

Reference: 20250647

8 December 2025

Wendy McGuinness
McGuinness Institute
[REDACTED]



Dear Wendy

Thank you for your Official Information Act 1982 (OIA) requests received on 31 August and 5 September 2025 regarding the COVID-19 pandemic response. I will quote and respond to each of your questions below.

Question 1

Please confirm whether Treasury has revisited or plans to revisit the proactive release of emails and documents related to the pandemic response or remove the significant number of redactions in Cabinet material already released. This would also provide an opportunity to tidy up existing papers that have been released but miss key data such as date prepared and Cabinet numbers.

Response

No, the Treasury is not planning on re-reviewing and making alterations to the documents that were proactively released. However, redactions contained within documents in scope of newly received OIA requests would be considered on a case by case basis.

Question 2

Has any work been undertaken to create an off-the-shelf emergency subsidy system for a future event or circumstance? If yes, please explain in detail. If not, please explain why not.

Response

The Long -term Insights Briefings (LTIB) discuss how well different fiscal tools work (including wage subsidy schemes) in response to shocks, as well as lessons learned from significant events that have occurred previously. The Te Ara Mokopuna: *Treasury's 2025 Long-term Insights Briefing* was published on 7 August 2025 and contains a great deal of information on the response to the COVID-19 pandemic. I encourage you to read the report. It can be found at the following link: www.treasury.govt.nz/publications/treasurys-stewardship-reports/long-term-insights-briefings.

In addition, the report from the first phase of the Royal Commission of Inquiry COVID-19 Lessons Learned, discusses the Wage Subsidy Scheme (and other supports used during the pandemic), and includes references to reviews by the Office of the Auditor-General, Martin Jenkins. The report can be found at this link: <https://www.covid19lessons.royalcommission.nz/reports-lessons-learned>.

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Question 3

For each major pandemic-related support scheme (e.g., the COVID-19 Wage Subsidy Scheme (including the COVID-19 Resurgence Wage Subsidy, the Resurgence Support Payment, and the COVID-19 Small Business Cashflow Scheme), please provide:

- *total amount disbursed to recipients*
- *total administrative costs*
- *ratio of administrative costs to total amount received by recipients (in cents per dollar).*

Response

COVID-19 Wage Subsidies were administered by the Ministry of Social Development (MSD). In addition, MSD administered the Leave Support Scheme, and the Short-Term Absence Payment. The Resurgence Support Payment and Small Business Cashflow Scheme were administered by Inland Revenue (IR).

Information and data relating to your question can be found on the MSD and IR websites at the following links:

- <https://www.ird.govt.nz/about-us/tax-statistics/resurgence-support-payment-statistics>.
- <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/who-received-the-covid-19-wage-subsidies-may-2022.html>.

Information relating to expenditure by COVID-19-specific appropriation can be found on the Treasury's website at the below links.

- https://www.treasury.govt.nz/sites/default/files/2022-06/reporting-covid-19-appropriations_2.xlsx.
Please note, for payments up to 30 June 2022, see tab: "Pivot of Amount by Appn".
- Financial Statements of the Government by relevant year:
<https://www.treasury.govt.nz/publications/financial-statements-government>.

Question 4 (a)

The 9 March 2020 Cabinet Minute COVID-19: Oral Update and Economic Impacts states that officials were directed to develop further targeted support options for Cabinet, with priority on 'a targeted wage subsidy scheme'. Can you advise who were directed (e.g. what department/s officials were directed)? Were any reports prepared?

Response

The Treasury has conducted a thorough search of all available sources and have been unable to find any information within scope of this part of the request. Therefore, this part of your request is refused under section 18(e) of the OIA – the document alleged to contain the information requested does not exist or cannot be found.

Question 4 (b)

The Cabinet Paper COVID-19: Overview of the Government's response and

Economic Response Package was submitted to Cabinet. Can you provide the date of this Cabinet Paper? Can you provide the 'separate Cabinet paper' proposing a temporary wage subsidy scheme.

Response

Please see the below link:

<https://www.treasury.govt.nz/sites/default/files/2023-03/covid-19-CAB-20-MIN-0108.pdf>.

Dated: 16 March 2020

It is unclear which paper you are referring to when you state 'separate Cabinet paper'. See response to question 4(c) below for further detail on a withdrawn Cabinet Paper related to a targeted wage subsidy scheme.

Question 4 (c)

The 15 March 2020 Cabinet Paper COVID-19 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme refers to a previously 'lodged version of the Cabinet paper' that had the initial design of the wage subsidy scheme. Can you provide the Institute a copy of the previously 'lodged version of the Cabinet Paper'? Can you also provide the Cabinet paper number?

Response

Please see attached. The paper "COVID-10 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme" was ultimately withdrawn and not considered by Cabinet. Accordingly, it was not assigned a number. Note that this paper was also sometimes referred to as "COVID-19: Financial Support Paper A: Targeted Wage Subsidy Scheme".

Question 4 (d)

The Cabinet Paper Expanding the COVID-19 wage subsidy scheme and adapting it to support furloughed workers was submitted to Cabinet. Can you provide the date of this Cabinet Paper?

Response

21 May 2020.

Question 4 (e)

Cabinet paper - Transitioning to an enhanced wage subsidy scheme was submitted to Cabinet. Can you provide the date of this paper, the Cabinet number, and the specific Cabinet Minute/s which sets out the proposed design changes and whether they were agreed or declined?

Response

26 March 2020.

CMG-20-SUB-0101.

[Cabinet Minute CMG-20-MIN-0101: Administrative Modifications to Wage Subsidy - 28 March 2020 - Unite Against COVID-19 Information Release - The Treasury](#)

Question 4 (f)

The 11 December Cabinet Paper Economic Response to Future Resurgences of COVID-19 Can you provide a copy of the abovementioned 'report back to Ministers in

February 2021'?

Response

The Treasury has conducted a thorough search of all available sources and have been unable to find a copy of a report with this title. Therefore, this part of your request is refused under section 18(e) of the OIA – the document alleged to contain the information requested does not exist or cannot be found.

Question 4 (g)

The 11 December 2020 Cabinet Paper Economic Response to Future Resurgences of COVID-19 does not include the Cabinet Minute. The 1 March 2021 Cabinet Minute Activating the COVID-19 Wage Subsidy March 2021 Scheme states that Cabinet agreed to these changes on 14 December 2020. Can you provide the Minute in response to the 11 December 2020 Cabinet Paper and, also, confirm that we are not missing any other related material between December and March?

Response

Please see below the Cabinet minute dated 14 December 2020. The link you have provided may have the incorrect date of 11 December, as there were no papers considered by Cabinet on that day.

<https://www.treasury.govt.nz/sites/default/files/2021-03/economic-response-resurgences-covid-20-cab-20-min-0531.pdf>.

Question 4 (h)

The Cabinet Minute Wage Subsidy August 2021 scheme: Second six-week review mentioned a Minister of Finance's report back to Cabinet in late November 2021. Can you provide the Institute a copy of that report?

Response

I believe the report that is being referred to is published at the below web address:
[Cabinet Paper CAB-21-SUB-0504: Financial Support under the COVID-19 Protection Framework - 23 November 2021 - Advice on COVID-19 Response - Tranche Two Information Release - The Treasury.](#)

Question 4 (i)

Can you please provide the date that the paper was proactively released (issue date) for each row in Table A3.1 of the attached Discussion Paper?

Response

An Intervention Strategy for Economic Policy Responses to COVID-19 Authors: MBIE and Treasury - published 27 August 2020.

COVID-19: Overview of the Government's response and Economic Response Package Author: Cabinet CAB-20- SUB-0108 - published 8 May 2020.

Expanding the COVID-19 wage subsidy scheme and adapting it to support furloughed workers Author: Cabinet CAB-20- SUB-0134 - published 8 May 2020.

Cabinet paper - Transitioning to an enhanced wage subsidy scheme Author: Cabinet (Cabinet number to come) - published 8 May 2020.

A Refreshed Industry Strategy in Response to COVID-19 Author: MBIE - published 21 July 2020.

Oral Item: Wage Subsidy Employer Survey MSD (Understanding recipients views of the NZ Wage Subsidy Scheme) CAB-20- MIN-0261 - published 17 July 2020.

Oral Item: Wage Subsidy Activation Approach: Six Month Report Author: DEV-21- MIN-0142 - published 19 January 2022.

Economic Supports under Omicron Author: Cabinet CAB-22- SUB-0030 - published 8 September 2022.

Question 5

Please explain the structure and use of emergency and crisis buffers held by Treasury and RBNZ during the pandemic. What changes have been made to those buffers as a result of the responses to the pandemic?

Response

New Zealand Debt Management Insights published a report titled: *Building resilience in the Crown's liquidity management*, which contains information relevant to this part of your request. The report can be found at the below link:

https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/Building%20resilience%20in%20the%20Crown%E2%80%99s%20liquidity%20management.pdf.

Question 6

Has a joint, consolidated review been undertaken that provides a comprehensive evaluation of how the RBNZ and the Treasury collaborated during the COVID-19 pandemic? If such a review exists, please provide a copy. Additionally, if the review included recommendations, please advise whether those recommendations have been implemented, and if not, the reasons why.

Response

The Treasury and the Reserve Bank of New Zealand (RBNZ) have not undertaken a joint, consolidated review of how the agencies collaborated during the COVID-19 pandemic. However, both agencies have worked with the Royal Commission on their review, which will examine the roles both agencies played, and the actions taken by each department during the pandemic. The Royal Commission will publish phase 2 of that review in February 2026. Please note that Monetary Policy Committee (MPC) matters are out of scope for the Royal Commission.

In October 2025, RBNZ published a report titled: *Pandemic lessons on the monetary and fiscal policy mix* which may be of interest to your research. The report can be found at this link: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/research/international-insights-on-using-monetary-and-fiscal-policy-alongside-each-other-from-covid-19.pdf>.

In addition, the Treasury published an analytical note title: *Fiscal – monetary coordination: A retrospective* which notes the work undertaken by both the Treasury and RBNZ in response to the pandemic. This report may be of interest to you and can

be found at the following link: <https://www.treasury.govt.nz/sites/default/files/2024-08/an24-07.pdf>.

Question 7

If the answer to Question 5 is no, please provide details on how Treasury and RBNZ worked together to fund the pandemic response and copies of any relevant correspondence outlining how the two organisations worked together in 2020 and any observations on how the structure and processes could be improved.

Response

The Treasury has interpreted this question to be in regard to question six and not question five. Please see the above links provided in response to question six.

Question 8

What were the annual amounts borrowed by Treasury and RBNZ, respectively, to support the COVID-19 response from 2020 to 2025? Please include the timeframes and types of instruments used (e.g., New Zealand Government Bonds, New Zealand Treasury Bills (T-Bills)).

Response

This information is available via various issuance and yields spreadsheets, published on the following webpage: <https://debtmanagement.treasury.govt.nz/investor-resources/data>.

Question 9

What were the interest rates associated with this borrowing?

Response

This information is available at the link provided in response to question eight.

Question 10

Can you advise how this estimated cost is broken down by financial year for each of the seven years (2020, 2021, 2022, 2023, 2024, 2025, 2026)?

Response

This information is available at the link provided in response to question eight.

Question 11

In light of it now being five years since the onset of the COVID-19 pandemic, could you clarify Treasury's current position on the nature, timing, scale, and duration of its emergency response measures? In particular, we would appreciate further detail on how this aligns with the perspectives outlined in the Long-term Insights Briefing.

Response

The Treasury's current position on emergency response measures is outlined within our submission to the Royal Commission which was drawn on for the LTIB. This is currently being considered as part of phase 2 of their review. As such, we cannot provide this information as doing so would be likely to prejudice the conduct of the inquiry and their ability to conclude the investigation. I am therefore withholding this information under section 6(c) of the OIA, as making this information available would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial.

When the Royal Commission publishes their findings in February 2026, you are welcome to make a further information request to the Treasury for this information. We will then consider the release of this information to you under the OIA.

Question 12

Please provide any internal analysis that reflects on the timing and calibration of fiscal and monetary responses during the pandemic and other emergencies and crises since 2020.

Response

Attempting to locate all internal analysis of the timing and calibration of fiscal and monetary responses would require checking with all remaining Treasury staff who worked on the pandemic response, and searching all available databases and current and historic email accounts. Without keywords/search parameters and date ranges, it would not be possible for Treasury to provide a fulsome response to this question.

As such, due to the quantity of research and collation of the information you have requested, I am refusing this part of your request under section 18(f) of the OIA, as the information requested cannot be made available without substantial collation or research.

If you would like to rescope or reframe this question and provide specific keywords, a shorter timeframe, document types, or specific areas of Treasury to focus our search around, then we would be happy to reconsider this as a new request and provide a response under the OIA.

The readily retrievable information that is within scope of this question has been provided to the Royal Commission and is currently being considered as part of phase 2 of their review. Similarly to the response to question 11, if you would like to make a further request for this information after the Royal Commission has published phase 2 of their review, the Treasury will consider its release under the OIA.

Question 13

Did the New Zealand Treasury undertake a detailed scenario analysis of the impacts of a pandemic between 2000 and 2020? If yes, can we please have a copy of the relevant report/documents?

Response

Yes. The Treasury wrote a report in March 2006 titled *Impacts of a Potential Influenza Pandemic on New Zealand's Macroeconomy*. The report is published at the following link: [PDF File: Working Paper 06/03 - Impacts of a Potential Influenza Pandemic on New Zealand's Macroeconomy - The Treasury](#).

Further published reports on influenza can be found here:

- <https://www.treasury.govt.nz/publications/ppp/impacts-potential-influenza-pandemic-new-zealands-macroeconomy-pp-06-03#acknowledgements>
 - <https://www.treasury.govt.nz/sites/default/files/2007-09/tpp06-03.pdf>
- <https://www.treasury.govt.nz/publications/commissioned-report/pandemic-issues>
 - <https://www.treasury.govt.nz/sites/default/files/2009-07/t2009-1619.pdf>

- <https://www.treasury.govt.nz/sites/default/files/2007-11/tr05-2024.pdf>
- <https://www.treasury.govt.nz/sites/default/files/2009-06/t2009-1070.pdf>

Question 14

Has the New Zealand Treasury explored how fiscal policy should be used when faced with a significant crisis and emergencies? We note that in response to the release of the Long-term Insights Briefing, Toby Moore, advisor to Minister of Finance Grant Robertson from December 2020, said that 'it was clear that Treasury had done limited thinking on how fiscal policy should be used in a crisis'. Our interest is not to debate whether it was limited or not; but what has occurred since., The LTIB mentions more work is to be done in this space. Can you advise? Will this thinking be published and will the public be invited to make submissions?

Response

No. However, the relevant work that has been undertaken has been provided to the Royal Commission and informs phase 2 of their review. More information related to this question will be available when the Royal Commission publishes phase 2 of the review.

The Treasury still plans to undertake the work as part of its longer-term stewardship work programme. Work was completed in the period after Toby Moore's comments in 2020 and drawn on for the LTIB.

Question 15

Toby Moore noted that as late as October 2022, Treasury was advising the Minister of Finance to increase the allowance for the next Budget from \$4.5 billion to \$5 billion. We were unable to find a copy. Can you provide the Treasury paper giving that advice?

Response

This report has already proactively released at the following link:
<https://www.treasury.govt.nz/sites/default/files/2023-08/b23-t2022-2030-4697936.pdf>.

Question 16

Toby Moore also noted that the tax figures were significantly lower than expected from mid-2022, but that does not seem to be the case when we looked at New Zealand's actual tax revenue breakdown (2018–2024), found in the financial statements. Can you confirm whether Moore was correct in stating that Treasury thought the tax take would be significantly lower than expected? Can you provide the expected figures at that time and an explanation, ideally with references?

Response

In the 2025 Budget Update, the Treasury published a box: tax to GDP ratio that explains the downward revisions since 2022. This can be found at the following link:
[Budget Economic and Fiscal Update 2025 | The Treasury New Zealand](#).

Question 17

Does Treasury consider that the Emergency Management Bill should be revisited in light of the wage subsidy continuing well past when the emergency and the crisis came to an end. Our thinking is that we may need a third form of emergency or crisis – such as the 'long crisis' to provide a framework for situations where wage subsidies

are paid out after the crisis has come to an end?

Response

Official information is information actually held in some form by an agency or minister of the Crown. Questions that require an agency to form an opinion or provide an explanation, and so create new information to answer the request, are not covered under the OIA.

Question 18

Has the Treasury conducted any analysis comparing fiscal support measures with formal emergency declarations since the enactment of the Civil Defence Emergency Management Act 2002? If such a report exists, please provide a copy.

Response

I am refusing this part of your request under section 18(f) of the OIA, as the information requested cannot be made available without substantial collation or research. This is because any such analysis, if it exists, would not be centrally held or contained within one document.

However, there is Information relevant to this part of your request within this document: [Learnings from the New Zealand economic history of shocks](#) (2023).

Subsequent questions 19, 20 and 21

Complete the attached excel, in particular Columns E-H of Sheet 2, and Columns C-F of Sheet 3.

Provide the report of progress against the recommendations of Phase One of the Royal Commission (mentioned in Recommendation 39b of the Royal Commission).

Advise whether Treasury will be producing a report on progress against the Phase One recommendations for tabling in Parliament (mentioned in Recommendation 39c of the Royal Commission).

Response

In general, the Treasury is waiting to see what recommendations are made under the second phase of the Royal Commission. We will then consider how to respond across the entire set. This will also involve considering whether to release the Treasury's submissions to the Royal Commission. At this stage we are unable to complete the spreadsheet you have provided.

Even so, the Treasury has an enduring interest in ensuring that New Zealand's economy does well despite adverse events. As referred to previously, one recent publication that covers this is our 2025 Long-term Insights Briefing, which focuses on sustainable and resilient fiscal policy through economic shocks and cycles ([Te Ara Mokopuna: Treasury's 2025 Long-term Insights Briefing - August 2025](#)).

If you require further information or would like to submit a new request for documentation, then please contact the Treasury at: Ministerial.Services@treasury.govt.nz and we will be happy to assist.

Please note that this letter (with your personal details removed) may be published on the Treasury website.

This reply addresses the information you requested. Under section 28(3) of the OIA, you have the right to ask the Ombudsman to review any decisions made under this request.

Yours sincerely

[REDACTED]
[REDACTED]

SENSITIVE

Office of the Minister of Finance

Office of the Minister of Economic Development

Office of the Minister for Social Development

Cabinet

**COVID-19 financial support, Paper A: Business Continuity Package:
Targeted wage subsidy scheme**

Proposal

- 1 This paper seeks your agreement to the high-level design of a targeted wage subsidy scheme for employees in sectors most adversely affected by the economic impacts of the COVID-19 outbreak.

Relation to Government priorities

- 2 On 9 March 2020, Cabinet approved a Business Continuity Package including:
 - 2.1 a targeted wage subsidy scheme for workers in the most adversely affected sectors
 - 2.2 training and re-deployment options for affected employees
 - 2.3 working with banks on the potential for future working capital support for companies that face temporary credit constraints.
- 3 This paper addresses a targeted wage subsidy scheme. Separate advice will be provided to Cabinet to consider possible financial support for leave, for training and re-deployment and future working capital support.

Background

- 4 The impact of the COVID-19 outbreak is becoming increasingly widespread – the initial economic disruption in China has now become global impacting many exporting and supply chains, and a number of New Zealanders are self-isolating. It is likely that many firms are and will be affected.

Policy objective

- 5 In some of the sectors being impacted most significantly by the COVID-19 outbreak, many employers run on low margins, and many employees are in relatively low wage work (hospitality, forestry, and accommodation). This limits the capacity of those employees and employers to plan for significant disruptions of this scale. There also appears to be a gap in the insurance market for products which cover large-scale pandemic events, because of the scale of costs that would need to be covered. There is a role for Government

to act as an insurer of last resort for businesses that cannot reasonably self-insure.

- 6 This has led businesses in particularly exposed sectors to face reduced demand and limited revenue streams, while still needing to meet fixed costs (eg paying wages and other expenses).
- 7 There is also a role for government to act to prevent wider, macroeconomic impacts from negatively affecting the economy unnecessarily. There is a risk from firms in particularly exposed sectors failing to pay suppliers, leading to wider economic impact in other sectors of the domestic economy that supply those firms (eg domestic services and inputs for firms that export goods to China).
- 8 The other major channel by which this will affect the domestic economy is where firms can no longer afford to pay employees. Labour costs are often one of the more flexible costs a business has, and employers are reportedly already reducing hours and either undertaking or considering redundancies.
- 9 Widespread layoffs would deepen the economic impacts, and increase the wider demand-side shock to the domestic economy. The impact of these shocks will be exacerbated when it is concentrated geographically in specific communities with thin labour markets or where employment in other industries is scarce. For example, in regions where tourism provides a significant proportion of employment and income, businesses which serve the employees of tourism businesses will likely begin to struggle as workers are displaced and face reduced income.

Why a targeted wage subsidy scheme?

- 10 Where employees lose their job, they will be able to access support through the welfare system. The Government has already made this more accessible by removing stand down periods. However, relying solely on the welfare system to support people through a crisis has the disadvantages of increasing the costs to the Crown directly, and interrupting workforce attachment for employees.
- 11 A similar form of wage subsidy worked effectively in the Canterbury region after the Christchurch and Kaikōura earthquakes, in keeping people attached to their workplace until business or demand resumed.
- 12 The purpose of this targeted wage subsidy scheme is to help affected employees and businesses to adjust to the impact of COVID-19, not to support businesses for the duration of that impact.

Fit with other policies for responding to COVID-19

- 13 Policies to alleviate the economic impacts of COVID-19 should be developed within the context of the wider public health response. In scenarios where the virus becomes widespread in New Zealand, it will be extremely disruptive. As such, employees should not be incentivised by policy settings to work when they should be self-isolating. Employers should also not be incentivised to keep businesses open and trading when doing so would present a risk to public health.
- 14 As we are responding to the impact of the COVID-19 at pace, other policy is also being developed to target particular needs. There may be some overlap of different policies as they apply to particular businesses in sectors or regions. For instance, a financial assistance scheme to incentivise leave (for public health benefits in ensuring workers stay away from work when sick) may impact employers who are receiving this employer wage subsidy. Redeployment policy may impact on the choices that employers and workers make about their desire to remain connected to particular employers.
- 15 Ministers are considering advice on macro response options in the event of a more drastic slowdown. It is important to keep the design of the targeted wage subsidy limited in duration with a clear strategy for transitioning to a broader macro response should it be needed.
- 16 If the costs of the scheme become too great, or it is allowed to run for too long, this will limit the Government's fiscal headroom for implementing wider fiscal stimulus and macroeconomic policies. The other factor to consider is that if the downturn does not eventuate, or recipient businesses actually end up with revenue returning sooner than expected, the spending will be of comparatively low-value.

Intersection with the compensation package for sick leave

- 17 It is important to understand and manage any unintended interactions between a targeted wage subsidy scheme and any financial assistance scheme to incentivise leave.
- 18 The two schemes have different purposes, and would apply in different circumstances. The financial assistance scheme to incentivise leave is a much more broadly-based public health measure intended to incentivise self-isolation. The targeted wage subsidy scheme discussed in this paper is an economic measure to help COVID-19 impacted employers to retain rather than shed staff.
- 19 It is unlikely that a person would be eligible for both forms of support at the same time, but it is possible that the same person could be eligible for each payment at different times.
- 20 We will need to take a pragmatic approach here, and acknowledge that there will be some deadweight loss where interventions, with best endeavours, have duplicated support.

Design principles

- 21 There are principles that need to be considered in designing a targeted subsidy scheme:
- 21.1 delivered to support affected businesses as rapidly as possible
 - 21.2 targeted to the most adversely affected sectors and regions
 - 21.3 scalable (both upwards and downwards) as the situation evolves
 - 21.4 control fiscal risk.
- 22 A risk that needs to be managed is that these principles can work against each other – it is difficult to deliver targeted support rapidly.

Key policy design choices for a targeted wage subsidy scheme

- 23 It is likely that many firms are and will be affected by the impact of the COVID-19 outbreak. To meet the intent of the targeted wage subsidy scheme, we will need to be careful about how we design the scheme so that it is and can remain sufficiently targeted.
- 24 Proposed settings are summarised below.

Table: Key design choices and proposed settings for a targeted wage subsidy scheme

Design choice	Proposed setting
Sectors	To initially include forestry and tourism sectors (accommodation, hospitality, and other tourism services) and other firms directly connected in the supply chain who are also suffering a decline
Regions	All regions included
Disruption to business	30% decline in actual revenue compared to the year before
Scale of subsidy (per full time worker)	\$585.80 for full time per week or \$350 for part time
Duration of support	12 weeks
Duration of the scheme	Concludes 12 weeks after the date that MSD start accepting applications, which will be no later than 30 Marchs
Maximum subsidy per business	Cap of \$150,000
Other pre-qualifications	Business must have taken active steps to mitigate the impact of COVID-19 (eg. engaged with their bank) and sign a declaration form to that effect.

Making the scheme available to a small number of sectors

- 25 We do not have perfect information on the impact of COVID-19 on regions and sectors, but we cannot wait until we get better information. We all have received information, anecdotes and have experienced the impact in certain areas. It is clear the impact is significant in some areas while uncertain in many other areas. We will need to make judgements about where we apply this scheme.
- 26 In our view, at this stage, the largest impacts are occurring in the accommodation, hospitality and forestry sectors. Tourism is one of the most adversely affected sectors of the economy, however it does not fit neatly into a single industry classification, with the accommodation and hospitality sectors used as proxies for tourism activities. The impact is also uneven across regions.
- 26.1 Hospitality in Auckland, Queenstown and Rotorua are significantly impacted, while the likes of Nelson/Tasman and Hawke's Bay are less exposed to international visitors and are experiencing strong domestic visitation.
- 26.2 Forestry in Gisborne is clearly very affected at this point, while other forestry firms are also experiencing the effects of the rapid slowdown of log exports to China.
- 26.3 Accommodation in Otago and the West Coast are exposed to disruption and they are significant employers in the region.
- 27 We considered whether to apply a targeted wage subsidy scheme to the specific regions identified above. On balance, we think that this targeted wage subsidy scheme should address the most adversely affected sectors and a nationwide approach is appropriate at this stage. This will give us, and the private sector, time to respond to the situation as it evolves.
- 28 We propose that this targeted wage subsidy scheme applies nationally to employers in forestry and tourism. We can use the hospitality and accommodation sectors as proxies for tourism. Officials are still developing an efficient way to include other tourism operations (attractions, tour operators etc). This scheme will also apply to other firms directly connected in the supply chain to the tourism and forestry sectors and who are also suffering a decline.
- 29 There is no existing information that allows officials to check if a firm is within an affected sector. The scheme will therefore involve firms self-identifying as being in the impacted sectors or directly in the supply chain. This is a risk that will need to be managed. Officials will continue to work to manage this risk, including working with industry associations.

Applying the scheme only to those businesses that are most affected

- 30 We need to consider how much disruption a business should be experiencing before they can receive the scheme.
- 31 In previous advice on applying emergency business support following a natural disaster or emergency, MBIE officials have advised that a 60 per cent drop in revenue across a number of firms and impacting the regional economy is significant enough to warrant additional government support.
- 32 Recent European Union decisions have indicated that they consider a 25 per cent drop of revenue due to the COVID-19 disruption sufficient to warrant intervention.
- 33 We propose a middle ground between these two rates so that the targeted wage subsidy will apply for employers that have suffered income loss of at least 30 per cent and that income loss is attributable to the COVID-19 outbreak.
- 34 It will be difficult to separate out the effect of COVID-19 from other economic activity. We propose to ask employers to identify and declare their income loss for this targeted wage subsidy. This income loss is to be actual income loss and is to be calculated for a period of at least a month and is at least 30 per cent lower than the equivalent period one year ago (ie February 2020 income is 30 percent lower than February 2019).
- 35 We anticipate that The Ministry of Social Development with need support from the Inland Revenue Department to determine the potential income loss, and to develop more detailed criteria for this.

Scale of the subsidy

- 36 The proposed rate of the targeted wage subsidy is:
 - 36.1 \$585.80 gross per week for a full-time employee.
 - 36.2 \$350 gross per week for a part-time employee (approximately 60% of the full-time rate).
- 37 The \$585.80 gross amount is the maximum rate of paid parental leave which also has the intention of maintaining employee's attachment to the workforce. Previous subsidies, following the Christchurch and Kaikōura earthquakes, started at \$500 per week before reducing to \$375 and then to \$250 over time. This was for full-time employees. The previous subsidies were calculated at \$300 per week for part-time employees before reducing over time by the same proportion as the full-time employee rate.
- 38 Providing different levels of subsidy to meet identified needs in specified sectors and regions would add complexity to the administration of the scheme and we think that this would slow down the availability of support.

- 39 The subsidy will be payable to employers based on the number of employees they employ. It will be a lump sum payable following an application. It is not intended to cover the full wage of an employee, but to assist the employer in retaining the worker in some employment (and maybe at reduced hours).

Criteria around firm size

- 40 Large firms are more likely to be resilient and have the opportunity to be flexible to respond to this disruption. Smaller businesses are less likely to be able to respond and more likely to reduce hours or employees as a short term measure for viability. We note, however, that large businesses often employ the most vulnerable employees, who are most at risk of being made redundant during a disruption. We have to decide whether this scheme should apply to all employers or be for small businesses only.
- 41 We have decided to apply to all employers and not impose a firm size limit. There will still be a limit on the amount of wage subsidies paid per firm of \$150,000 which is discussed below. For New Zealand's largest employers we are looking at tailor-made support to be negotiated in partnership with banks.

Limiting the size of the subsidy

- 42 The size of the subsidy is an important design choice. If we are too conservative, then business owners may choose to make employees redundant. Too generous and we risk employees staying in subsidised employment, even where there are better employment opportunities elsewhere. Should the subsidy be too generous then it may also distort legitimate business decisions that impact on the ongoing viability of the business.
- 43 To this end, we propose having a cap on the maximum payable amount of the targeted wage subsidy per employer of \$150,000. This definition of employer will include 'closely related businesses' (ie where a single business owner or employer operates a number of businesses that are closely related they can be treated as one business).
- 44 A cap of \$150,000 would mean there would be a limit on the number of workers that an employer could pay the full amount of the subsidy to up to 21 employees for the scale of subsidy at \$585.80 per week.

Ensuring a manageable duration with a clear exit strategy

- 45 It is important that the targeted wage subsidy scheme can be expanded or turned off as appropriate. We need space to consider whether this continues to be the appropriate intervention as the situation evolves.
- 46 We propose that:
- 46.1 the targeted wage subsidy will apply for 12 weeks from the date that MSD start accepting applications, which will be no later than 30 March.

- 46.2 the targeted wage subsidy could be payable as a single lump sum upon a declaration made by the employer that they will then pass on the subsidy to their employees. This increases the ability for businesses to maintain viability although the risk of fraud is heightened with a lump sum payment rather than a weekly payment.
- 46.3 employers will be able to apply for the targeted wage subsidy at any time during that 12 weeks, with the subsidy payable as a lump sum to the employer for a 12 week period following their application.
- 47 We have chosen 12 weeks as a reasonable length of time for businesses to make adjustments and understand more about the impact of the COVID-19 outbreak. An alternative would be put the scheme in place for 8 weeks with an ability to extend it for 4 weeks.

Limit support only to those employers that have ‘helped themselves’ first

- 48 Support could be limited to those businesses who can demonstrate they have activated their business continuity plan, have engaged with their bank and/or have sought advice from local partners (Regional Business Partner, chamber of commerce, industry body).
- 49 This would add cost to the administration of the scheme and add time but better target the need.
- 50 We propose that the targeted wage subsidy will only be payable to employers who have demonstrated that they have taken active steps to mitigate the impact of COVID-19 on their business activities (such as engaged with their bank, Chamber of Commerce, industry association or the Regional Business Partner programme).
- 51 It may be useful to provide some worked examples of how this targeted wage subsidy will work:

Example 1: Forestry contracting gang use wage subsidy

A six person forestry contracting gang in Gisborne has been severely affected by the COVID-19 impact on logging exports and their income is down 90 per cent. Their employer applies for the targeted wage subsidy. The employer receives \$42,117 as a lump sum payment and is able to provide just over \$7,000 to each of their employees across the next 12 weeks. The employer is not able to supplement that funding to employees, so reduces their hours to three days a week, but is able to keep the contracting gang together and be well placed for responding to forestry operations restarting.

Example 2: Tourism operator using wage subsidy

A tourism operator in Queenstown has 20 permanent part time employees and 40 casuals and has been severely affected by the COVID-19 impact on international tourism. They estimate their income is down at least 50 per cent from the equivalent period last year. The employer has made a decision to focus on their permanent workforce and has already released or not taken on any casual workforce due to the lack of demand. The employer applies for the targeted wage subsidy. The employer receives \$84,355 as a lump sum payment. The employer had been relatively successful in previous seasons and is very keen to retain their experienced permanent cadre of staff, so uses the subsidy as a means to continue to pay all staff at their existing income.

Example 3: Logging company using wage subsidy

A log hauling company on the East Coast has 40 full time drivers has been severely affected by the COVID-19 impact on logging exports, with income down around 70 per cent. Their employer applies for the targeted wage subsidy. The employer receives \$100,000 as a lump sum payment. The employer has to choose whether to try and spread the subsidy to support all full time staff, or to concentrate on a core of staff to ensure the ongoing viability of their business.

International comparisons

- 52 Other countries are also developing or implementing wage subsidy schemes in response to COVID-19. An initial scan suggests some settings in the proposed scheme for New Zealand could be more generous than those overseas, but any wage subsidy scheme needs to be considered within the context of a countries wider COVID-19 response.

Monitoring and review

- 53 This targeted wage subsidy scheme is intended to be a short-term intervention. Due to the speed at which we are looking to implement this scheme, there is some risk to the administration of the scheme.
- 54 Monitoring may include review and auditing of any declarations made by employers. Standard justice processes are available to respond to any cases of fraudulent declarations that may be identified.
- 55 The targeting criteria could be changed after establishing the scheme – for example, additional sectors could be included if the economic impact of COVID-19 spreads.

Implementation of the targeted wage subsidy scheme

- 56 MSD have provided the following advice noting the advice has been prepared quickly.

- 57 MSD will utilise a three-step process to administer the payment:
- 57.1 regional Response Teams working with employers and supporting those who are eligible to access an online portal administered by MSD
 - 57.2 employers would upload their details
 - 57.3 this would then be reviewed and assessed centrally by MSD.
- 58 A draft copy of the application form is **attached**.
- 59 Additional funding is needed for MSD to administer the subsidy. The exact amount is being calculated and a final decision will be delegated to Ministers.
- 60 An Order in Council and memorandum is also required to facilitate information exchange between Inland Revenue and the Ministry of Social Development as the paying agency. Further consideration is required on developing a process for MSD to assess the validity of an employer's income loss.
- 61 Our preference is to administer the payment at pace, with applications accepted by no later than 30 March. This will be ahead of improving functionality and the Order in Council. Funding would likely be provided to businesses sooner, but there is an increased likelihood of fraud, delays in processing applications if there is a surge in applications.
- 62 Inland Revenue would provide employer-employee information to MSD to enable payment. To the extent that Inland Revenue is sharing information with MSD, these costs can be absorbed within Inland Revenue's existing baselines. There would be additional operational costs if Inland Revenue was required to assist in determining eligibility or administering the subsidy. Note that release 4 of the Business Transformation Programme will result in Inland Revenue's systems going offline for 10 days in April in order to transition KiwiSaver, Student Loans and PAYE products to the new system.

Financial implications

- 63 The tables below provide *highly indicative* cost estimates of the proposed subsidy. These estimates were prepared quickly with significant data limitations, and uncertainty about the number of firms that will be affected by COVID-19. The costs of this scheme are inherently uncertain due to the uncertainty of future economic conditions.
- 64 The fiscal estimates account for:
- 64.1 Different sectoral combinations (forestry and tourism, including or excluding hospitality).
 - 64.2 Different uptake rates – the share of businesses in the targeted sectors that qualify (e.g., their revenue has declined by 30%) and have decided take up the scheme (50%, 70% or 90%).

- 65 Indicative estimates for a 12 week scheme applied to forestry and tourism (including hospitality) are in the order of \$400m - \$750m depending on uptake. This is not an upper bound of costing. There is a risk that the costs could be significantly more. In particular, these costings do not account for qualifying firms in other sectors who have suffered a decline in revenue directly through a loss of business with the forestry and tourism sectors.
- 66 Costings do not account for reduced welfare costs. If wage subsidies are effective in keeping a worker in a job where they would otherwise be on a benefit, there will be a fiscal saving in avoided benefit costs.

Table: Indicative net fiscal costs

	50% uptake	70% uptake	90% uptake
Forestry and tourism, including hospitality	~\$400m	~\$600m	~\$750m
Forestry and tourism, excluding hospitality	~\$150m	~\$200m	~\$250m

NOTE: Estimates are preliminary and indicative with a high degree of uncertainty. They do not account for other firms directly connected in the supply chain who are also suffering a decline. Figures are to the nearest \$50m.

- 67 The costings above are net of tax impacts. Approximately 22.5% of gross cost is assumed to be returned through tax. This fiscal impact reflects that the employer would not get a deduction for the amount of the subsidy when it was paid to the employee as wages, as was the case for the previous subsidies for the Christchurch and the Kaikoura earthquakes.
- 68 Short term cash (gross) impacts of this will be larger. These are shown in the table below.

Table: Indicative gross fiscal costs (i.e., before tax clawback)

	50% uptake	70% uptake	90% uptake
Forestry and tourism, including hospitality	~\$500m	~\$750m	~\$1,000m
Forestry and tourism, excluding hospitality	~\$200m	~\$250m	~\$350m

NOTE: Estimates are preliminary and indicative with a high degree of uncertainty. They do not account for other firms directly connected in the supply chain who are also suffering a decline. Figures are to the nearest \$50m.

- 69 The cost of the wage subsidy scheme and any additional administration costs will not be charged against budget allowances.

Verification of details

- 70 To ensure that the wage subsidy scheme outlined is going to only eligible people and that they are receiving their full entitlement, Work and Income will work with Inland Revenue to validate the employer and employee details as well as impacts on business income loss.

Risks

- 71 There are risks associated with implementing a targeted wage subsidy scheme. These risks include ongoing business viability following receipt of the targeted wage subsidy, ensuring that the targeted wage subsidy flows through to employees, ineffective targeting of the targeted wage subsidy, and discouraging employees (and employers) from moving into new economic opportunities as these arise.
- 72 A significant risk will be whether the scheme remains as a targeted wage subsidy or is expanded into a broad, non-targeted scheme as we are pressured by additional sectors.
- 73 We understand these risks. We consider that these risks are outbalanced by the need to respond to the urgent need for support to ensure employees are retained to their employment in the short term.

Legislative implications

- 74 To establish the wage subsidy
- 74.1 an Order in Council and memorandum may be required to facilitate information exchange between Inland Revenue and the Ministry of Social Development as the paying agency.
- 74.2 a separate Order in Council under the Goods and Services Tax Act 1985 will be needed, to declare that the Wage Subsidy is not a taxable grant or subsidy, to remove GST.

Impact analysis

Regulatory impact statement

- 75 This proposal would provide targeted wage subsidy scheme as part of a Business Continuity Package. No impact analysis has been provided for this proposal due to the short time frame imposed by the response to Covid-19.

Rather than triggering the Supplementary Analysis Requirements at this time, the Treasury recommends ongoing monitoring and assessment. Any extension of the application of this measure beyond the 12 week period should be preceded by a short Regulatory Impact Statement covering fiscal implications as well as impacts on the labour market.

Population implications

76 There are no population considerations.

Human rights

77 There are no human rights implications.

Consultation

78 The Ministry of Business, Innovation and Employment, Ministry of Social Development, the Inland Revenue Department and the Treasury have been involved in the development of this Cabinet paper.

79 The New Zealand Council of Trade Unions and BusinessNZ have been consulted on some of the proposals in this paper.

Communications

80 The Minister of Finance has indicated that he will communicate further details of this targeted wage subsidy scheme on Tuesday, 17 March 2020, following Cabinet consideration.

81 The Minister of Finance's office will coordinate communications about this scheme.

82 This scheme will form part of the Government's broader communications around its COVID-19 response.

Proactive release

83 We intend to proactively release this Cabinet paper following Cabinet's consideration.

Recommendations

The Ministers of Finance, the Minister of Economic Development and the Minister for Social Development recommend that Cabinet:

- 1 **note** that in March 2020, Cabinet directed officials to develop further targeted firm support options for Cabinet decisions with priority on:
 - 1.1 a targeted wage subsidy scheme for workers in the most adversely affected sectors (including possible financial support for leave requested by employees as a result of public health directions);
 - 1.2 training and re-deployment options for affected employees; and

- 1.3 targeted working capital support for firms that face temporary credit constraints [CAB-20-MIN-0090]
- 2 **note** that this paper addresses a targeted wage subsidy scheme and a separate paper is being prepared for possible financial support for leave requested by employees as a result of public health directions
- 3 **agree** that the purpose of the scheme is to help affected employees and businesses to adjust to the impact of COVID-19, not to support businesses for the duration of that impact
- 4 **agree** to implement a targeted wage subsidy for employers in the most adversely affected sectors which are currently forestry and tourism
- 5 **agree** that the targeted wage subsidy will apply to employers in the forestry sector
- 6 **note** that tourism does not fit neatly into a single industry classification, with the accommodation and hospitality sectors used as proxies for tourism activities, while other tourism activities will also need to be identified
- 7 **agree** that the targeted wage subsidy will apply to employers in the accommodation sector
- 8 **agree** that the targeted wage subsidy will apply to employers in the hospitality (cafes, restaurants, takeaways, catering, pubs, clubs) sector
- 9 **agree** that the targeted wage subsidy will apply to employers in other tourism operations (attractions, tour operators etc) and that officials are developing an efficient way to identify these employers
- 10 **agree** that the targeted wage subsidy will apply to firms directly connected in the supply chain of the affected sectors who are also suffering a decline
- 11 **note** that the targeted wage subsidy will apply to employers in these sectors on a nationwide basis
- 12 **agree** that the targeted wage subsidy will be payable to the employer at a rate per employee of \$585.80 per week for full time employees (similar to the maximum rate of paid parental leave) and \$350 for part time employees
- 13 **agree** the subsidy will be for 12 weeks per employee
- 14 **agree** to a maximum payment of \$150,000 per employer
- 15 **agree** that any qualifying subsidy will be paid as a lump sum
- 16 **agree** that the targeted wage subsidy will be administered by the Ministry of Social Development with support from Inland Revenue

- 17 **note** that depending on uptake, this package could inject an estimated \$500-\$1,000m into the economy over the next two months
- 18 **note** that the definition of employer will include 'closely related businesses' (ie where a single business owner or employer operates a number of businesses that are closely related they can be treated as one business)
- 19 **agree** that the targeted wage subsidy scheme will be open for 12 weeks from the date that MSD start accepting applications which will be no later 30 March
- 20 **agree** that the targeted wage subsidy will apply for employers that have suffered income loss of at least 30 per cent and that income loss is attributable to the COVID-19 outbreak
- 21 **note** that employers are to make a declaration about income loss that is to be actual income loss and is to be calculated for a period of at least a month and is at least 30 per cent lower than the equivalent period one year ago (i.e. February 2020 income is 30 percent lower than February 2019)
- 22 **note** that the Ministry of Social Development with support from Inland Revenue may develop more detailed criteria to determine the potential income loss in recommendation 22
- 23 **agree** that the targeted wage subsidy will only be payable to employers who have demonstrated that they have taken active steps to mitigate the impact of COVID-19 on their business activities (such as engaged with their bank, Chamber of Commerce, industry association or the Regional Business Partner programme)
- 24 **note** that employers will need to make a declaration setting out their commitment, on best endeavours, to retain the number of employees identified in the declaration as subject to the targeted wage subsidy in employment on at least 60 per cent of their regular income
- 25 **note** that as part of monitoring this targeted wage subsidy, declarations may be reviewed and audited at any time
- 26 **note** that standard justice processes are available to respond to any cases of fraudulent declarations that may be identified
- 27 **agree** that case-by-case discussions can take place with large employers, and any support be negotiated in partnership with banks
- 28 **note** that there may be some legislative implications, and the Minister of Finance, the Minister for Economic Development, the Minister for Social Development and the Minister of Revenue will identify these and bring them back to Cabinet for consideration
- 29 **note** that the net fiscal cost of the targeted wage subsidy is highly uncertain, but that initial indicative estimates for a 12 week scheme applied to forestry and tourism (including hospitality) are in the order of \$400m - \$750m

- 30 **note** the gross fiscal cost is also highly uncertain, but that initial indicative estimates for a 12 week scheme applied to forestry and tourism (including hospitality) are in the order of \$500m-\$1,000m
- 31 **note** that the costs are inherently uncertain given the potentially changing economic conditions and sector boundary challenges and could be significantly higher
- 32 **note** the Ministry of Social Development will need additional operating funding to administer the scheme
- 33 **agree** to administer the payment at pace, with applications accepted from no later than 30 March
- 34 **delegate** authority to the Minister of Finance, the Minister for Economic Development, the Minister for Social Development to appropriate funding for the administration of the scheme
- 35 **delegate** 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, as outlined in recommendations 3-34
- 36 **note** that the Minister of Finance is preparing advice on a funding framework for considering COVID-19 related responses alongside Budget 2020
- 37 **agree** to establish the following new appropriation:

Vote	Social Development
Minister	Minister for Social Development
Title	Business Support Subsidy Covid-19
Type	Non-Departmental Other Expense
Scope	This appropriation is limited to support employers to manage the impact of COVID-19 in line with criteria established by Cabinet.

- 38 **agree** to a performance exemption under s15D(2)(b)(ii) of the PFA, as additional performance information is unlikely to be informative as this appropriation is solely for payments related to the COVID-19 response
- 39 **approve** the following change to appropriations to fund the Employer Support Subsidy and implementation costs with a corresponding impact on the operating balance and net core Crown debt:

S E N S I T I V E

	\$m - increase/(decrease)				
Vote Social Development Minister for Social Development	2019/20	2020/21	2021 /22	2022/23	2023/24 & outyears
Multi-Category Expenses and Capital Expenditure:					
Improved Employment and Social Outcomes Support					
Non-Departmental Other Expense:					
Business Support Subsidy Covid-19	1,000	1,000	-	-	-
Total Operating	1,000	1,000	-	-	-

- 40 **agree** 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
- 41 **agree** that any expenses occurred as a result of the estimated costs described in recommendation 39 not be a charge against budget allowances
- 42 **agree** that any underspends with the implementation and the costs of the Employer Support Subsidy as at 30 June 2020 be transferred to the 2020/21 financial year to ensure that funding is available for this purpose
- 43 **authorise** the Minister for Social Development to make minor operational decisions about the Employer support Subsidy
- 44 **authorise** the Minister of Finance and the Minister for Social Development jointly to agree the final amount to be transferred, following completion of the 2019/20 audited financial statements of the Ministry of Social Development, with no impact on the operating balance and/or net core Crown debt across the forecast period.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

S E N S I T I V E