

**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

19 April 2022

Dear

On 9 March 2022, you emailed the Ministry of Social Development (MSD) requesting, under the Official Information Act 1982 (the Act), the following information:

- *Any documents in the possession of the MSD that are about whether to accept, reject, modify or delay implementing the suggestions and recommendations made by the Auditor-General in a May 2021 wage subsidy report.*

On 9 June 2021, MSD received a request from Te Aro Law Ltd made on your behalf under the Act, requesting similar information. On 22 July 2021, MSD responded and advised of the following:

- MSD has accepted the Auditor-General's recommendations.
- How these recommendations will be implemented is outlined in MSD's written submission to the Finance and Expenditure Committee (FEC) regarding the recommendations from the Auditor-General's report.

The FEC has published MSD's written submission on 30 June 2021 here: [https://www.parliament.nz/resource/en-NZ/53SCFE\\_EVI\\_111276\\_FE1679/c4e635b060269a6d4f358a5458f15bd985f0bd99](https://www.parliament.nz/resource/en-NZ/53SCFE_EVI_111276_FE1679/c4e635b060269a6d4f358a5458f15bd985f0bd99).

In line with your request, we have identified further documents that are in scope of your request. Please find the list in **Appendix One**.

With regard to the documents released to you, the names and contact details of some individuals are withheld under section 9(2)(a) of the Act to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

Some information is withheld under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of

advice tendered by Ministers of the Crown and officials. The release of this information is likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.

Some information is withheld under section 9(2)(g)(i) of the Act to protect the effective conduct of public affairs through the free and frank expression of opinions. The greater public interest is in the ability of individuals to express opinions in the course of their duty.

Please note that MSD may hold further documentation in scope of your request, however, other than for the papers outlined in **Appendix A**, MSD is unable to collate this information centrally and electronically. The collation of further related material would require MSD to contact numerous staff in several business groups, which would in turn require these staff to manually search their records. To complete this task, MSD would need to divert personnel from their core duties and allocate extra time. The diversion of these resources would impair MSD's ability to continue standard operations and would be an inefficient use of MSD's resources. As such, this aspect of your request is refused under section 18(f) of the Act, as it requires substantial manual collation. The greater public interest is in the effective and efficient administration of the public service.

MSD has considered whether it would be able to respond to the request given extra time, or the ability to charge for the information requested. MSD has concluded that, in either case, its ability to undertake its work would still be prejudiced.

You may be interested to know that the Ministry has responded to several previous related requests from other requestors under the Act. Please find relevant links in **Appendix Two**.

In addition, the following responses to written parliamentary questions may be of interest to you:

- [https://www.parliament.nz/en/pb/order-paper-questions/written-questions/document/WQ\\_21782\\_2021/21782-2021-hon-louise-upston-to-the-minister-for-social](https://www.parliament.nz/en/pb/order-paper-questions/written-questions/document/WQ_21782_2021/21782-2021-hon-louise-upston-to-the-minister-for-social).
- [https://www.parliament.nz/en/pb/order-paper-questions/written-questions/document/WQ\\_21783\\_2021/21783-2021-hon-louise-upston-to-the-minister-for-social](https://www.parliament.nz/en/pb/order-paper-questions/written-questions/document/WQ_21783_2021/21783-2021-hon-louise-upston-to-the-minister-for-social).

The principles and purposes of the Act under which you made your request are:

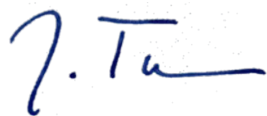
- to create greater openness and transparency about the plans, work and activities of the Government
- to increase the ability of the public to participate in the making and administration of our laws and policies
- to lead to greater accountability in the conduct of public affairs.

MSD fully supports those principles and purposes. MSD therefore intends to make the information contained in this letter and any attached documents available to the wider public. MSD will do this by publishing this letter on its website. Your personal details will be deleted and MSD will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with this response you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Turner', with a stylized flourish at the end.

Judith Turner  
**Manager, Official Information  
Ministerial and Executive Services**



## Appendix One

No.	Date created	REP number	Document type	Title	Decision
1.	28 February 2021	REP/21/3/166	Aide-mémoire	Activation of the COVID-19 Wage Subsidy March 2021 Scheme	Refuse in full. s18(d) This document is available here: <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-166.pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-166.pdf</a> .
2.	5 March 2021	REP/21/3/214	Joint Report	Update on Auditor-General's Performance Audit of the COVID-19 Wage Subsidy	Refuse in full. s18(d) This document is available here: <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-214.pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-214.pdf</a> .
3.	1 April 2021	REP/21/3/327	Joint Report	Response to Auditor-General's Performance Audit of the COVID-19 Wage Subsidy	Refuse in full. s18(d) This document is available here: <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-327.pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/20211216-request-for-31-reports-relating-to-emergency-housing-covid-19-and-various-other-subjects-r-rep-21-3-327.pdf</a> .

IN-CONFIDENCE

4.	2 June 2021	REP/21/5/529	Report	Wage Subsidy Scheme: quarterly update on our on-going approach to audits and integrity	<p>Refuse in full.</p> <p>s18(d)</p> <p>This document is available here:  <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211011-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme-rep-21-5-529-.pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211011-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme-rep-21-5-529-.pdf</a>.</p>
5.	22 June 2021	REP/21/6/660	Joint Report	Wage Subsidy activation approach - Six-month report back: Treasury / Ministry of Social Development	<p>Release in part.</p> <p>9(2)(a) 9(2)(f)(iv) 9(2)(g)(i)</p>
6.	29 July 2021	REP/21/7/767	Report	Wage Subsidy Schemes evaluation drawdown from the COVID-19 Response and Recovery Fund	<p>Refuse in full.</p> <p>s18(d)</p> <p>This document is available here:  <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/november/20211118-request-for-all-memos-at-director-level-between-july-22nd-todays-date-regarding-wage-subsidy-scheme-for-audit-nz-and-oag-recommendations-r-rep-21-7-767-.pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/november/20211118-request-for-all-memos-at-director-level-between-july-22nd-todays-date-regarding-wage-subsidy-scheme-for-audit-nz-and-oag-recommendations-r-rep-21-7-767-.pdf</a>.</p>
7.	27 August 2021	REP/21/8/810	Report	Wage Subsidy Scheme: quarterly update on our on-going approach to integrity	<p>Refuse in full.</p> <p>s18(d)</p> <p>This document is available here:  <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/january/20220127-any-reports-or-briefings-received-by-the-minister-for-social-development-since-17-august-21..pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/january/20220127-any-reports-or-briefings-received-by-the-minister-for-social-development-since-17-august-21..pdf</a>.</p>
8.	23 August 2021	REP/21/8/886	Memo	Legal framework and integrity measures for the Wage Subsidy August 2021	<p>Refuse in full.</p> <p>s18(d)</p> <p>This document is available here:  <a href="https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/january/20220127-any-reports-or-briefings-received-by-the-minister-for-social-development-since-17-august-21..pdf">https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2022/january/20220127-any-reports-or-briefings-received-by-the-minister-for-social-development-since-17-august-21..pdf</a>.</p>

## IN-CONFIDENCE

9.	15 September 2021	REP/21/9/988	Report	Wage Subsidy August 2021 - Update	Release in full.
10.	17 September 2021	REP/21/9/1005	Joint Report	Wage Subsidy uptake	Refuse in full. 18(d) This paper will be proactively released by the Treasury soon.
11.	25 October 2021	REP/21/10/1147	Report	WSS: quarterly update on our on-going approach to integrity	Refuse in full. 18(d) The paper will be released soon here: <a href="https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/official-information-responses/2022/responses-to-oia-requests-february-2022.html">https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/official-information-responses/2022/responses-to-oia-requests-february-2022.html</a> .
12.	26 November 2021	REP/21/11/1298	Report	Suppliers appointed for cross-agency evaluation of the COVID-19 Wage Subsidy Scheme	Release in part. Names of Ministry staff below tier 4 are out of scope.
13.	26 January 2022	REP/22/1/008	Report	WSS: Quarterly update on our on-going approach to integrity	Refuse in full. 18(d) The paper will be released soon here, under the month 'April responses': <a href="https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/official-information-responses/responses-to-official-information-act-requests.html">https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/official-information-responses/responses-to-official-information-act-requests.html</a> .

## Appendix Two

Links to previous relevant responses under the Act regarding the recommendations of the Auditor-General:

- <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211020-provide-all-regular-reports-generated-internally-and-or-sent-externally-regarding-investigations-of-potential-abuse-of-the-wage-subsidy-scheme-since-january-of-this-ye.pdf>.
- <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211011-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme.pdf>.
  - <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/11-10-2021-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme-audit-nz-and-aog-recomme.pdf>.
  - <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211011-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme-rep-21-5-529-.pdf>.
  - <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211011-any-reports-briefings-updates-generated-internally-and-or-sent-externally-that-address-specific-recommendations-for-the-wage-subsidy-scheme-rep-21-8-810-.pdf>.
- <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/october/20211226-provide-all-documentation-related-to-meetings-of-the-steering-group-including-but-not-limited-to-agenda-items-including-attachments-minutes..pdf>.
- <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/december/17-12-2021-request-for-all-minutes-agendas-of-the-wage-subsidy-scheme-evaluation-steering-group-from-september-13-to-17-december-2021.pdf>.
- A further request under the Act by another individual regarding the evaluation of the Wage Subsidy system (recommendation 5 of the Auditor-General) is currently being processed. The response will soon be uploaded to MSD's website under 'April responses' here: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/official-information-responses/responses-to-official-information-act-requests.html>.



**Joint Report:** Wage Subsidy activation approach – Six-month report  
back: Treasury / Ministry of Social Development

<b>Date:</b>	22 June 2021	<b>Report No:</b>	T2021/1534 REP/21/6/660
		<b>File Number:</b>	SH-3-5

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	<b>Agree</b> to take an oral item to DEV to report back on Wage Subsidy Scheme activation settings.	Submit a request for an oral item by 10:00am 24 June for consideration by DEV on 30 June 2021.
Hon Carmel Sepuloni <b>Minister for Social Development and Employment</b>	<b>Request</b> an oral item for the DEV agenda on 30 June 2021.	

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

<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
s9(2)(a)	Analyst, Welfare & Oranga Tamariki, The Treasury	s9(2)(a) (wk)	N/A (mob)	✓
Keiran Kennedy	Manager, Welfare & Oranga Tamariki, The Treasury	N/A (wk)	s9(2)(a) (mob)	
Megan Beecroft	Policy Manager, Employment Policy, Ministry of Social Development	Out of scope (wk)	N/A (mob)	

**Minister's Office actions**

Return the signed report to Treasury.  
Submit a request for an oral item by 10:00am on 24 June for DEV on 30 June.

**Enclosure:** Yes: Appendix One (attached)



**Joint Report:** Wage Subsidy activation approach – Six-month report back: Treasury / Ministry of Social Development

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## Executive Summary

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In December 2020, Cabinet agreed that the Government would introduce a COVID-19 Wage Subsidy Scheme (WSS) if public health Alert Levels are at level three or higher, anywhere in New Zealand, for at least seven days (of which the seventh day may be a partial day), subject to approval by Cabinet at the time [CAB-20-MIN-0531 refers].

Cabinet invited the Ministers of Finance and Social Development and Employment to report back on the activation approach for the WSS by June 2021. We note that there is no similar report back requirement for the Resurgence Support Payment (RSP).

### ***Status quo WSS settings remain appropriate***

We recommend that the current WSS activation approach remains appropriate. Consistent with previous advice [T2020/3581], we do not recommend opening the WSS earlier than, or later than, a period of at least 7 days<sup>1</sup> at Alert Level three. This is because:

- **The public health environment remains too uncertain to warrant a longer WSS activation period:** Despite the progress of the immunisation programme, the public health risk remains elevated. Given this context, we do not see a case to reduce the generosity of the WSS at the present time, as there is still potential for Alert Level escalations that may affect businesses' ability to remain solvent and/or retain their employees.

- **Retaining the current settings supports clarity and certainty for businesses.**

- s9(2)(f)(iv), s9(2)(g)(i)

. We note that other economic supports such as the Resurgence Support Payment (RSP) can respond to less severe COVID-19 escalations, given that eligibility settings including the revenue drop threshold (30 percent in the RSP, compared with the WSS which requires 40 percent) are tailored to enable the scheme's availability under Alert Level two.

### ***We recommend an oral item to DEV to fulfil the June report back***

Because we consider the status quo settings for activating the WSS appropriate, and in discussion with Ministers' respective offices, we recommend that the Minister of Finance take an oral item to Cabinet Economic Development Committee (DEV) rather than a Cabinet paper. We have provided suggested talking points for an oral item in Appendix One.

Should you agree, we recommend that the oral item request be made by 10:00am on 24 June 2021, for consideration by DEV on 30 June 2021.

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<sup>1</sup> The seven-day period, of which the seventh day can be a partial day, must be six continuous 24-hour periods plus one minute.

**Next steps on an enduring WSS**

Officials will provide more detail on our work programme for an enduring WSS, including s9(2)(f)(iv), s9(2)(g)(i)

**Recommended Action**

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We recommend that you:

**Wage Subsidy Scheme activation settings**

- a **note** Cabinet agreed that the Government would introduce a COVID-19 Wage Subsidy Scheme (WSS) if public health Alert Levels are at level three or higher, anywhere in New Zealand, for at least seven days, subject to approval by Cabinet at the time [CAB-20-MIN-0531 refers]
- b **note** the seven-day trigger period for the WSS, of which the seventh day may be a partial day, means six continuous 24-hour periods plus one minute
- c **agree** to maintain the status quo activation settings for the WSS, should there be another Alert Level escalation

The Minister of Finance            The Minister for Social Development and Employment

*Agree / disagree*                    *Agree / disagree*

- d **note** that officials will reconsider the settings in December as part of the next six-monthly review

- e **agree** to take an oral item to Cabinet based on the advice in this paper

The Minister of Finance            The Minister for Social Development and Employment

*Agree / disagree*                    *Agree / disagree*

- f **agree** to submit a request for an oral item by 10:00am 24 June for consideration by DEV on 30 June 2021

The Minister of Finance

*Agree/disagree.*

- g **note** we have provided talking points for an oral item at Appendix One

**Advice on more substantive changes to the Wage Subsidy Scheme**

- h **note** officials will provide more detail on our work programme for an enduring WSS, including consideration of its interactions with the proposed social unemployment insurance scheme, in a companion report that you will receive shortly.



Keiran Kennedy  
**Manager, Welfare & Oranga Tamariki  
The Treasury**



Megan Beecroft  
**Policy Manager, Employment Policy  
Ministry of Social Development**

Hon Grant Robertson  
**Minister of Finance**

Hon Carmel Sepuloni  
**Minister for Social Development and Employment**

**Joint Report:** Wage Subsidy activation approach – Six-month report back: Treasury / Ministry of Social Development

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**Purpose of Report**

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1. Cabinet invited the Ministers of Finance and Social Development and Employment to report back on the activation approach to the WSS by June 2021. The purpose of this report is to:
  - Provide advice on the settings for activating the WSS. We recommend that status quo settings are retained.
  - Provide talking points for an oral item to DEV to fulfil the Cabinet report back. These are attached at Appendix One.

**Wage Subsidy Scheme activation settings**

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2. In December 2020, Cabinet agreed an approach where they would introduce a WSS if public health Alert Levels are at level three or higher, anywhere in New Zealand, for at least seven days (of which the seventh day may be a partial day). Any decision to reactivate the WSS will be subject to Cabinet approval [CAB-20-MIN-0531 refers].
3. Signalling scheme settings in advance can provide certainty and assurance to businesses but also limits Ministers' flexibility and discretion at the time of an outbreak and creates a risk of pre-committing to expenditure. To mitigate this risk, officials recommended regular reviews of scheme availability and settings should take place on a six-monthly basis [T2020/3581 refers].
4. We note that there is no similar report back requirement for the Resurgence Support Payment (RSP).

***Since the last review, there was another COVID-19 resurgence***

5. COVID-19 economic response measures like the WSS were designed to support the economy through scenarios like the August 2020 Auckland resurgence, when Auckland was in Alert Level three for just under three weeks.
6. More recent resurgences since Cabinet last considered the design of the WSS in December 2020 highlight potential changes in the characteristics of future outbreaks. For example, during the February/March 2021 outbreaks, Auckland was at Alert Level three for only three days from 14-17 February (no WSS activated), and then again for eight days from 28 February – 7 March (WSS activated).
7. The March 2021 WSS was comparatively less costly than previous lockdowns. Treasury analysis of economic impacts and high frequency indicators suggests the impact on economic activity from the 2021 resurgence events was about 50 percent of the August 2020 Auckland outbreak. This is mostly due to the duration of restrictions [T2021/775 refers]. \$173 million in WSS payments were made in March 2021, lower than the Resurgence Wage Subsidy in August 2020 which cost around \$320 million.
8. The characteristics of the March 2021 lockdowns highlights that, depending on the public health environment, Government may opt for lockdowns that are shorter than the seven-day period required to activate the WSS. The costs of the March WSS also show that shorter lockdowns may lead to less of an economic shock. s9(2)(f)(iv), s9(2)(g)(i)

s9(2)(f)(iv), s9(2)(g)(i)

**Status quo WSS settings remain appropriate**

9. At this time, we recommend retaining the status quo activation settings for the WSS, that is, that the WSS should be activated if Alert Levels are at level three or higher for at least seven days, because:

- **The public health environment remains too uncertain to warrant a longer WSS activation period:** Despite the progress of the immunisation programme, the public health risk remains elevated. There is still significant uncertainty about the economic outlook, and an ongoing risk of future outbreaks and Alert Level escalations. Given this context, our judgement is that stricter activation settings than the status quo are not warranted at the present time, as there is still potential for COVID-19 resurgences that may affect businesses' ability to remain solvent and pay their employees.
- **Retaining the current settings supports clarity and certainty:** Businesses have emphasised the value of providing clarity and certainty in Government's COVID-19 policy responses and economic supports. There is value in retaining status quo settings where possible and avoiding unnecessary changes to the scheme.

- s9(2)(f)(iv), s9(2)(g)(i)

s9(2)(f)(iv), s9(2)(g)(i)

10. Officials will revisit the activation settings by the end of the year as part of the next six-monthly review.

<sup>2</sup> s9(2)(f)(iv), s9(2)(g)(i)

## Forthcoming advice on more substantive changes to the Wage Subsidy Scheme

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11. In November 2020, in response to report T2020/3581, Joint Ministers also indicated that you would like further advice on the scope and timeline for longer term changes to the WSS such as introducing a higher-integrity model, repayment rules, and introducing more payment tiers to reduce windfalls.
12. Report T2020/3581 stated that agencies would report back to Ministers on this recommendation by February 2021. The delay in this report back has been due to time needed to respond to the March 2021 COVID-19 resurgence, respond to the Office of the Auditor General review, and begin scoping work on the interaction between WSS and the proposed social unemployment insurance scheme.
13. In the meantime, Joint Ministers have agreed to retain and clarify status quo settings for the WSS treatment of commonly-owned groups (COGs) [T2021/1337 refers]. Ministers agreed not to allow group members of shared-employer COGs to be eligible for the WSS in their own right. We note this differs from the approach taken by the RSP [T2021/1251 refers].
14. Officials will provide more detail on our work programme for further improvements to the WSS and an enduring scheme, including consideration of its interactions with the proposed social unemployment insurance scheme, in a companion report that you will receive shortly.
15. We note also that, following the Auditor-General's review, MSD is working with Treasury, the Ministry of Business, Innovation and Employment, and Inland Revenue on the scope of an evaluation of the WSS. The findings of the evaluation will also provide insights into ongoing WSS work.

## Consultation

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16. We consulted the Ministry of Health, the Ministry of Business, Innovation and Employment, and the Inland Revenue Department on this report.

**Appendix One – Talking points to support oral item at Cabinet Economic Development Committee**

- In December 2020, Cabinet agreed that the Government would introduce a COVID-19 Wage Subsidy Scheme if public health Alert Levels are at level three or higher, anywhere in New Zealand, for at least seven days (of which the seventh day may be a partial day), subject to approval by Cabinet at the time.
- Cabinet invited the Ministers of Finance and Social Development and Employment to report back to Cabinet on this activation approach to the Wage Subsidy Scheme by June 2021. This oral item fulfils that report back.
- We recommend that Cabinet agree to retain status quo settings for the Wage Subsidy Scheme, which are:
  - Alert Levels three or higher
  - for at least seven days, anywhere in New Zealand
  - subject to approval by Cabinet at the time
  - for a payment rate of \$585.80 per week for each full-time employee and \$350 for part-time employees
  - for New Zealand employers.
- We consider the status quo remains appropriate. This is because:
  - **The public health environment remains too uncertain to warrant a longer Wage Subsidy activation period:** Despite the progress of the immunisation programme, the public health risk context remains elevated. Given this context, we do not see a case to reduce the activation period of the Wage Subsidy at the present time, as there is still potential for COVID-19 resurgences that may affect businesses' ability to remain solvent and pay their employees.
  - **Retaining the current settings supports clarity and certainty:** Businesses have emphasised the value of providing clarity and certainty in COVID-19 policy responses and economic supports.
  - s9(2)(f)(iv), s9(2)(g)(i)
- We will reconsider the Wage Subsidy Scheme settings as part of a further six-monthly review by December 2021. We will report back to Cabinet on any recommendations for changes to the scheme.

### Ongoing work on the Wage Subsidy

- Since December 2020, there has been ongoing work to evaluate the Wage Subsidy Scheme and ensure it remains fit for purpose:
  - The Auditor-General review of the Wage Subsidy was released in May 2021. All recommendations have been accepted. MSD is working with Treasury, the Ministry of Business, Innovation and Employment, and Inland Revenue on the scope of an evaluation of the Wage Subsidy. The findings of the evaluation will provide insights into ongoing work.
  - Joint Ministers have agreed to retain and clarify status quo settings for the WSS treatment of commonly-owned groups (COGs) [T2021/1337 refers].
  - Officials are developing a work programme for further improvements to the Wage Subsidy and an enduring scheme, s9(2)(f)(iv), s9(2)(g)(i)

### Financial implications

- The majority of payments for a future Wage Subsidy will be met in the first instance from the Ministry of Social Development's baseline Vote Social Development funding from 2021/22 of \$500 million. If further funding is required, this will be drawn from the approximately \$900 million remaining in the existing Business Support COVID-19 appropriation in Vote Social Development in the 2020/21 year.

### Recommendations

We recommend that Cabinet:

- **note** that on 14 December 2020, Cabinet agreed [CAB-20-MIN-0531 refers] to introduce a Wage Subsidy Scheme if there is an escalation to Alert Level three or above lasting seven or more consecutive days (of which the seventh day may be a partial day), with the introduction of the scheme subject to approval by Cabinet at the time;
- **note** that Cabinet invited the Minister of Finance and Minister of Social Development and Employment to report back on this activation approach by June 2021;
- **agree** to maintain the status quo activation approach for the Wage Subsidy Scheme;
- **invite** the Minister of Finance and Minister of Social Development and Employment to report back on this activation approach by December 2021;
- **note** that these proposals are fiscally neutral, due to being met by existing Ministry of Social Development funding.





# Report

**Date:** 15 September 2021      **Security Level:** IN CONFIDENCE  
**To:** Hon Carmel Sepuloni, Minister for Social Development and Employment  
Hon Grant Robertson, Minister of Finance  
**File Ref:** REP/21/09/988

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## Wage Subsidy August 2021 - Update

### Purpose

- 1 This report outlines the actions the Ministry of Social Development (MSD) have taken to resolve pending applications from the first round of Wage Subsidy August 2021 while ensuring the integrity settings for the scheme are upheld.

### Recommended actions

It is recommended that you:

- 1 **note** that MSD has received more than 570,000 applications for Wage Subsidy August 2021
- 2 **note** that around 13 percent of applications (around 47,000) from the first round of Wage Subsidy August 2021 applications are pending
- 3 **note** that pending applications are made up of around 21,000 exception applications and around 26,000 suspended applications
- 4 **note** that based on the current plan, MSD aims to have cleared all remaining exception applications by Thursday, 16 September
- 5 **note** that MSD is designing a process to manage the applications which have been suspended including declining the application where MSD has provided the application with every opportunity to update their details with IR
- 6 **note** that MSD will continue to undertake pre-and post-payment checks to uphold the integrity settings of the scheme.

George Van Ooyen, Group General Manager,  
Client Service Support

15/9/21  
Date

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Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

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Date

## **MSD has received more than 570,000 applications for Wage Subsidy August 2021**

- 2 As at 12 September 2021, MSD has received more than 570,000 applications for the Wage Subsidy August 2021. This exceeds the 540,000 applications received throughout the full 12-week duration of the original Wage Subsidy in March 2020 and highlights the pace required of the MSD team to meet the demand created by the two-week nature of the current scheme(s).
- 3 If the information on the application is accurate and meets the data match with Inland Revenue (IR), payment will be same day or next business day.
- 4 As at 12 September 2021:
  - 89 percent of all paid applications have been paid within three working days
  - 79 percent of all applications completed (paid, approved, closed or declined) have been completed within three working days
  - 71 percent of all applications (including pending) were completed within or have been pending for three working days or less

## **Around 13 per cent of applications for the first round are still to be finalised**

- 5 There are around 13 percent of applications (around 47,000) still to be finalised from the first round of applications. These applications are reflected in the daily reporting as pending applications.
- 6 Pending applications are broadly split into two categories:
  - o 21,000 exception applications: an application is the result of a mismatch in information between the application and IR e.g. incorrect IR number, bank account number or the number of employees
  - o 26,000 suspended applications: suspended applications are applications MSD has started to process but cannot progress without additional information from the applicant. Key information includes the applicant either having to contact IR to confirm their status e.g. self-employed, or to contact MSD to validate information on their application. This includes less than 140 applications linked to employers with 80+ employees.

## **MSD has implemented strategies to resolve pending applications**

- 7 MSD has partnered with IR to implement strategies to resolve the large quantum of pending applications. These strategies have included:
  - o Inbound contact centre support
  - o Large data file analysis to determine eligibility and communication approach for some applicants e.g. salary and wage earners.
- 8 For applications that are categorised as an exception, MSD has diverted approximately 400 FTE to an outbound calling campaign which is achieving a 74 percent resolution rate (approved or declined). This campaign requires up to three separate attempts over a period of a few days, to contact the applicant and resolve. Any unresolved applications will be suspended if the applicant has not replied within 14 days.
- 9 On average MSD is making approximately 7,000 outbound calls to applicants, although not all are successful. Additionally, MSD is using Contact Centre technology to create efficiency in the outbound call process e.g. programmed each day by auto dialling.
- 10 Suspended applications cannot be progressed without the applicant providing additional information to IR. Additional information that may be required includes IR number and name of self-employed person, the description of the business/self-employment activity and/or financial documents (bank statements or invoices). These applications are primarily self-employed/sole trader applications.

- 11 There are two key suspension categories:
  - around 20,000 self-employed/sole trader applications who have been contacted by MSD but have not provided information to IR (refer paragraph 12)
  - unsuccessful outbound calling campaign – unresolved applications will be suspended if the applicant has not replied within 14 days (refer paragraph 8)
- 12 IR supplied additional data relating to around 20,000 of self-employed / sole trader applications in the suspended category. MSD have contacted these 20,000 applicants by email and MSD can see 80 percent of these emails have been opened, however there is a low click rate from this email to the IR website. This indicates that applicants are not following MSD's instructions to contact IR. This highlights the importance of upholding the integrity settings of the scheme.
- 13 It should be noted that an application for Wage Subsidy payment 2 will be suspended, until any issues raised in the first round of Wage Subsidy August 2021 have been resolved. Where an application was an exception in Wage Subsidy 1 and subsequently manually approved, then the application for Wage Subsidy payment 2 will be automatically approved.

### **Enhanced Wage Subsidy integrity processes**

- 14 As advised previously, Wage Subsidy integrity processes for the March 2021 and August 2021 schemes were enhanced in line with recommendations made by the Auditor-General. This included the requirement for applicants to prepare and retain evidence that supports their application, including that they have met the revenue decline test. This is requested as part of both pre-and post-payment integrity checks for the scheme. Applicants will be reminded of the requirement to retain and provide this evidence, and additional risk analysis will be conducted between MSD and IR to inform post-payment integrity checks.
- 15 For Wage Subsidy August 2021, IR is providing supplementary training and guidance to their staff dealing with contact from MSD where further verification is required, particularly in relation to self-employed business operators (sole traders), including risks and indicators identified from previous subsidy iterations, and additional validations to ensure there is evidence of self-employed income before endorsement is provided.

### **Next Steps**

- 16 Based on the current plan, MSD aims to have cleared all remaining applications categorised as an exception for Wage Subsidy payment 1 by Thursday, 16 September.
- 17 MSD is designing a process to manage the applications which have been suspended because they are unable to confirm the applicant is self-employed. This process will include declining of the Wage Subsidy application where MSD has provided the applicant with every opportunity to update their self-employment status with IR.
- 18 MSD continues to seek system improvements to application automation rates. This is evidenced by 84 percent automation being achieved in the second round of applications and bodes well for the third round of applications.

Author: Shaun Coleman, Director Employment and Jason Dwen, General Manager  
Centralised Services

Responsible manager: George Van Ooyen, Group General Manager



# Report

**Date:** 26 November 2021

**Security Level:** IN CONFIDENCE

**To:** Hon Carmel Sepuloni, Minister for Social Development and Employment

## Suppliers appointed for cross-agency evaluation of the COVID-19 Wage Subsidy Scheme

### Purpose of the report

1. This report:
  - advises you on the external suppliers that have been appointed to complete the cross-agency evaluation of the COVID-19 Wage Subsidy Scheme (WSS), and
  - provides an update on the key evaluation activities each supplier will be responsible for.

### Recommended actions

It is recommended that you:

2. **note** that we have appointed Martin, Jenkins & Associates Limited (MartinJenkins) to complete the process evaluation component of the WSS evaluation
3. **note** that we have appointed Motu Economic and Public Policy Research Trust (Motu) to complete the outcome evaluation component of the WSS evaluation
4. **agree** to forward the attached reports to Hon Grant Robertson, Minister of Finance; Hon Dr Megan Woods, Associate Minister of Finance; Hon David Parker, Minister of Revenue; Hon Stuart Nash, Minister for Economic and Regional Development

Rachel Skeates-Millar  
General Manager  
Research & Evaluation

26 Nov 21

Date

Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

Date

## **Background**

5. In May 2021, the Office of the Auditor General released an audit of the management of the WSS. This recommended that the Ministry of Social Development (MSD), Inland Revenue (IR), Ministry of Business, Innovation and Employment (MBIE), and the Treasury carry out timely evaluation of the development, operation, and impact of the WSS to inform preparation for future crisis-support schemes.
6. Cabinet has authorised the drawdown of up to \$1 million from the COVID-19 Response and Recovery Fund for the WSS evaluation (CAB-21-MIN-0043).
7. Officials from MSD, IR, MBIE, and Treasury have collaborated to develop a high-level evaluation approach. This identifies the objectives of the evaluation, key evaluation questions, planned procurement of evaluation activities, and timeframes for deliverables.
8. To achieve the evaluation objectives, a process evaluation and an outcome evaluation will be conducted. A process evaluation provides information on whether an initiative has been implemented as intended. An outcome evaluation measures the results of an initiative and determines whether intended outcomes were achieved.
9. External suppliers have been appointed to complete the process evaluation and outcome evaluation, respectively. A closed tendering secondary procurement process was followed using the All-of-Government (AoG) Consultancy Services panel.

### **MartinJenkins will complete a process evaluation**

10. MSD are engaging MartinJenkins to complete the process evaluation component of the COVID-19 WSS evaluation. They will be contracted from 22 November 2021 to 19 December 2022.
11. MartinJenkins will complete a chronology of the decisions made in relation to the different iterations of the WSS, as well as fieldwork, analysis, and reporting to determine how well the WSS was designed and implemented. To ensure the timeliness of findings, MartinJenkins will provide "snapshot" findings over the course of the evaluation.

### **Motu will complete an outcome evaluation**

12. MSD are engaging Motu to complete the outcome evaluation component of the COVID-19 WSS evaluation. They will be contracted from 22 November 2021 to 19 December 2022.
13. Motu will complete a stocktake of existing evidence on outcomes of the WSS, examine whether the WSS was effective in meeting its objectives, and complete a cost-effectiveness analysis of the WSS in light of the outcomes achieved, as well as a findings report. To ensure the timeliness of findings, Motu will provide "snapshot" findings over the course of the evaluation.

### **Suppliers will collaborate to complete a synthesis of findings**

14. MartinJenkins will be responsible for a final report that synthesises findings from the process and outcome evaluation to identify lessons for the policy design and delivery of future schemes like the WSS. Both MartinJenkins and Motu will be expected to contribute findings for the synthesis.

## Next steps

15. The MSD website will be updated to provide information on the cross-agency evaluation of the COVID-19 WSS. This will include information on the appointed suppliers and the key evaluation activities each supplier is responsible for.

File ref: REP/21/11/1298

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