidy scheme (\$585.80 per week per full time worker);
  - d employers apply for the entitlement on behalf of workers;
  - e payments are made to employers on agreement that they will be passed on in full to their employees or workers; and



eligibility is open to all firms, the self-employed, and for contractors.

8. The Cabinet paper did not outline the payment frequency of the scheme. We propose that payments made under the leave scheme be made in two-week instalments for each eligible employee. This is the administratively simplest option and has been built into the MSD systems for the scheme.
9. The Cabinet paper also stated that people may be required to look after dependents who are required to self-isolate or who test positive for COVID-19. However, this was not explicitly referenced in the eligibility criteria as agreed to by Cabinet. Officials therefore seek your agreement that eligibility for this scheme extends to those people who are caring for a dependent who is required to self-isolate or who tests positive for COVID-19. The definition of dependent is wide and will include anyone reasonable dependent on a person and is not restricted by age.
10. It is important to consider if the Government decides or provides guidance to close businesses and schools to prevent the spread of COVID-19 whether those affected will be eligible for this payment. Currently, those affected may not be eligible, as they are practicing social distancing rather than self-isolating.
11. Ministers may choose to explicitly include people who are not working because of school or business closure in the eligibility criteria. This would support the public health objective of this policy. However, this may substantially increase the number of people eligible for the scheme and subsequent fiscal cost.
12. Officials cannot cost this in the time available, but we note the Cabinet paper stated for every additional 10,000 people eligible for the scheme, it would cost approximately \$46.8 million over eight weeks.
13. Given this decision is significant and could reasonably be delayed implementation of the initial decisions on 17 March, we recommend Ministers at least direct officials to do further work on this issue, in preparation for the possibility that schools and businesses are closed as part of a social distancing policy.

## Decisions for the Covid-19 Wage subsidy scheme

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### ***Clarifying the scheme only applies to employees legally working in NZ***

14. The COVID-19 Leave Payment Scheme included a recommendation to clarify that the scheme is only available to employees legally working in New Zealand (recommendation 7.3). We recommend this be extended to the wage subsidy scheme as well. It ensures symmetry in application, and aligns with policy intent by carving out support for those New Zealand employers who have employees in other jurisdictions.
15. We recommend that only employees legally working in New Zealand should be eligible for the wage subsidy.

### ***Seeking decisions on whether to publish employer names***

16. We understand the Minister for Social Development has asked whether it is possible to publish the names of the businesses that are receiving the wage subsidy. This would allow employees who think that they are affected but have not received support to confirm whether their employer applied for and received the subsidy. This will improve public transparency and may give some level of self-enforcement on whether the funding provided to a firm is eventually passed onto employees.



17. However, publishing the names of businesses may breach privacy rights. Given the timeframes available, officials have not been able to confirm what is legally on whether this is possible.
18. If Ministers wish to press ahead with this, the only way it can be implemented at such short notice is by altering the disclaimer attached to the subsidy, to notify employers that their firm's name *may be published in the future*.
19. We recommend you direct officials to investigate this further and include a notification that the businesses name may be published in the disclaimer.

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***Clarifying treatment of new employers established less than a year ago***

24. The current setting for the Scheme include a revenue loss threshold of 30%. This is meant to be applied by comparing revenue for the period of one month with the same month a year earlier (i.e. the employer declares that their revenue for the month of March 2020 is half that of March 2019 and this is related to COVID-19).
25. However, for employers established after March 17 2019, there will not be a comparable month until the 17<sup>th</sup> of April, and that month may not be realistic comparison. There is significant churn in the economy each year, meaning around 10% of firms are less than a year old at a given time. It is reasonable to provide some leniency for employers less than a year old, but for those incorporated recently, the risk of gaming becomes significant.
26. We therefore recommend that employers incorporated between 17 March 2019 and 1 December 2019 (around the time COVID-19 began appearing in China) should be able to make a revenue loss comparison against an alternative month, which they consider gives a reasonable approximation of the income losses caused by COVID-19.
27. This setting is imperfect and is likely to produce some additional deadweight losses by providing support to firms that are not ultimately viable. The quantitative impact of this choice is unclear.

***Clarifying the treatment of firms with forecast losses during the scheme period***

28. It appears that there was an error whereby a small part of the policy intention discussed with Ministers was not included in the recommendations that went to Cabinet. This was a clarification that the scheme would allow firms with forecast losses over the 12 week period of the scheme, but not actual losses yet, be able to apply for the subsidy.
29. We recommend that firms that have experienced a 30% decline in revenue compared to the year before, or can be expected to decline within duration of scheme should be able eligible for the wage subsidy scheme.

**Next Steps**

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30. Officials need confirmation of your decisions by 9:00am on Tuesday 17 March 2020 in order to implement the scheme at 2pm that day.

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