Discussion Paper 2025/03

Time to Prepare: Lessons from the COVID-19 Wage Subsidy

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Time to Prepare: Lessons from the COVID-19 Wage Subsidy

Note: This report was released as a final draft in August 2025, pending responses to our Official Information Act requests. The initial OIA request 2025/12 and the corresponding response are accessible on the Institute's website in the Publications section, under McGuinness Institute/OIAs. All OIA responses have been incorporated into this discussion paper. As a result, the paper reflects the situation as at August 2025. If you have any questions, please do not hesitate to contact the Institute.

The economic damage done by COVID-19 is colossal, and moving to Level 1 is the best way to help start getting things back on track. Retail NZ hopes that customers can now feel confident about getting back to the shops, and CBD retailers, especially in Wellington, will be eagerly awaiting the return of public sector office workers.

— Greg Harford (8 June 2020),
Retail NZ Chief Executive[1]

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Preface

I am concerned that Ministers and government officials do not appear to have prioritised putting in place an improved, fit-for-purpose scheme ready for the next emergency. This report aims to generate an urgent response from Ministers, government officials and those undertaking the COVID-19 Inquiry. We need to improve our systems as a small country, as we cannot afford to make the same mistakes twice.

In this paper, you will learn that New Zealand was one of only a few countries that did not have a job retention scheme already in place; the COVID-19 Wage Subsidy was literally put together over a weekend (see p.9).

The OECD report *Job retention schemes during the COVID-19 lockdown and beyond* (October 2020) notes that, in some countries, application numbers for job retention schemes were massive.[2] At the top of the list was New Zealand, with the highest percentage of applicants in the OECD – 66% of all dependent employees. This was approximately 10% higher than the next-highest country (France). Almost all applicants in New Zealand were provided with funds (see Figure 4 on p.14).

We need to answer the question whether we want to have the highest proportion of employees requiring financial support in the next global emergency (see Figure 4 on p.14). Can New Zealand afford to apply similar fiscal policies in the future (see Appendices 7 and 8 on pp.76–77)? Is it fair to pass this cost on to future generations? If we had $18.8 billion to spend again, would we spend it this way? Thus far, these questions have been left unanswered. We need to at least attempt to answer them today, because institutional knowledge has already decreased in the five years since the start of the pandemic. This knowledge will continue to significantly reduce as Members of Parliament and government officials move on.

Job retention schemes aim to keep employer/employee contracts in existence, even when work is suspended for a short period of time. However, these schemes come in many shapes and sizes. Most countries scaled up existing short-time work (STW) schemes, and/or combined these with additional wage subsidy schemes and STW schemes (see Appendix 1 on p.49). Only four countries in the OECD were considered not to have an existing job retention scheme in place before the pandemic hit: Australia, Estonia, Poland and New Zealand. New Zealand hastily established a Wage Subsidy Scheme in March 2020.

The purpose, and therefore the selection of the appropriate scheme, must be kept front of mind. Importantly, success is reliant on many interdependent factors. It is therefore not possible to be 100% confident about the effects of one scheme's design compared with another's (and the exact reasons for those effects). However, by having a clear sense of what a scheme hopes to achieve, and who it is targeted at, an assessment can be made on whether the scheme probably achieved its aims. We suggest that the government has failed to analyse New Zealand's scheme in sufficient detail, or to compare our scheme with those of other countries, and that the opportunity to do so has largely been missed.

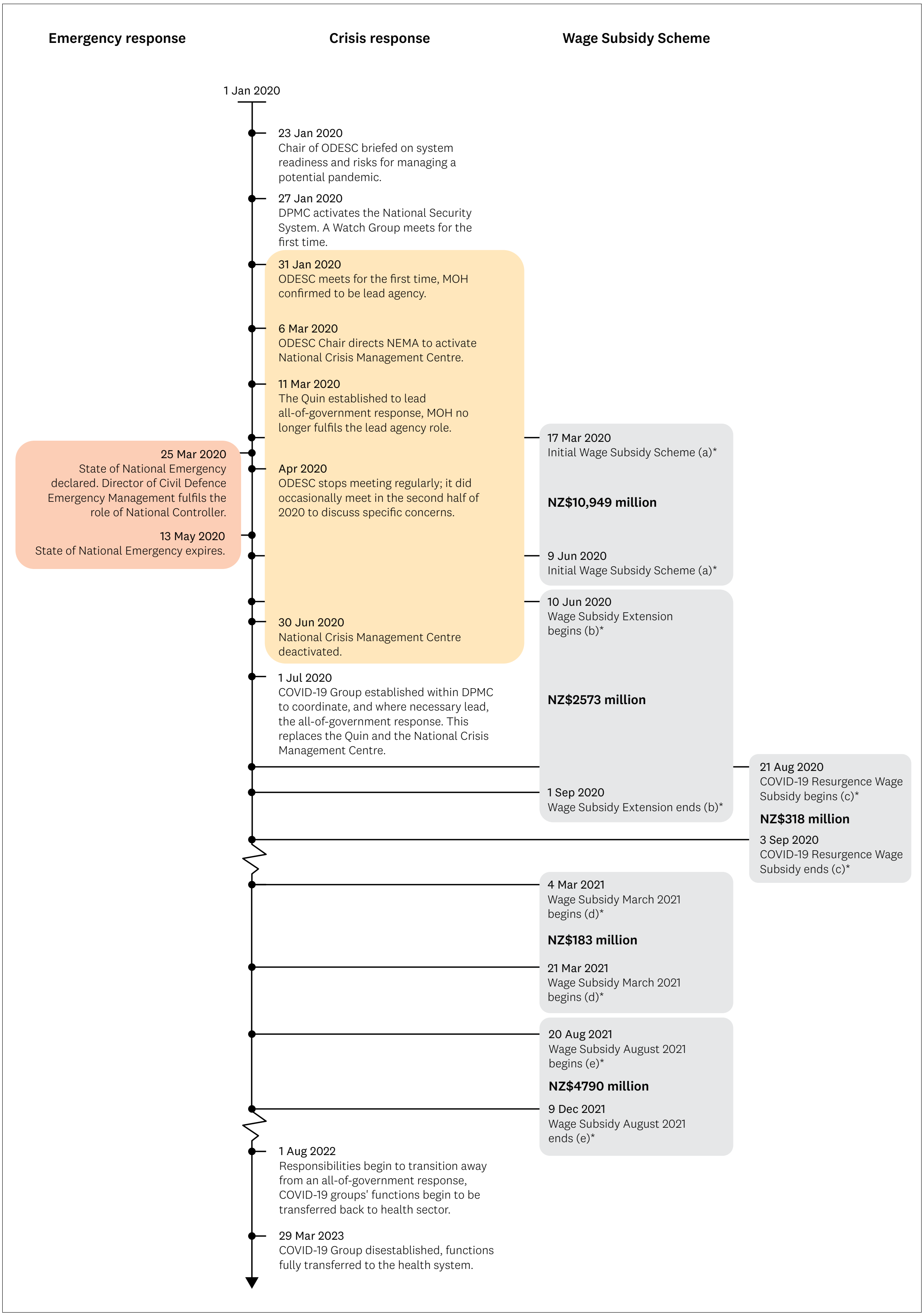
Furthermore, it is important to acknowledge that the goals of a scheme are likely to change over time. Getting the balance right between supporting businesses and not overspending is difficult, and New Zealand, in our view, got that balance wrong. If that is the case, an assessment might shed some light on what went wrong and why, so that next time subsidies can be reduced and/or withdrawn earlier. Table 1 (p.11) provides a list of design considerations for job retention schemes during an emergency.

What keeps me awake at night is three-fold. First, the government cannot afford to pay similar subsidies when the next emergency hits. Second, the problems with the COVID-19 Wage Subsidy have created distrust and may mean that the social licence to operate another scheme in the future will be challenged. Third, because of high expectations based on the previous subsidies, businesses have not been incentivised to prepare for the next emergency. An over-generous and loose subsidy, combined with businesses' expectations that such practices will continue next time around, is resulting in businesses failing to think about risks or invest accordingly. At worst, the COVID-19 Wage Subsidy has made us poor, eroded the government's social licence, and made businesses lazy.

Wendy McGuinness
Chief Executive

Figure 1: Emergency and crisis responses to the COVID-19 pandemic

Source: *COVID-19 Nation Dates*, September 2024, pp.38–39, 117, 119, 137, 157, 379.



Note to Figure 1:

* See discussion in Section 3.1: The five stages of the COVID-19 Wage Subsidy Scheme on p.16.

1.0 Introduction

The impacts of COVID-19 presented major challenges for New Zealand's economy, and the subsequent attempt at recovery. The Wage Subsidy Scheme was the largest single item of expenditure during the COVID-19 response, covering 72% of employing firms and 59% of total employment at its peak.[3]

1.1 Purpose

This discussion paper explores the COVID-19 Wage Subsidy Scheme, the decisions that led to its creation, and the resulting outcomes. The paper builds on the findings of *Working Paper 2025/08 – Analysing COVID-19 Wage Subsidy Information Disclosed in Annual Reports of NZSX-listed Companies* (in press). Both papers form part of the COVID-19 papers, which sit within the *PandemicNZ* series.

The purpose of project *PandemicNZ* is to build capability, resources and resilience for the next pandemic. By recording the past and using foresight to explore potential futures, the project works to help New Zealand prepare for future pandemics, identifying key lessons before they are lost and forgotten. It draws together early Institute publications as well as an increasingly comprehensive suite of research into, and publications on, the recent COVID-19 pandemic. *PandemicNZ* aims to contribute to discussions on ways to increase pandemic preparedness.

New Zealand has the unique opportunity to learn from the COVID-19 pandemic, identifying key lessons that will be beneficial in the long term. It is essential that we review what New Zealand did well, and what can be done to improve our capabilities and preparedness in the future.

The final paper in the *PandemicNZ* series is a Project 2058 report titled *Report 19: A Decision Tree for Future Pandemics*. It outlines the critical decisions New Zealand may face in a future pandemic, emphasising the importance of preparation to minimise harm and maximise positive outcomes. This discussion paper will contribute to the evidence base that will inform the final *Report 19*.

1.2 Background

The COVID-19 pandemic created significant uncertainty across the country. We did not know what the scale of the economic shock would be, or how long it would take for life to return to normal. The wage subsidy was introduced to provide stability to business owners, investors, employees and the public during this unprecedented time.

The COVID-19 Wage Subsidy Scheme, outlined in Table 3 (p.16), refers to all COVID-19 wage subsidy-related payments. The size of the COVID-19 Wage Subsidy Scheme was significant, $18 billion. This was about 59% of the cumulative expenditure incurred from 2019/20 to 2021/22 against appropriations related to the most significant COVID-19 initiatives. More than two million applications were approved over the various iterations of the Scheme.

The following sections provide some context for the Government's COVID-19 Wage Subsidy Scheme and the costs it incurred, how reporting standards evolved during this time, and the reporting problems that became apparent. For more detail on the declarations that applicants made as part of the process to obtain a wage subsidy, see Appendix 2 on p.50.

The Scheme provided 'rapid payments up front to businesses affected by COVID-19 restrictions so that employers could continue to pay their employees', with the aim of 'preventing job losses and business closures'.[4] Many business owners considered the Scheme a life saver, while others found that they were less affected than they had originally anticipated and as a consequence decided to return some or all of the funds claimed.

The Scheme was initially developed under urgency. A draft Cabinet paper was submitted to Ministers on Friday 13 March 2020, and although it was initially focused on forestry and tourism, over the weekend the initial draft was changed to apply to the full economy. On Monday 16 March 2020, a Cabinet decision was issued.

Operational and legislative barriers ruled out both the Inland Revenue Department (IRD) and the Accident Compensation Corporation (ACC) as deliverers of the Scheme, so responsibility was given to the Ministry of Social Development (MSD), where it was managed by Work and Income. In its Phase 1 report, the Royal Commission of Inquiry into COVID-19 Lessons Learned referred to MSD's system as 'a blunt tool'. The report acknowledged that needing to pass legislation to allow IRD or ACC to manage the scheme would have slowed down getting Wage Subsidy Scheme payments 'out the door'.[5] The Scheme was created by building on a previous scheme that MSD had developed during earlier crises (see MartinJenkins report discussed in Section 4.2 on p.27).

In the absence of a fully designed system pre-pandemic, the Scheme needed to be implemented quickly and by necessity, relying on a high-trust model. This inherently came with a risk of fraud.[6] Numerous concerns were raised about the Scheme by a range of people and organisations. There were a number of complaints about companies abusing the Scheme, so much so that a philanthropic organisation, the Gama Foundation, took MSD to court based on claims of widespread abuse. In the final case, the High Court disagreed (see discussion in Section 4.5). Over time, MSD did start a work programme to review applications, which led to a number of cases being brought before the courts. See Table A5.1, p.70, for selected judgments.

Several reviews were undertaken: Deloitte's report into fraud, corruption, waste and error (July 2020); Audit NZ's annual audit of the ministry (March 2021); and the Office of the Auditor-General's report *Management of the Wage Subsidy Scheme* (May 2021). In 2022, MSD commissioned Deloitte to undertake an integrity and assurance review, which had been recommended in the 2021 Audit NZ report. The aim was to strengthen the existing scheme and any future schemes. An important element was assessing progress on recommendations from the three above-mentioned reports. A further report by MartinJenkins, commissioned by MSD, found that the wage subsidy was effective, although the second phase was less effective.

Unless otherwise specified, references made to the COVID-19 Wage Subsidy Scheme, Wage Subsidy, or Scheme in this paper refer to the Scheme as a whole, including each of the five stages.

2.0 Types of job retention schemes

Job retention schemes are commonly used by governments of OECD countries to ensure that employees keep their contracts with their employer, even if work is suspended because of an emergency. Table 1 (below) sets out our understanding of some of the characteristics that have been used to design job retention schemes. We would argue that the selection of the goal and the specific target groups are critical to shaping whether the scheme is successful or not. With any scheme, regular reviewing, testing and a final wash-up analysis are necessary to ensure future versions of the scheme remain fit-for-purpose. It is critical that governments gain the support and trust of citizens to provide equitable and fair subsidies during the early stages of an emergency, when a high level of uncertainty exists.

The schemes fall into two high-level types but, in practice, they are often hybrids:

- Wage subsidy schemes subsidise businesses for hours worked or top up earnings of employees on reduced hours.
- Short-time work (STW) schemes subsidise businesses for hours employees have not worked.

Table 1: McGuinness Institute's observations on characteristics to consider when designing a job retention scheme

Types of high-level goals	Specific groups that might be targeted	Mechanisms	Payment options	Risks	Measures of success
Goals for employees (i) Reduce harm and stress by ensuring people are able to buy food, rent and pay mortgages (ii) Prevent employees becoming unemployed	(i) Low-income employees/ temporary staff	**Amount** (i) Pay full replacement or a percentage of usual wage and ignore whether work was undertaken or not [or] (ii) Pay unworked hours only or percentage of unworked hours **Timing** (iii) Pay a lump sum or pay certain week	(i) Government pays the business and the business then pays employee [or] (ii) Government pays the employee directly [or] (iii) Government lends/gives business money without any requirement to use those funds to pay wages	**Inequity** (i) This may be due to the way the scheme is designed (harming certain groups, while benefiting others) **Unethical behaviour** (ii) After receiving funds, a business goes on to make excessive profits (iii) Employees receive more pay than they received pre-emergency **Fraudulent behaviour** (iv) For example, a business fails to forward funds to employees and/ or applies for subsidies for non-existent staff	(i) Government retains social licence to implement job retention schemes in future emergencies because the scheme is trusted (ii) The extent to which unemployment does not rise and stay high (iii) The extent to which the public are not stressed, and panic in the community subsides (iv) The extent to which recession/ depression is prevented (v) The extent to which new workers are not required to be employed and trained
Goals for business (iii) Reduce labour costs (iv) Prevent viable jobs being terminated	(ii) Businesses with liquidity issues or potential liquidity issues [and/or] (iii) Critical infrastructure/ businesses that are too important to fail during the emergency [and/or] (iv) Key sectors important to the economic recovery once the emergency is over				

Types of high-level goals	Specific groups that might be targeted	Mechanisms	Payment options	Risks	Measures of success
Goals for the economy (v) Preserve jobs during the length of the emergency (vi) Remove obstacles that might occur after the emergency, in order to speed up the economic recovery				**Slow recovery** (i) People like working from home (ii) Employees decide not to return to work (e.g. retire/go off grid/go travelling) (iii) Businesses/people do not invest due to ongoing uncertainty/destabilisation (iv) Cost of living/building increase and remain high	

2.1 Examples of other schemes

2.1.1 Previous New Zealand schemes

Historically, New Zealand has used a number of job retention schemes, including both wage subsidy and short-time work schemes, in response to crises. These included:

a) The Job Support Scheme following the global financial crisis in 2009[7]

b) The Earthquake Support Subsidy following the Canterbury earthquake in September 2010[8]

c) The Earthquake Support Subsidy following the Canterbury earthquake in February 2011[9]

d) The Rena Support Subsidy following the grounding of the *Rena* in October 2011[10]

e) The Earthquake Support Subsidy following the Kaikōura earthquake in November 2016.[11]

When developing the Initial Wage Subsidy Scheme, MSD used the payment mechanism that was developed for the Kaikōura earthquake response, which limited the ability to apply a greater level of calibration and targeting.

As Table 2 opposite shows, there is a significant difference in the amounts provided to recipients of the various schemes, both in terms of the total amount paid and the amount paid per recipient. While these figures are based on estimates, and they may not be directly comparable (impacts on employment from earthquakes and pandemics are very different), they do illustrate that a scheme like the wage subsidy may be more efficient at smaller scales and not as efficient at a national level (see also Figures 2 and 3 overleaf).

Table 2: Comparing emergency wage subsidies from 2010 to 2021

	Canterbury earthquake (2010)[12]	**Canterbury earthquake (2011)**[13]	***Rena* grounding (2011)**[14]	**Kaikōura earthquake (2016)**[15]	**COVID-19 (2020–2021)**[16]
Agency responsible	MSD	MSD	MSD	MBIE	MSD
Total spent (estimate)	$9,600,000	$202,000,000	$84,000	$17,500,000	$18,813,000,000
How long it lasted (days, including extensions) (estimate)	55	92	42	168	218
Number of people that applied for and received the subsidy (estimate)	18,000	70,000	41	NK	1,800,000
Analysis					
Cost per person	$533	$2886	$2049	NK	$10,452
$ per day	$174,545	$2,195,652	$2000	$104,167	$86,298,165

This idea was briefly mentioned in the Greater Christchurch Group's July 2017 *Whole of Government Report: Lessons from the Canterbury earthquake sequence*. It stated that although the subsidy was effective, it 'may not always be a cost-effective intervention for future events'.[17]

Figure 2: Total spent ($m) (estimate)

Source: See Table 2

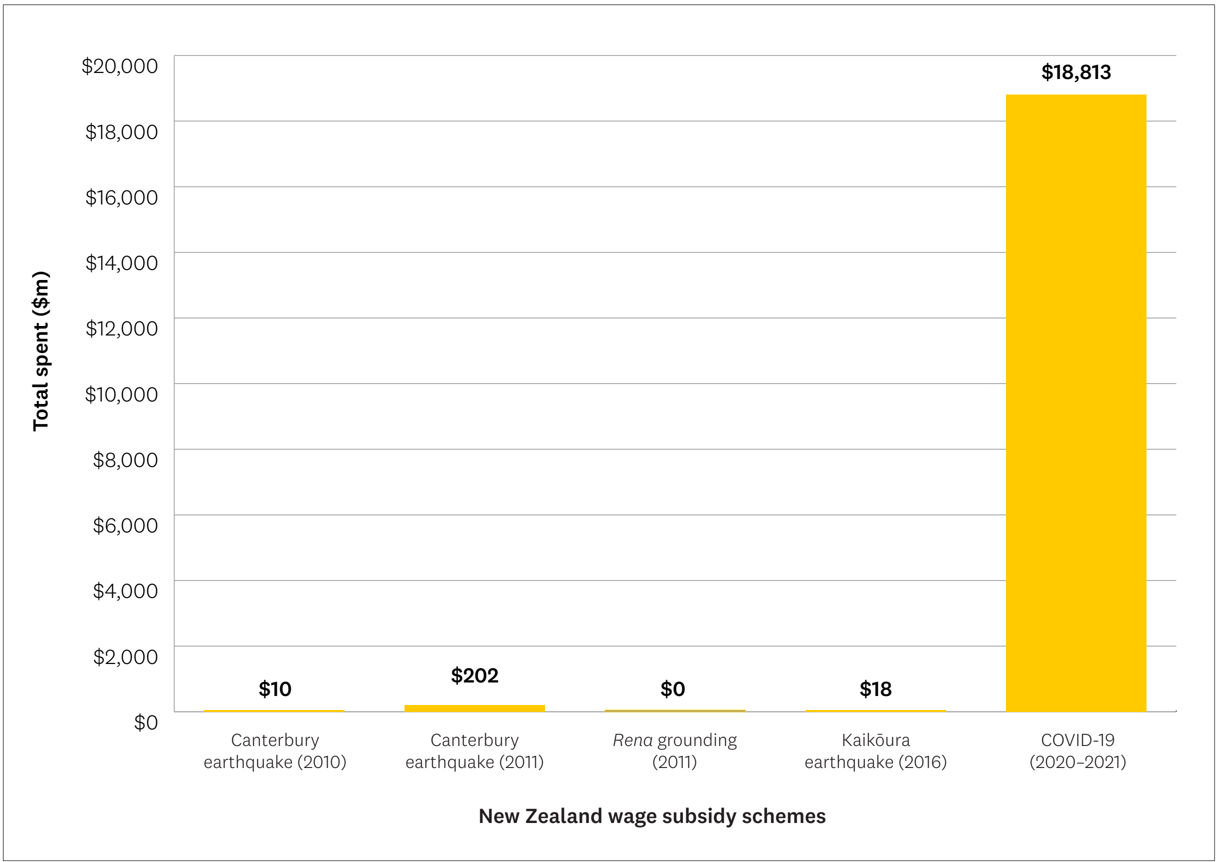
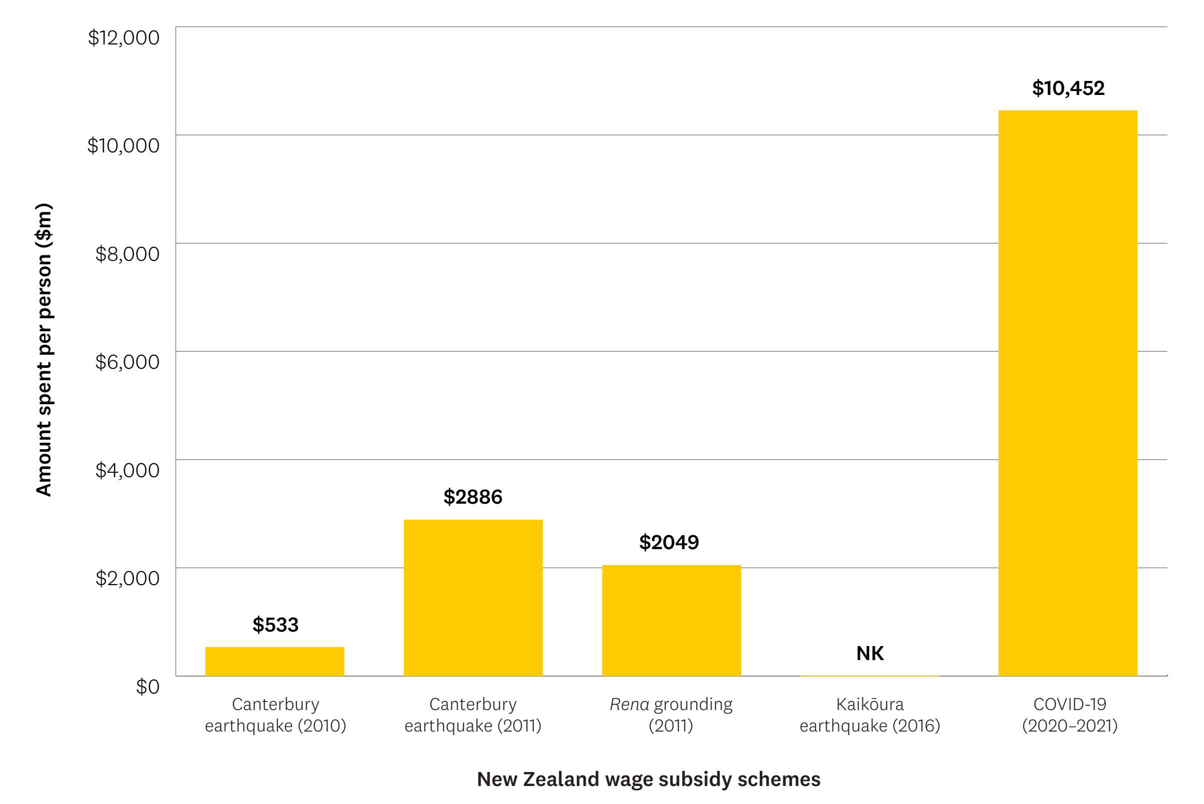


Figure 3: Amount spent per person

Source: See Table 2

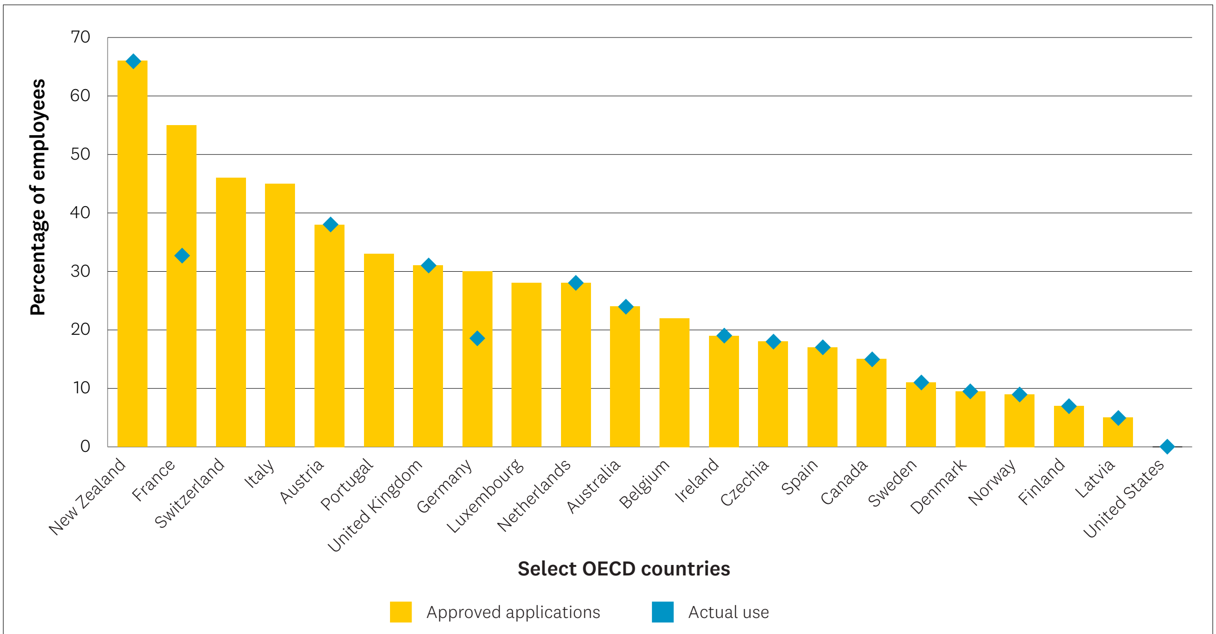


2.1.2 Overseas schemes

During the early stages of the pandemic, OECD countries acted decisively to save jobs by scaling up existing job retention schemes or introducing new ones (see Appendix 1, p.49). Across the OECD, over 50 million jobs were supported by these schemes. Of the 34 OECD countries that had job retention schemes by October 2020, New Zealand was one of seven that had adopted a novel scheme. New Zealand had the highest application rate among OECD countries and was fourth-highest globally in fiscal measures per capita (see Figure 4 below and Appendix 8 on p.77).

Figure 4: Percentage of employees that were approved for and received support from job retention schemes in select OECD countries

Source: OECD, *Job retention schemes during the COVID-19 lockdown and beyond*, October 2020.[18]



Note to Figure 4:

Take-up rates are calculated as a percentage of dependent employees in 2019 Q4. Data refer to end of May except for Luxembourg and Switzerland (end of April). Australia, Canada, Ireland, the Netherlands and New Zealand operated wage subsidy schemes, which are not conditional on the reduction in working hours. United States: data refer to participation in short-time compensation schemes.

A 2020 OECD paper notes:

> The use of JR [job retention] schemes was widespread in all sectors and across all types of firms, as the government imposed restrictions to business activity affected many firms across almost all sectors. By contrast, during the global financial crisis 80% of the actual use of JR support in France and Germany was concentrated in manufacturing, even though manufacturing accounted for no more than 20% of employment at the time. This reflects the disproportionate impact of the global financial crisis on that sector as well as the greater incentives for labour hoarding in skill-intensive industries. The use of job retention schemes during the COVID-19 crisis has been unprecedented. In Germany, take-up of short-time work was 19% in May 2020 compared with 4% at the peak of the global financial crisis and 33% in France compared with just 1% during the crisis.[19]

The paper also refers to several types of schemes, including Australia's JobKeeper scheme (wage subsidy),[20] Germany's Kurzarbeit scheme (short-time work),[21] and the UK's Coronavirus Job Retention Scheme (short-time work).[22] A treasure trove of lessons also exists in the numerous independent assessments and reviews from around the world. These lessons would be worth Treasury, the Ministry of Business, Innovation & Employment (MBIE), IRD and MSD investigating further. For example, the *Australian Financial Review* noted:

> While ASX companies have pledged to return a total of about $185 million collected in JobKeeper, the best available information suggests only 47 of the 900,000 companies that received the payment have volunteered to repay the ATO for the subsidy, totalling just $225 million, or 0.25 per cent of the $90 billion program. Due to the extra visibility, about 90 per cent of repayments have been made by public companies.
>
> In the half year through December, 34 of the 66 ASX300 companies that received $284 million in JobKeeper reported an increase in underlying earnings from pre-pandemic levels.
>
> New Zealand's $12.4 billion program had received repayments worth $670 million – or about 5 per cent of the scheme. If Australia enjoyed the same rate of repayment, $5 billion would have been returned.[23]

Although there is some high-level discussion on the COVID-19 Wage Subsidy on the Treasury website[24] and the MSD website,[25] the Institute could not find a detailed analysis by the New Zealand government or an independent detailed analysis being sought by Parliament. To date, the New Zealand government reports tend to be descriptive (i.e. what happened), rather than containing detailed analysis (i.e. what worked and what did not, and whether there might be better ways to spend $18 billion if we were faced with a pandemic in the future). Perhaps the Commissioners undertaking Phase 2 of the Royal Commission of Inquiry into COVID-19 Lessons Learned might look more deeply at how the system could be improved and whether Treasury, MBIE, MSD and IRD are working on or have designed a better system in advance of the next emergency. However, this might be considered outside their scope.

3.0 The COVID-19 Wage Subsidy Scheme explained

This section outlines key aspects of the COVID-19 Wage Subsidy Scheme that set the context for the remainder of the paper.

3.1 The five stages of the COVID-19 Wage Subsidy Scheme

The Scheme evolved through five stages; three occurred in the year 2020 and two occurred in 2021.[26] The initial criteria are set out in Box 1 in Appendix 2 (p.50), but these were updated slightly as the Scheme evolved.[27] Each stage covered a specific time period, and each time period required its own declaration from businesses applying for the subsidy. The dates and conditions of each stage are briefly described below and are illustrated in Figure 1, p.8.

Table 3: Stages of the COVID-19 Wage Subsidy Scheme

Source: *COVID-19 Nation Dates*, September 2024, p.379.[28]

	Duration	Name	Amount ($m)
(a)	17 Mar 2020–9 Jun 2020	Initial Wage Subsidy Scheme	10,949
(b)	10 Jun 2020–1 Sep 2020	Wage Subsidy Extension	2573
(c)	21 Aug 2020–3 Sep 2020	COVID-19 Resurgence Wage Subsidy	318
(d)	4 Mar 2021–21 Mar 2021	Wage Subsidy March 2021	183
(e)	20 Aug 2021–9 Dec 2021	Wage Subsidy August 2021	4790
	Total		**18,813**

(a) COVID-19 Wage Subsidy Scheme (referred to as the 'Initial Wage Subsidy Scheme')
Made available from 17 March 2020 to 9 June 2020 for employers, including self-employed people, who experienced at least a 30% decline in revenue over a month, related to COVID-19. A lump-sum payment for each employee included in an application was provided to help pay and retain employees for a 12-week period.

(b) COVID-19 Wage Subsidy Scheme Extension
Made available from 10 June 2020 to 1 September 2020 for employers, including self-employed people, who experienced at least a 40% decline in revenue over a month, related to COVID-19. A lump-sum payment for each employee included in an application was provided to help pay and retain employees for an eight-week period.

(c) COVID-19 Resurgence Wage Subsidy Scheme
Made available from 21 August 2020 to 3 September 2020 for employers, including self-employed people, who experienced at least a 40% decline in revenue over two weeks, related to COVID-19. A lump-sum payment for each employee included in an application was provided to help pay and retain employees for a two-week period.

(d) COVID-19 Wage Subsidy March 2021
Made available from 4 March 2021 to 21 March 2021 for employers, including self-employed people, who experienced at least a 40% decline in revenue over two weeks, related to the rise to Alert Level 3 on 28 February 2021. A lump-sum payment for each employee included in an application was provided to help pay and retain employees for a two-week period.

(e) COVID-19 Wage Subsidy August 2021
Made available from 20 August 2021 to 9 December 2021 for employers, including self-employed people, who experienced at least a 40% decline in revenue over two weeks, related to the effects of Alert Level 4 or 3. This iteration was broken down into eight separate payments (referred to as August 2021 #1 to August 2021 #8).

August 2021 #1 provided a lump-sum payment for each employee included in an application to help pay and retain employees for a two-week period until 3 September 2021. From this date, a series of fortnightly wage subsidies were paid out, starting with the COVID-19 Wage Subsidy August 2021 #2 (3 September 2021 to 16 September 2021) and ending with the COVID-19 Wage Subsidy August 2021 #8 (26 November 2021 to 9 December 2021).

3.2 Development of the Wage Subsidy Scheme

3.2.1 The original economic context, February and March 2020

The COVID-19 pandemic presented significant challenges for New Zealand's economy. Uncertainties around the size and duration of the economic shock meant that empirical data was not always available. Decisions often relied on expert judgement and choosing the path of 'least regrets', considering risks of over-investing against risks of underinvesting.[29]

On 21 February 2020, Treasury released three scenarios that were designed to understand potential economic impacts that New Zealand could experience.[30] These three scenarios were '[a] temporary global demand shock', '[a] longer lasting domestic incomes shock', and '[a] global recession' (Minister of Finance Grant Robertson colloquially referred to these as 'mild, medium and hot' respectively).[31] See these three scenarios in detail in Table 4 below. At that stage, the Treasury's forecast was that the most likely scenario would be the temporary global demand shock, meaning that no substantial macroeconomic policy responses were required.[32]

A key aspect of this scenario was that Treasury believed sectoral policy interventions would likely be inadequate to respond to the scale of the economic impact,[33] which resulted in the initial redesign in the middle of March 2020 (see Section 3.2.2 overleaf).

Table 4: Treasury's initial framework for identifying economic policy responses to COVID-19 scenarios set out in a 21 February 2020 Cabinet paper

Source: Treasury, 2020.[34]

	Microeconomic Policy	Monetary Policy	Fiscal Policy
A temporary global demand shock	A range of operational measures are already being implemented by agencies to support acutely affected firms and regions. Existing income support policy is also supporting employees. Further measures should not create a precedent that the Government will provide ongoing support for sectors that are overly exposed to international shocks. This could bring considerable fiscal risk and create the wrong economic incentives for firms in the future.	Monetary policy is currently expansionary, which will support the economy through 2020. The Reserve Bank is monitoring the economic impacts to inform future Official Cash Rate (OCR) decisions. The next OCR decisions are on 25 March and 13 May. The exchange rate has already depreciated, which will provide some support to exporters.	The current stance of fiscal policy is expansionary, which will support the economy through 2020. No specific further fiscal policy response is recommended. Budget 2020 decisions can maintain an expansionary fiscal stance, and allow the automatic fiscal stabilisers (taxes and transfers) to provide ongoing support to the economy.

	Microeconomic Policy	Monetary Policy	Fiscal Policy
A longer lasting domestic incomes shock	Further targeted measures may be justified to support firms to absorb an extended disruption and/or for households to maintain labour market attachment. As far as possible, these interventions should be designed in a way that is aligned with the Government's economic strategy. Officials will work to identify what options may be. best to ramp up if the uncertainty persists. Broader microeconomic policy responses will have larger fiscal costs.	An easing of monetary policy settings would be a likely first step in this scenario. While interest rates are low, there remains some scope to lower them further. Monetary policy is the preferred macroeconomic stabilisation tool. This reflects shorter lags relative to fiscal policy, and that monetary policy can be adjusted more quickly should the situation change again. Further exchange rate depreciation would be expected.	A further loosening in the fiscal stance should be considered. If it is clear that the shock is longer lasting, then planning should accelerate for a discretionary fiscal package that could be deployed if a recession became more likely. Support from automatic fiscal stabilisers (taxes and transfers) would continue, and increase in line with the severity of the shock.
A global recession	Sectoral policy interventions will most likely no longer be adequate to respond to the scale of economic impact on New Zealand.	A stronger conventional monetary policy response would be expected. In addition, the use of unconventional monetary policy tools may be needed to support the economy and the financial system.	As low interest rates provide limited scope for a conventional monetary policy response, a large-scale fiscal stimulus would be required in this scenario. The best response would likely be a temporary tax and/or transfer package rather than an increase in capital spending. This reflects shorter lead times and wider coverage for tax and welfare changes, and sectoral capacity constraints given recent increases in capital spending.

However, within a fortnight of Treasury releasing the three scenarios on 21 February 2020, there was an understanding that COVID-19 would have a more significant impact on the state of New Zealand's economy. An MBIE and Treasury joint report dated 6 March 2020 took the view that New Zealand was in a version of the second scenario, a longer lasting domestic incomes shock.[35] Despite there still being considerable uncertainty regarding the impact of this scenario, the report provides advice on how to approach decision making given the uncertainty, as well as some general micro- and macro-economic policy options available to ministers. Among these options is a mention of providing employers with support through an 'Employer Subsidy' to keep workers attached to their employers when those workers have reduced hours. In other words, a job retention scheme.

By April 2020, it was clear that the economic situation was worse than initially predicted. In their March 2020 Monthly Economic Indicators report (published 9 April 2020), Treasury stated that the continued spread of COVID-19 was 'likely to push the world into a deep recession', implying that New Zealand was moving towards the third scenario.[36]

3.2.2 The initial scheme design, 9 March 2020–22 March 2020

Because there had not been a framework in place prior to the pandemic, the wage subsidy scheme had to be developed under urgency and in a highly uncertain environment. Early design of the scheme relied on a significant amount of evidence that was verbal, as well as information from a wide range of sources. This included information from earlier schemes (the Canterbury and Kaikōura earthquake schemes), despite the large difference in scales between the earlier emergencies and the rapidly evolving COVID-19 crisis.[37]

On 9 March 2020, three days after the 6 March 2020 joint report, Cabinet directed officials to develop targeted firm support options. One of the priorities was to design a 'targeted wage subsidy scheme for workers in the most adversely affected sectors'.[38] See Appendix 9 for the OAG's understanding of the organisations involved with developing the scheme at each stage of implementation.

A preliminary 'upper bound cost estimate of wage subsidy scheme' was determined to be approximately $9.4 billion according to an aide memoire to Robertson on 14 March 2020.[39] This estimate assumed that all firms met the qualification test (being that they were impacted by COVID-19 and experienced a 30% loss in income), and all firms took up the scheme that was available for 12 weeks per full-time employee. This implied that there were considerations in expanding what sectors would be included under the scheme.

By 15 March 2020, the decision was made, and the proposed scheme had evolved from being targeted at only the most affected sectors to being available for all sectors. This likely reflects the growing expectation within Treasury that the scale of economic impact was trending towards the third scenario. The proposed scheme was agreed upon by Cabinet on 16 March 2020 as part of the $12.1 billion COVID-19 economic package.[40] This was then announced by Robertson the following day.[41] See Table A3.2, p.63, for the specific design aspects of the scheme, and how these evolved over time. Interestingly, the 16 March 2020 package stated that the amount set aside for the Wage Subsidy Scheme would be $5.1 billion, significantly less than the $9.4 billion upper estimate provided by Treasury on 14 March 2020.

3.2.3 Refining the Scheme (22 March 2020–14 December 2020)

By 21 March 2020, Treasury had advised that the cap of $150,000 covered only a small proportion of total wage costs for businesses with more than 21 employees. With the discussion of a move to Alert Level 3 or higher, Treasury recommended removing the cap to ensure adequate support would be provided to firms of all sizes across the economy (see discussion of the alert level system in the glossary).[42] Cabinet agreed to this proposed change on 23 March 2020.

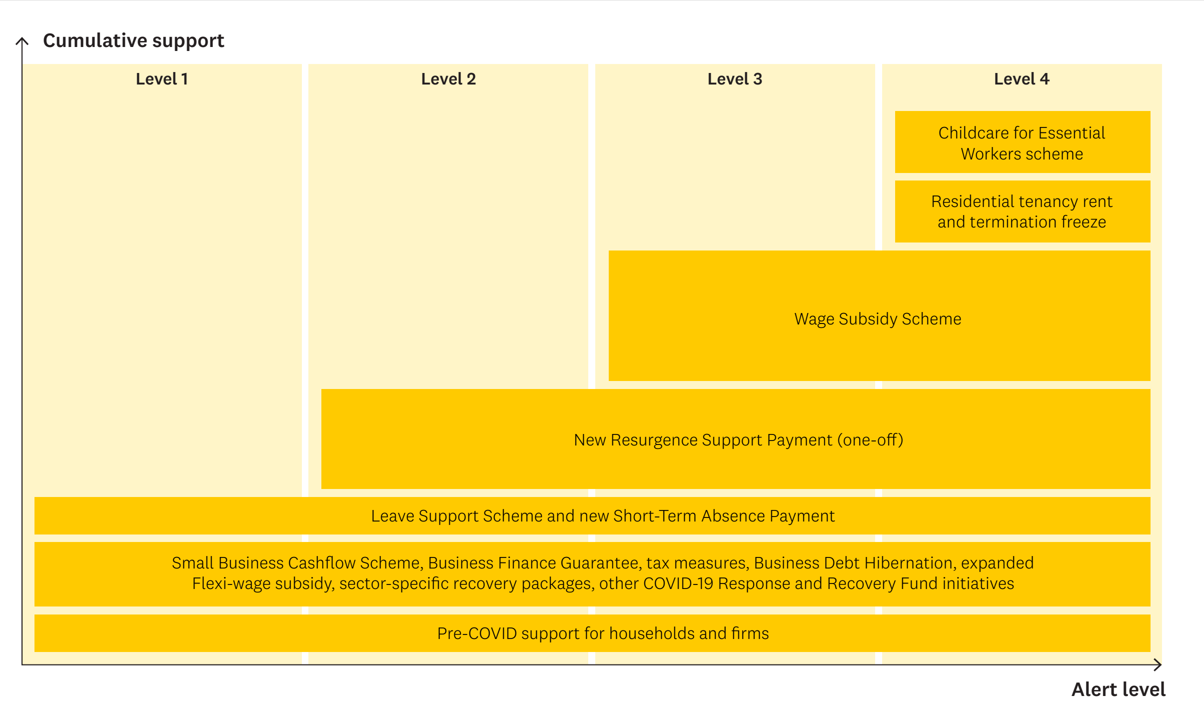
The Wage Subsidy Scheme was enhanced further following the Cabinet paper submitted on 26 March 2020.[43] The move to Alert Level 4 meant that the subsidy had to shift to an 'enhanced model', which provided enough support to incentivise people to reduce their economic activity enough to reduce transmission of the virus. The key changes that were proposed included softening the requirement to pay employees 80% of their income, to paying 80% of their income 'if this is possible'.[44] These changes were agreed on 28 March 2020.[45]

The next significant change occurred on 14 August 2020, when Cabinet agreed in principle that the Wage Subsidy Scheme would be extended nationally to provide further support if the Government decided to extend Level 3 restrictions to a total of two weeks.[46] This decision indicated that the Wage Subsidy Scheme would likely be a key framework that the Government would activate throughout the pandemic when deemed necessary.

This was made clear following Treasury's proposal to Cabinet on 11 December 2020.[47] It proposed an updated and improved package of economic measures that would complement one another, allowing for more certainty regarding when measures would be used (see Figure 5 overleaf).

Figure 5: Existing and proposed economic supports as at 11 December 2020

Source: Treasury, 2020.[48]



The 11 December 2020 proposal included '[s]trengthening the Wage Subsidy Scheme at Alert Levels 3 and above'.[49] Subject to Cabinet approval, the subsidy would be introduced where there was an escalation to Alert Level 3 or higher for seven or more consecutive days. The core principles would be unchanged, with minor changes to improve integrity through prepayment validation of information with IRD and increasing visibility and publicity around audit, enforcement and repayments. The proposal also stated that Treasury directed officials to report back on several potential substantive changes, including a higher integrity model, a legal framework for the Scheme, more payment tiers, benefits of moving the Scheme to IRD, and the feasibility of a repayment rule.[50] These proposed changes were agreed by Cabinet on 14 December 2020.

3.2.4 Second tweak to the Scheme (14 December 2020–2 December 2021)

In early 2021, the Scheme was working as designed. When the triggers for activating the subsidy were met on 1 March 2021, Cabinet agreed to activate the Wage Subsidy Scheme using the settings agreed on 14 December 2020.[51] Similarly, on 18 August 2021, the Ministers with Power to Act (authorised by Cabinet) agreed to activate the Wage Subsidy Scheme with primarily the same settings agreed on 14 December 2020.[52] The two key changes with this iteration of the Scheme were that it was activated prior to the condition of seven days being met (due to anticipation that the alert level escalation would remain in place by then), and the rate of the Wage Subsidy Scheme was increased in line with private wage rate growth (see this change in Table A3.2, p.63).[53] Businesses would be able to apply for fortnightly payments, needing to reapply every two weeks provided they remained eligible.[54]

On 20 August 2021, Cabinet agreed to authorise the Minister of Finance and Minister for Social Development and Employment to agree appropriation changes to cover potential future payments required by the Wage Subsidy Scheme (to a maximum of $2.2 billion, charged against the COVID-19 Response and Recovery Fund [CRRF]).[55] After being active for six weeks, the Office of the Minister of Finance and Office of the Minister for Social Development and Employment provided Cabinet with a review of the availability and settings of the scheme on 27 September 2021. They recommended that the Scheme remain available for a further six weeks, should anywhere in New Zealand remain at Alert Level 3 or higher over that period.[56] Cabinet agreed with this recommendation later that day.[57]

On 4 November 2021, the Office of the Minister of Finance and Office of the Minister for Social Development and Employment provided Cabinet with the second six-week review of the scheme.[58] Similarly, they recommended that the Wage Subsidy Scheme remain available for a further six weeks if necessary. However, they noted that the Minister of Finance would report back to Cabinet in late November to explain the management of the Scheme during the transition to the COVID-19 Protection Framework, noting that the Wage Subsidy Scheme would no longer be available under the Protection Framework.[59]

Following the move to the Protection Framework on 2 December 2021, the Wage Subsidy Scheme was not renewed, and the final period for payments expired on 9 December 2021.[60]

The COVID-19 wage subsidy was initiated during the state of emergency, but continued long after the emergency response and the crisis response had came to an end; see Figure 1 on p.11. It makes the link between the two unclear, in that for the subsidy to continue to be required, the crisis was still clearly ongoing. This issue resulted in recommendation 4 in Section 7, p.41.

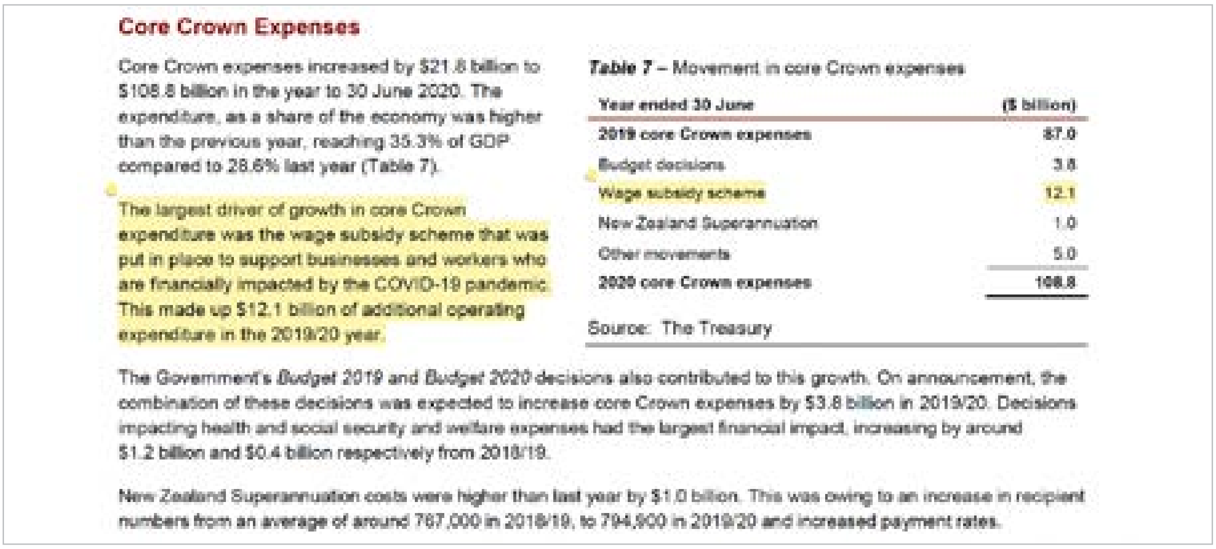
3.3 Payments and repayments

Payments

When the Initial Wage Subsidy Scheme was opened on 17 March 2020, the Government had allocated $5.1 billion for it.[61] Only three months later, this amount had doubled. The *Financial Statements of the Government of New Zealand for the year ended 30 June 2020* (FY20) report that $12.1 billion was spent on the Wage Subsidy Scheme (see Figure 6 below). That value would continue to rise with another $1.2 billion and $4.7 billion spent on the Scheme in FY21 and FY22 respectively, bringing the total spent on the Scheme to approximately $18 billion across all three financial years.[62,63] The last payment was made on 9 December 2021.[64] The *Financial Statements of the Government of New Zealand for the year ended 30 June 2023* (FY23) stated '[i]n 2022/23 there were no payments for the wage subsidy scheme'.[65]

Figure 6: Core Crown expenses outlined in the 2020 Financial Statements of the Government of New Zealand

Source: The Treasury, *Financial Statements of the Government of New Zealand for the year ended 30 June 2020*, November 2020.[66]



Core Crown Expenses

Core Crown expenses increased by $21.8 billion to $108.8 billion in the year to 30 June 2020. The expenditure, as a share of the economy was higher than the previous year, reaching 35.3% of GDP compared to 28.6% last year (Table 7).

The largest driver of growth in core Crown expenditure was the wage subsidy scheme that was put in place to support businesses and workers who are financially impacted by the COVID-19 pandemic. This made up $12.1 billion of additional operating expenditure in the 2019/20 year.

Table 7 – Movement in core Crown expenses

Year ended 30 June	($ billion)
2019 core Crown expenses	87.0
Budget decisions	3.8
Wage subsidy scheme	12.1
New Zealand Superannuation	1.0
Other movements	5.0
2020 core Crown expenses	108.8

Source: The Treasury

The Government's *Budget 2019* and *Budget 2020* decisions also contributed to this growth. On announcement, the combination of these decisions was expected to increase core Crown expenses by $3.8 billion in 2019/20. Decisions impacting health and social security and welfare expenses had the largest financial impact, increasing by around $1.2 billion and $0.4 billion respectively from 2018/19.

New Zealand Superannuation costs were higher than last year by $1.0 billion. This was owing to an increase in recipient numbers from an average of around 767,000 in 2018/19, to 794,900 in 2019/20 and increased payment rates.

Wage subsidy for sole traders

Sole traders, self-employed persons and other individuals (including partners, trustees, students and home-based childcare providers) may have been eligible for a Wage Subsidy Scheme payment from MSD if they were affected by COVID-19. This includes payments for self-employed persons who were required to self-isolate and were prevented from working.[67]

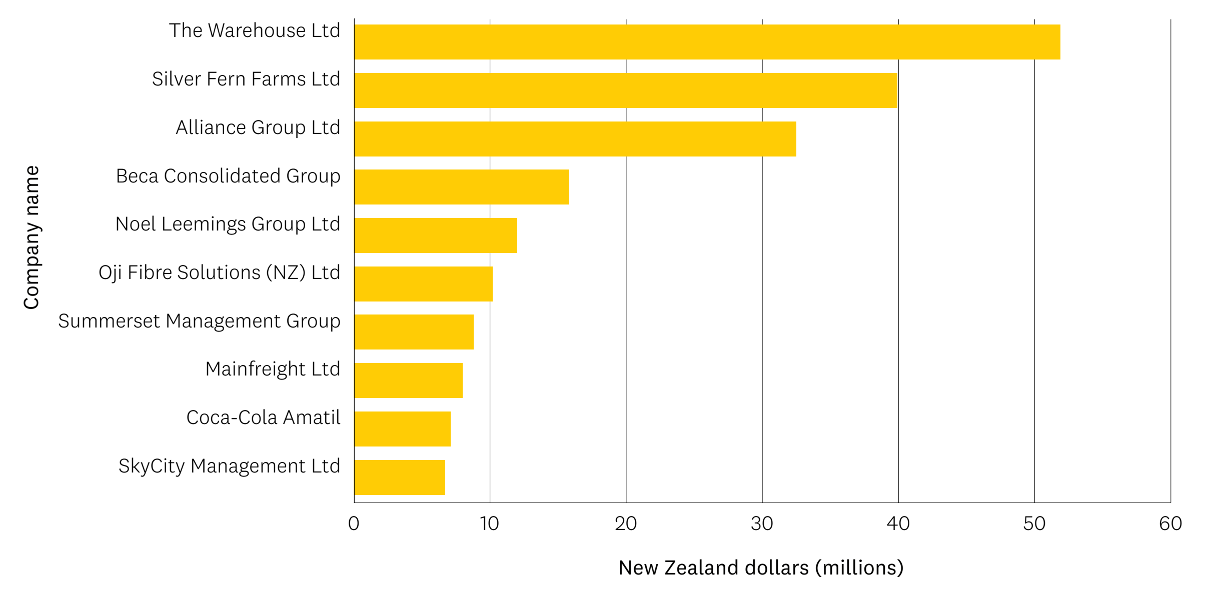
Many applications from sole traders were declined in early June and August 2020, because the IRD was not aware of them as current self-employed businesses. IRD told the Office of the Auditor-General (OAG) that they had made changes in their systems for later stages of the schemes, including a requirement for more manual verification of sole traders' information, and sole traders to prove their self-employment status when applying for subsidy payments.[68] In their July 2023 review, Motu stated that although sole traders accounted for 46% of wage subsidy applications, they accounted for only 15% of the overall subsidy payments.[69]

Repayments

As at 30 June 2023, the Ministry of Social Development (MSD) made public the top 10 employer repayments (see Figure 7 below); importantly these repayments were all voluntary. As at 12 April 2024, MSD advised that '25,026 repayments of taxpayers' funds have been made, totalling $824.8 million'.[70]

Figure 7: Top 10 employer repayments as at 30 June 2023

Source: Ministry of Social Development, *Wage Subsidy Integrity and Fraud Programme*.[71]



3.4 Administration costs

The cost of the Wage Subsidy Scheme was not only due to payments but also administration. For example, in late March 2020, Cabinet approved funding of $14.9 million for MSD to spend on information technology (IT) improvements and 199 additional staff (including audit staff) who were required to help process up to 460,000 subsidy applications (a further $400,000 was approved in August 2020).[72] MSD was not the only department receiving extra funding, with IRD having an additional $1.5 million fund approved in late March 2020 for supporting MSD in 2019/20.[73] IRD also received additional funding in 2020/21. This additional funding enabled IRD to reprioritise staff to work on the Scheme.[74]

3.5 MSD's Work and Income search engine

The Institute had significant issues undertaking detailed research to identify which businesses received what subsidy. See *Working Paper: Analysing COVID-19 Wage Subsidy Information Disclosed in Annual Reports of NZSX-listed Companies.* In May 2023, MSD responded to our OIA 2023/02 by stating that a search engine was developed with close involvement from the Privacy Commissioner to ensure compliance with the Privacy Act 2020. They stated that the aim of the search engine was not to identify individual persons who received the wage subsidy.[75]

An MSD response to our OIA 2025/08 explains the process and checks that MSD adopted.

> To address your general queries, I am advised that refinements were made to the IT requirements for the search tool after its first iteration. Some of the changes made were:
>
> - To remove sole traders and self-employed applicants from the search as the search results provided personal information of the self-employed person their name rather than a business name.
> - When the Ministry found that quite often the applications submitted by the business had incorrect data added, for example:
>   - business name was spelt incorrectly.
>   - has special characters which meant it didn't display correctly.
>   - the applicant entered their trading name rather than their business name, etc.
>
> When addressing these issues, the Ministry used the IRD number in the application and the IRD business name in the data we received from Inland Revenue to populate the search tool.
>
> I am advised that:
>
> - Only employers are shown in the public search (not sole traders).
> - Employer names from the IRD supplied data are displayed (not what the applicant submitted).
> - An employer must have been paid for 3 (or more) employees to appear.
> - Each line corresponds to a unique applicant IRD number.

In developing the search engine, it is relevant to note that MSD did not check beyond Inland Revenue information; the fact that a unique IRD number was provided was sufficient. Hence the search engine was not easy to use or understand by the public, as names were not easy to search.

4.0 Independent reviews of the COVID-19 Wage Subsidy Scheme

The wage subsidy was developed and implemented under urgency. Because of this, a number of reviews were undertaken providing recommendations to MSD that could be implemented for any later stages of the subsidy.

4.1 Office of the Auditor-General's review

Initial review (May 2021)

The OAG's May 2021 report on the management of the COVID-19 wage subsidy found:

1. The Government paid businesses more than $13 billion through the COVID-19 Wage Subsidy Scheme between March and December 2020.
2. The Government estimated that the Scheme indirectly supported about 1.8 million employees.
3. MSD was responsible for administering the Scheme.
4. MSD received a large number of applications over the course of the pandemic, including:
   a. more than 70,000 applications on one day, and
   b. paying out almost $1.8 billion on one day.
5. The Government used a 'high-trust' approach. This meant approving applications based on a declaration from applicants that they met the eligibility criteria. However, a high-trust approach has greater risks of fraud and error.
6. MSD (with assistance from IRD and MBIE) took steps to manage or mitigate these risks. In OAG's view, it is likely that these steps encouraged several businesses to repay subsidy payments they should not have received.
7. However, OAG considered it was possible some ineligible businesses were paid the subsidy. For example, one important eligibility requirement – that an employer had taken active steps to reduce COVID-19's impact on their business – was open to interpretation. This made it difficult for applicants to determine what was required and for MSD to verify compliance.
8. Furthermore, reviews of applications after payments were made consisted mainly of verbal confirmation of information from employers and, in some cases, employees. In most cases, OAG found that reviews did not substantiate the facts using independent, or at least documented, information. OAG was not persuaded that the reviews had identified all applications that needed further investigation.[76]

The report makes the following recommendations:

> We recommend that, when public organisations are developing and implementing crisis-support initiatives that approve payments based on 'high-trust', they:
>
> 1. ensure that criteria are sufficiently clear and complete to allow applicant information to be adequately verified; and
> 2. put in place robust post-payment verification measures, including risk-based audits against source documentation, to mitigate the risks of using a high-trust approach.
>
> In relation to the Wage Subsidy Scheme, we recommend that the Ministry of Social Development:
>
> 3. test the reliability of a sample of the post-payment assurance work it carried out against documentary evidence held by applicants; and

4. prioritise remaining enforcement work, including:
    - seeking written confirmation from applicants (which could be targeted towards larger or risk-indicated applicants) of compliance with the eligibility criteria and the obligations of receiving the subsidy; and
    - pursuing prosecutions to recover funds and/or to hold businesses to account for potentially unlawful behaviour.

We recommend that the Ministry of Social Development, the Inland Revenue Department, the Ministry of Business, Innovation and Employment, and the Treasury:

5. carry out timely evaluation of the development, operation, and impact of the Wage Subsidy Scheme and use the findings to inform preparation for future crisis-support schemes.[77]

The report raised several issues that are relevant to this working paper. For example, over half of successful applicants' names were not published:

> Paragraph 4.50 … For privacy reasons, the names of self-employed applicants and employers with fewer than three employees were not published. Slightly more than half the number of payments in the Scheme were made (by volume) to sole traders. This means that information about more than half of successful applications was not publicly available.

The OAG thought that registered names, rather than trading names, were published. This was not our experience. See the following excerpt from the OAG report:

> Paragraph 4.51 The registered names of businesses, rather than trading names, were published. This might have made it difficult to find a business by its common name. Information about employers receiving the subsidy payment could be accessed only by a targeted search. The full dataset was not available to do analysis across locations and industries. There was also a lack of transparency about how much money had been applied for in a given employee's name.

Auditor-General John Ryan makes the following final remarks on the lessons from managing the Wage Subsidy Scheme:

> **The frequency and significance of crisis events is increasing. New Zealand might need another subsidy or similar scheme at any moment** – as recent events have demonstrated. Therefore, I have also recommended that the public organisations managing the Wage Subsidy Scheme properly evaluate its development, operation, and impact. There are important lessons that need to be captured and appropriate action taken **to ensure that we are even better prepared next time**. [Bold added]

Follow-up (December 2021)

The OAG's December 2021 letter to the finance committee following up on the implementation of recommendations from their report on the management of the COVID-19 wage subsidy found:[78]

> Overall there has been good progress with implementing the recommendations in my original report. A requirement for applicants to keep records has been introduced; work has started to test the reliability of earlier post-payment assurance work; some prosecutions are being progressed; and an evaluation has been planned and resourced. All this work should help improve the integrity of the Scheme.

However, although MSD and other organisations were making progress, there was more work that needed to be done. For example:

> The work to implement the recommendations from our report has revealed some previously unknown non-compliance with requirements of the Scheme. For example, MSD asked for supporting documentation from a sample of 339 applicants it had previously subjected to a post-payment review. By late October 2021, 186 people had responded. Subsequently 14 (7.5%) of those were required to provide a full or partial refund and two were referred for further investigation based on the evidence or lack of evidence provided.

Auditor-General John Ryan noted that this 'reinforces the need for MSD to better understand the level of non-compliance across all iterations of the Scheme so it can take action to recover funds where payments were made to applicants who did not meet the criteria or their obligations'.

See Table 5 below for OAG's summarised assessment of the progress made with implementing their recommendations (December 2021), and Appendix 4, p.65, for a more detailed assessment.

Table 5: OAG's summarised assessment of the progress made with implementing each of their recommendations[79]

Rec.	Description	Status
1	We recommended that when public organisations are developing and implementing crisis-support initiatives that approve payments based on 'high-trust', they ensure that criteria are sufficiently clear and complete to allow applicant information to be adequately verified.	Progress has been made, including adding record-keeping requirements to the declaration form, clarifying the revenue drop criteria during alert level changes, and clarifying how the revenue drop criteria is applied to group organisations. However, in our view the criteria could be clarified further, particularly in relation to taking steps to minimise the impact of Covid-19 on a business.
2	We recommended that when public organisations are developing and implementing crisis-support initiatives that approve payments based on 'high-trust', they put in place robust post-payment verification measures, including risk-based audits against source documentation, to mitigate the risks of using a high-trust approach.	MSD has committed to implementing the recommendation, but post-payment verification measures for the March and August 2021 iterations of the Scheme have not yet started.
3	In relation to the Wage Subsidy Scheme we recommended that MSD test the reliability of a sample of post-payment assurance work.	MSD has begun to test the reliability of a small sample of the post-payment assurance work it carried out. Of the sample of 339 applicants contacted, 186 had responded by late October 2021. The work has found some non-compliance by businesses. It is important that this information is carefully considered to determine what further work is needed to protect the integrity of the whole Scheme.
4	In relation to the Wage Subsidy Scheme we recommended that MSD prioritise remaining enforcement work, including seeking written confirmation from some applicants and pursuing prosecutions.	Progress has been made with aspects of the enforcement work, but the work is not yet complete. Just over half of the 1000 applicants contacted by MSD have responded to MSD's request for written confirmation of compliance with the Scheme's eligibility criteria and obligations. MSD has started prosecution action and has referred some complex cases to the Serious Fraud Office.
5	We recommended that MSD, Inland Revenue, the Ministry of Business, Innovation and Employment, and the Treasury carry out a timely evaluation of the development, operation, and impact of the Wage Subsidy Scheme and use the findings to inform preparation for future crisis-support schemes.	Significant progress has been made by all the organisations involved to plan and organise an evaluation. Providers are being recruited to carry out the evaluation and it is expected to be completed during the second half of 2022. Although the timing of the evaluation might be too late to inform any further iterations of the Scheme, the findings could inform whether similar schemes should be used in response to future crisis situations. Both New Zealand and the United Kingdom are planning cost-effectiveness analyses of their respective employment schemes.

2022/23 Annual Review

The OAG's 2022/23 Annual Review, which discusses follow-up recommendations, stated:[80]

> [W]ork carried out to date, including reviews by Deloitte and the Office of the Auditor-General, have provided evidence that not all ineligible payments have been identified. In addition, the Ministry has not been able to arrive at a robust estimate of how much may have been overpaid, and has told us that there are operational and system challenges to achieving this. In our view, the Ministry needs to determine what actions are needed to reach an acceptable level of understanding about how much was overpaid, and what it should then do regarding recoveries.

The Committee notes efforts to identify and recover ineligible payments through the wage subsidy scheme:

- What would be necessary to develop a robust estimate of how much may have been inappropriately paid out through the scheme?
- What further actions do you consider necessary to identify outstanding ineligible payments?
- What specifically are the barriers to identifying inappropriate payments and recovering them?
- What cost benefit analysis have you carried out on the effort needed to identify and recover inappropriate payments?

4.2 MartinJenkins' review (March 2023)

MartinJenkins' March 2023 process evaluation report, prepared for cross-agency collaboration led by MSD, identified four key areas where the system could be improved.[81]

> The COVID-19 Wage Subsidy was designed and implemented rapidly in a time of crisis, and without any widespread failures. Awareness was raised, unprecedented numbers of applications were received, and most successful applicants received payments quickly. The successes of the initial design and delivery should not be understated. (p.9)
>
> …
>
> Overall, we found that the design and delivery of the Wage Subsidy was characterised by a strong mindset for learning and improvement, especially in the early stages. Rather than delaying the implementation of the scheme, officials responded to feedback and quickly improved aspects of the design and delivery, especially in the first days and weeks of Phase 1.
>
> Over time, the initially loose arrangements were replaced by more formal approaches to feedback and review, such as regular reports to track applications, processing, declines, and call centre calls, and external reviews.
>
> Despite these good practices, many of the key themes identified were not explicitly pursued and did not always lead to visible improvements in the design or delivery of the Wage Subsidy, often because of operational constraints or a preference for continuity and simplicity. (p.14)
>
> …
>
> The Wage Subsidy was initially developed under urgency, building on previous schemes, and was extended and reinstated several times.
>
> The COVID-19 Wage Subsidy was largely based on a previous scheme that MSD deployed in other times of crisis, including the Christchurch earthquakes. The Earthquake Subsidy Scheme (ESS) was a business support mechanism in the form of a subsidy paid to businesses 'to alleviate immediate financial pressures on firms, maintain employment, and enable them to make more measured decisions regarding their future.' The ESS was on a smaller scale, reaching 8,000 businesses and at a cost of $185 million, but had many similarities with the Wage Subsidy. (p.20)
>
> …
>
> 1. Governance: More structured governance would have supported greater on-going shared understanding of priorities, risks, and ongoing appropriateness of the design, and ensured that decisions made under urgency early in the Wage Subsidy were revisited as time went on, as the scheme was needed for longer than anticipated, and as what was needed from the scheme changed.
> 2. Treaty considerations: Dedicated analysis of Treaty implications were not undertaken during the initial design phase, or revisited later. While there is evidence of good Treaty-based engagement, this does not appear to have resulted in changes to policy settings. This shortcoming speaks to more systemic questions about the capacity and capability of agencies to deliver on Treaty obligations, especially when they are operating under pressure.
> 3. Measures to enable equitable access: As a broad-based scheme, the Wage Subsidy was not intended to provide different treatments to different population groups. More focus could have been given to achieving equitable outcomes within the parameters of a broad-based scheme.

4. Communication: The importance of communications as a tool for improving understanding of the Wage Subsidy was underappreciated, in Phase 1 and Phase 2. Nuanced messages, and targeted messaging through trusted channels, is important – particularly for a broad-based scheme where one set of beneficiaries (workers) is reliant on other people (employers) for access. (pp.134–135)

4.3 Motu's review (July 2023)

Motu's July 2023 report provides a micro-econometric analysis of the effects of the COVID-19 wage subsidy. Although they found the subsidy effective at offsetting the impacts of the pandemic on subsidised firms and workers, they also raised some useful observations over inequality between firms that were supported and firms that were not.[82]

> The results point to moderately strong positive effects of wage subsidy support on firm survival, job-retention and workers' employment, especially for the largest wave of support in March 2020. However, the estimated impacts on firm employment are weakly negative, implying that employment in subsidised firms did not grow as fast as employment in unsubsidised firms after the COVID-19 lockdowns. We also find predominantly negative impacts on workers' subsequent monthly earnings, particularly following the March 2020 subsidy, implying weaker earnings growth for workers that received subsidy payments. There are two possible contributing explanations for the higher firm survival and job retention, but lower firm employment growth and workers' earnings. First, a relatively large number of jobs that were non-subsidised were shed by subsidised firms in March 2020. Second, although we find no evidence that it supported non-viable 'zombie' firms, it is possible that the wage subsidy scheme may have supported firms with poorer growth prospects on average, cushioning the impact of lockdowns and the pandemic by keeping afloat firms that were surviving but not thriving. Associated with this assessment is the evidence that, during active periods of firm subsidy receipt, subsidised workers were more likely to earn reduced wages consistent with firms' receipt-of-subsidy obligations.
>
> In line with the revenue-loss criteria for WSS eligibility, we find that supported firms experienced disproportionately larger revenue losses than unsupported firms. Furthermore, the variation in WSS take-up, with higher take-up by businesses in tangibly affected industries (construction, manufacturing, hospitality and administrative support services), together with lower take-up by larger firms, suggests that the WSS was relatively successful in supporting the intended businesses. However, that support was relatively low for female, Māori, Pacific peoples and young workers, it appears that the WSS was relatively less likely to support more precarious jobs and workers, which is consistent with it being more difficult to deliver support to workers in such jobs using a firm-based subsidy scheme.
>
> Finally, we conclude that supported firms largely complied with their obligations to pass on the subsidy amount to their employees, and endeavour to pay them at least 80% of their prior earnings. Although WSS-listed employees had a higher probability of receiving less than their previous earnings than unsubsidised workers, they were typically being paid at the higher of the WSS subsidy rate or at 80% of their prior earnings, while firms were receiving subsidy support.

4.4 Phase 1 of the Inquiry

The Royal Commission of Inquiry into COVID-19 Lessons Learned released their Phase 1 report in November 2024. They found that:

1. Many submitters commented on the scheme, sharing their gratitude for the support and stability that it provided, but also complaining about its adequacy, fairness, and long-term economic implications.[83]
2. After the 'honeymoon' period (created by the undisputed initial success of the elimination strategy), adapting and planning for potential scenarios was slow. There was a tendency to hold on to existing measures for too long. The Government did respond to the Treasury's recommendations to pull back on some of the fiscal support – for example by changing the criteria for subsequent rounds of the Wage Subsidy Scheme – but the overall picture was one of being cautious about change for too long.[84]
3. The implementation of the wage subsidy was not always straightforward for employers. Businesses were expected to try to pay employees at least 80% of their usual wages; if they couldn't, they were expected to pay them at least the subsidy payment rate. Some businesses believed that this meant they did not have to pay more than 80% of the wage, even if they were able to. Greater clarity and guidance should have been provided to both employers and employees.[85]

4. Alternative mechanisms – such as delivering income support through the income tax system – might have offered some advantages (such as better targeting), but this approach would have been less effective in maintaining levels of employment and worker attachment to roles (one of the primary purposes of the Wage Subsidy Scheme).[86]
5. Generous government financial support (especially through the Wage Subsidy Scheme) ensured that most employment relationships were sustained.[87]
6. There were a number of regional, age, gender and sectoral differences in the take-up of the wage subsidy. For example, the wage subsidy was more likely to be used to support jobs held by men.[88]
7. While the wage subsidy and other supports were available to help those in traditional employment, people in other situations struggled. For example, casual workers whose employers did not apply for the wage subsidy did not receive any wage subsidy payments. Engagement with officials involved in the design of COVID-19 income protections and employment support (like the wage subsidy) did not adequately consider these issues.[89]

4.5 Judicial reviews

The urgent development and implementation of the scheme also led to several judicial reviews. Examples of both individual and judicial reviews, alongside excerpts from findings, can be found below. A list of selected court judgments can be found in Appendix 5 (on p.70).

Gama Foundation against MSD and OAG (November 2023)

In November 2023, Justice Helen McQueen dismissed Gama's application for a judicial review of MSD, finding no evidence of unlawful decisions not to prosecute wage subsidy fraud.[90]

Justice McQueen noted that Gama Foundation co-founder Grant Nelson had expressed that:

> [T]he eligibility criteria and declaratory approach used by MSD failed to ensure that some of the main objectives of the wage subsidy scheme were addressed. He takes issue with the fact that most applicants were not required or asked to verify their eligibility with documentary evidence. He considers that many businesses and professional firms wrongly obtained or retained all or part of the wage subsidy they received, because they were able to work almost normally through COVID-19 and suffered no genuine decline in revenue. He is frustrated at what he sees as MSD ignoring valid criticism made in the public domain, and he maintains that MSD failed to properly investigate and prosecute anyone for over a year—in stark contrast to the way in which MSD typically investigates and prosecutes fraud by beneficiaries. Mr Nelson says that his main concern relates to the original wage subsidy and the wage subsidy extension, as these were paid in twelve and eight week lump sums respectively. He acknowledges that the later subsidies were paid for just two weeks and that MSD had made some improvements to the scheme at those times.

In response, MSD argued that:

> The wage subsidy scheme was initially established in an extremely short period of time. Its establishment, together with MSD's other work to support the COVID-19 response, required the diversion of significant resources from MSD's 'core services', such as the administration of the welfare system, including investigation of benefit fraud. The same can be said for each further iteration of the scheme. Development of MSD's integrity response commenced in parallel with administration of the scheme. While MSD had well-established systems for preventing, detecting, investigating and prosecuting benefit fraud, those systems had to be adapted and rebuilt to work for the wage subsidy schemes. [National Manager—Client Service Integrity at MSD] Ms [Jacqui] Kime explains that MSD's wage subsidy integrity response, process and guideline documentation was developed quickly and involved changes being implemented over time, and thus differs from the documentation in more established areas of MSD's work.

Justice McQueen found that:

> In other words, there is an inherent difficulty in proving to the criminal standard of proof that in failing or omitting to disclose a material particular, such as the fact that an anticipated revenue decline has not eventuated, a person intended to deceive MSD, and/or made a false representation, and/or acted dishonestly. I note that the legal analysis applied by MSD in its assessment of individual cases is redacted in the materials provided in evidence on the basis that it is legally privileged information.
>
> However, even without that, the difficulties inherent in prosecuting are illustrated in some of the individual decisions provided by MSD for the purpose of this proceeding. Although noting that Gama did not challenge individual decisions, they are in this context helpful to have reference to by way of example. In one of its decisions, the Recovery and Response Panel records:
>
>> [Confidential], as director of the applicant company, genuinely believed that his application was legitimate, correctly made, and that his approach to demonstrating the needed 30% revenue decline was correct. The auditor determined that the application had been made in good faith.
>>
>> There is no indication of dishonesty on the part of the applicant company and/or its director, and it is not intended to consider the initiation of prosecution proceedings.
>
> While in some circumstances this difficulty may have been caused by the inherent design of the wage-subsidy scheme, in the way that information was or was not collected, the evidence before the Court does not illustrate that there is an error of law in the approach that MSD has applied to ss 228 and 240 of the Crimes Act.

Gama Foundation against OAG (September 2024)

In September 2024, Justice Andru Isac dismissed Gama's application for a judicial review of the Auditor-General of New Zealand.

The Gama Foundation:

> [A]dvanced four grounds of review, but at the hearing its primary focus was on one of them: that the Auditor-General's decision to change his draft recommendation—that MSD write to all wage subsidy recipients—breached a duty of independence. This claim was closely connected to a second ground of review, that the Auditor-General's 'removal' of the recommendation from three reports meant in substance he acted at the direction of MSD and thereby unlawfully fettered his discretion. The remaining grounds of review—the first and third—were also closely related to each other: that the Auditor-General's final recommendation was unreasonable, and his delay in making an appropriate recommendation was also unreasonable. I address these related claims together later in this judgment.[91]

Justice Isac found that:

> Gama argues the Auditor-General simply deferred to the wishes of MSD in changing the wording of the initial recommendation, which itself shows an unlawful fettering of discretion. This claim fails on the facts for the same reasons that have led me to dismiss Gama's claim that the Auditor-General failed to act independently.
>
> At a Steering Committee meeting, the Auditor-General questioned whether it would be possible to escalate within MSD the question of the Ministry sending a positive confirmation letter on eligibility to all recipients of the subsidy. At the same meeting, the Steering Committee resolved to tell MSD that the performance audit team 'expects them to do their own work to get evidence of eligibility for any of their entities that claimed the wage subsidy'. In other words, the issue of post-payment confirmation was clearly an important one for members across the two audit teams. It is not accurate to suggest that the exercise of the discretion to make Recommendation 4 was determined by MSD. Mr [David] Press' evidence confirms otherwise and is supported by the documentary record that not all amendments MSD sought were accepted, but the audit team did accept MSD's reasons for suggesting other changes.
>
> For these reasons, Gama's third ground of review must be dismissed.
>
> The remaining issue is whether the Auditor-General acted unreasonably in a public law sense and incorporates two grounds of review. Under the first, Gama claims the decision to alter the draft recommendation was substantively unreasonable. Under the fourth ground of review, Gama argues the continued delay in recommending that MSD write to all recipients of the wage subsidy is unreasonable. Neither claim is tenable given my conclusion that the decisions to amend the draft recommendations were supported by evidence, the exercise of independent judgment and were open to the respondent to make. Both the first and fourth grounds of review must therefore be dismissed.[92]

5.0 Legislation related to the COVID-19 Wage Subsidy Scheme

The Wage Subsidy Scheme resulted in several changes to both primary and secondary legislation. These changes are outlined below.

5.1 Primary legislation

There were two major changes that related indirectly to the Scheme: the safe harbour provisions and the ability to continue operations when the business is not liquid. Each of these changes is discussed below.

5.1.1 Safe harbour provisions for directors

The Government implemented safe harbour provisions under the COVID-19 Response (Further Management Measures) Legislation Act 2020, which received Royal assent on 15 May 2020.[93,94] The purpose was to protect against excessively conservative decision-making by directors (which itself had the potential to restrain the economic recovery from COVID-19).

Coming into force on 16 May 2020, the Act amended a multitude of Acts in terms of management measures relating to biosecurity, commerce and consumer affairs, corrections, environment and more. As part of the commerce and consumer affairs measures, the Companies Act 1993 was amended by inserting a new schedule titled 'Safe harbour provisions relating to outbreak of COVID-19'. The purpose of the schedule was to:

> give to directors of companies that are facing significant liquidity problems because of the effects of the outbreak of COVID-19 more certainty about their duties when—
>
> f) agreeing to the business of the company being carried on or causing or allowing the business of the company to be carried on; and
>
> g) agreeing to the company incurring obligations.[95]

However, its purpose did not include:

> [facilitating] the ability of a company that had no realistic prospect of continuing to trade or operate in the medium or long term to defer a decision to enter into liquidation to the detriment of its creditors.[96]

The safe harbour provisions applied for the period beginning 3 April 2020 and ending 30 September 2020 (referred to as the 'initial safe harbour period'), and gave protection to directors from potential adverse claims under sections 135 (Reckless trading) and 136 (Duty in relation to obligations), provided that:

- in their opinion, acting in good faith, the company is likely to face significant liquidity problems in the next six months as a result of Covid-19;
- the company was able to pay its debts as they fell due at 31 December 2019; and
- in their opinion, acting in good faith, it is more likely than not that the company will be able to pay its debts as they fall due within 18 months. This may be as a result of improved trading conditions or their genuine belief that they will be able to reach an accommodation with their creditors.[97]

Under clause 10 of the schedule, options were provided to the Governor-General to (i) extend the initial safe harbour period to no later than 31 March 2021 and (ii) create a new safe harbour period of no more than six months and ending no later than the close of 30 September 2021.[98] No additional time was provided, with safe harbour provisions expiring on 30 September 2020.[99]

5.1.2 Short-term liquidity protection for businesses

The purpose was to conserve resources in order to help businesses survive during the period of the pandemic, so they could continue operation once the pandemic ended. The COVID-19 Response (Further Management

Measures) Legislation Act 2020 also inserted another new schedule (titled COVID-19 Business Debt Hibernation) into the Companies Act 1993, with its purpose to:

> provide for the business, property, and affairs of an entity that is facing significant liquidity problems, or an entity that may in the future face such problems, because of the effects of the outbreak of COVID-19 to operate in a way that—
>
> a) maximises the chances of the entity, or as much as possible of its business, continuing in existence; or
>
> b) if it is not possible for the entity or its business to continue in existence, results in a better return for the entity's creditors and members than would result from an immediate liquidation of the entity.
>
> In addition, it is a purpose of this schedule to give an entity referred to in subclause (1) some temporary protections relating to its debts in order to give it an opportunity to develop, with its creditors, a longer-term approach to its liquidity problems.[100]

These changes to the Companies Act were intended to:

- encourage directors to actively speak to their creditors to resolve any debts;
- allow directors to remain in control of their companies;
- provide certainty to ongoing suppliers that payments they receive will not be subject to later challenge;
- be quick, simple and flexible, so that directors can commence the process themselves.[101]

Protections generally applied for one month, starting on the date an entity delivered a notice to the Registrar and entered into business debt hibernation. However, a six-month extension was possible if a proposed arrangement under clause 23 had been approved by an entity's creditors.

5.2 Secondary legislation: accounting standards

Accounting standards, when issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board (NZASB), are considered secondary legislation. However, accounting alerts and other guidance documents are not (see Section 5.3, p.35).

5.2.1 Amendments to two accounting standards, FRS-44 and PBE IPSAS 1

In August 2020, the NZASB, under XRB, approved amendments to two accounting standards, FRS-44 *New Zealand Additional Disclosures* and PBE IPSAS 1 *Presentation of Financial Reports*.[102,103] The amendments introduced 'more specific going concern disclosure requirements to assist preparers of financial reports in satisfying existing requirements to provide relevant and transparent information on going concern'.[104] For example, the amendments to FRS-44 included:

> When such material uncertainties exist, to the extent not already disclosed in accordance with paragraph 25 of NZ IAS 1, an entity that prepares its financial statements on a going concern basis shall disclose:
>
> a) that there are one or more material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
>
> b) information about the principal events or conditions giving rise to those material uncertainties;
>
> c) information about management's plans to mitigate the effect of those events or conditions; and
>
> d) that, as a result of those material uncertainties, it may be unable to realise its assets and discharge its liabilities in the normal course of business.[105]

Entities covered by the standard relevant to them (FRS-44 for for-profit entities or PBE IPSAS 1 for public benefit entities [PBEs]) were required to apply these amendments for annual periods ending on or after 30 September 2020, with earlier application permitted.[106,107]

Also in August 2020, the NZASB made amendments to PBE FRS 48 *Service Performance Reporting*, a standard that established requirements for the reporting of service performance information to better meet the needs of users of general-purpose financial reports of PBEs.[108] The amendments included delaying these requirements by one year, from 1 January 2021 to 1 January 2022, acknowledging that 'disruption caused by the COVID-19 pandemic could result in some entities experiencing difficulty in collecting the information required to report in accordance'.[109]

5.2.2 Accounting for government grants

There are two key questions that underlie the disclosure of government grants:

1. Whether the size of the payout is sufficiently material to require disclosure
2. Where it should be disclosed (e.g. the profit and loss, or the notes to the financial statements). If disclosed, what level of detail should be included in the disclosure?

The following discussion seeks to highlight the existing standards prepared by XRB, as well as guidance issued by chartered accountant firms.

Whether the size of the payout is sufficiently material to require disclosure

NZ IAS 1 *Presentation of Financial Statements* will be superseded by NZ IFRS 18 *Presentation and Disclosure in Financial Statements* for periods beginning on/after 1 January 2027 (or earlier for entities that choose to adopt this standard early) – but the definition of materiality remains the same, and the related guidance is generally similar (there is enhanced guidance on aggregation/disaggregation of information).

Definitions in NZ IAS 1 are as follows:

Paragraph 7 states:

> Information is material if omitting, misstating or obscuring it could **reasonably be expected to influence decisions that the primary users** of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
>
> Materiality depends on the **nature or magnitude** of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. [bold added]

Paragraph 31 states:

> Some NZ IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an NZ IFRS if the information resulting from that disclosure is not material. This is the case even if the NZ IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in NZ IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Institute's view is that the role of the wage subsidy was so significant that even a small amount met the requirement under the standard. Although this was not said explicitly by XRB, it was implied by various chartered accounting firms (see below).

Where it should be disclosed (e.g. the profit and loss, or the notes to the financial statements). If disclosed, what level of detail should be included in the disclosure?

XRB issued accounting guidance relevant to COVID-19, but did not provide guidance that directly explained how the COVID-19 wage subsidy should be reported for Tier 1 and Tier 2 for-profit entities.[110] XRB relied on the existing standards.

The relevant accounting standard is NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.[111] The Institute's view is that the COVID-19 wage subsidy met the definition of government assistance, and more specifically, the definition of a government grant.

Definitions in the standard are as follows:

> **Government assistance** is **action by government designed to provide an economic benefit** specific to an entity or range of entities qualifying under certain criteria. Government assistance for the purpose of this Standard does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors. [bold added]
>
> **Government grants** are assistance by government in the form of transfers of resources to an entity in return for past or **future compliance** with **certain conditions** relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. [bold added]

Paragraph 7 states:

> Government grants, including non-monetary grants at fair value, **shall not be recognised until there is reasonable assurance that:**
>
> **(a) the entity will comply with the conditions attaching to them**; and
>
> (b) **the grants** will be received. [bold added]

Paragraph 17 states:

> In most cases the periods over which an entity recognises the costs or expenses related to a government grant are readily ascertainable. Thus grants in recognition of specific expenses are **recognised in profit or loss in the same period as the relevant expenses** … [bold added]

Paragraph 39 states in terms of disclosure:

> The following matters shall be disclosed:
>
> (a) **the** accounting **policy adopted** for government grants, including the methods of presentation adopted in the financial statements;
>
> (b) **the** nature **and extent of government grants** recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
>
> (c) unfulfilled **conditions and other contingencies** attaching to government assistance that has been recognised. [bold added]

Binder Dijker Otte (BDO) did provide some guidance on how to disclose the wage subsidy for Tier 1 and Tier 2 for-profit entities:[112] namely 'Where an entity reports under New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") or NZ IFRS Reduced Disclosure Regime ("NZ IFRS RDR"), the applicable standard is NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance ("NZ IAS 20")'. Based on those definitions in NZ IAS 20, the wage subsidy is a 'government grant related to income'. BDO goes on to state:

> - Government grants must not be recognised until there is reasonable assurance that (a) the entity will comply with the conditions attaching to them and (b) the grants will be received
> - When the recognition criteria are met, government grants must be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate
> - When the recognition criteria are met, a government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs, must be recognised in profit or loss in the period in which it becomes receivable.
>
> The purpose of the New Zealand Government wage subsidy is to assist a business to meet wage costs over a specific calendar period. This means that the grant should be recognised as the wage and salary costs that are being subsidised are recognised (with recognition not to occur prior to the entity receiving confirmation of the amount of wage subsidy that it will receive). Consequently, when the wage subsidy is received, it must be initially recognised as a liability and then recognised as income (with the liability being extinguished) as wages/salaries are paid.

Other accounting firms, such as PricewaterhouseCoopers (PwC)[113] and KPMG,[114] provided similar advice on how to disclose the wage subsidy in their financial statements.

Given the aforementioned guidance, the Institute expected every entity that received the subsidy to recognise the grant in its profit and loss statement (or income statement) in its financial statements, setting out the accounting policy, the nature of the grant and any unfulfilled conditions in the notes to the financial statements.

Importantly, the key lesson from this research is that NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* cannot be relied upon. This level of disclosure is essential in order for government shareholders, employees and other interested parties to be able to reconcile the public register against what the company has said it has received.

5.3 Other relevant communications

XRB and the Financial Markets Authority (FMA) also provided a range of guidance in the early days of the pandemic.

5.3.1 XRB alerts

In May 2020, the External Reporting Board (XRB) issued two accounting alerts, *Alert 2020–1: What can users of auditor reports expect from auditor reports in response to the impact of COVID-19?* and *Alert 2020–2: Spotlight on Going Concern Disclosures*, which provided commentary on the requirements of accounting standards and audit expectations.[115,116]

Alert 2020–1 addressed the likely impact of COVID-19 on auditor reporting in terms of more modified auditor opinions, more disclosures in auditor reports, and the impact of going concern matters on auditors' thought processes and reports (see Glossary for definitions of 'modified opinions' and 'going concern'):

> Given the current environment caused by the impact of COVID-19, we face an unprecedented level of uncertainty about the economy and future earnings, asset and liability values and viability of entities over the next 12 months and beyond. This raises challenges for preparers of financial statements, those charged with governance and auditors in dealing with these uncertainties, including any possible commercial implications for the entity.
>
> …
>
> The uncertainty may result in more modified opinions for entities, either as a result of auditors disagreeing with management's key judgements and assumptions (and consequently concluding the information reported is sufficiently incorrect to cause a material misstatement) or if there is not enough evidence to support management's key judgements and assumptions or because of uncertainty about the information.[117]

Alert 2020–2 highlighted the importance of clear, concise and effective communication of financial information to users, to maintain trust and confidence amid COVID-19:

> The significant economic impacts of the coronavirus make it important for directors to give increased attention to assessing the company's ability to continue as a going concern … In the current environment, such going concern related disclosures will be:
>
> - more prevalent – many companies are facing significant uncertainty about their ability to continue as a going concern, with the extent of that uncertainty varying across industry sectors and from company to company; and
> - a key area of interest to investors, auditors and regulators – investors are looking for transparent and meaningful information to help them assess the company's financial position and its future prospects, including its ability to continue as a going concern, which also means that auditors and regulators will be closely examining such disclosures. Going concern uncertainty is a reality for many companies; good disclosure is an opportunity to communicate that reality in a clear and transparent way.[118]

5.3.2 FMA relief and guidance

In June 2021, in response to a shortage of auditors available, the Financial Markets Authority (FMA) provided a number of temporary extensions to the usual regulatory reporting requirements that are to be met by businesses. These extensions were provided alongside a 'no-action' approach for reporting entities under the Financial Markets Conduct Act 2013 (FMC reporting entities), and certain other businesses, that had balance dates (or relevant dates) from 31 March 2021 to 31 December 2021 (inclusive).[119]

The 'no-action' response provided a one-month extension for complying with the requirements shown in Table 6 (overleaf), where:

> no action will be taken by the FMA in respect of a failure to comply with this requirement within the original timeframe where the delay is a direct or indirect consequence of the auditor shortage linked to the Covid-19 border restrictions and the conditions specified above are met.[120]

To be able to rely on the 'no-action' response, companies had to comply with the following conditions:

- Notify the FMA in writing on or before the original due date for compliance that companies were relying on the no-action approach;
- Lodge a copy of the notice to the FMA with the Registrar; and
- Comply with the requirement within one month of the original compliance date.[121]

The FMA later updated this relief in September 2021, requiring entities to submit applications via email to the FMA.[122]

Alongside the relief for regulatory reporting requirements, the FMA also published guidance for FMC reporting entities[123] and issued two exemption notices:

- Financial Markets Conduct (Financial Reporting and Other Relief – COVID-19) Exemption Notice 2020. This notice came into force on 29 April 2020 and provided market participants with two-month extensions to comply with certain financial reporting and other obligations under the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014.[124]
- Financial Advisers (Custodian Assurance Engagement Relief – COVID-19) Exemption Notice 2020. This notice also came into force on 29 April 2020 and provided custodians with two-month extensions to obtain an assurance engagement under the Financial Advisers (Custodians of FMCA Financial Products) Regulations 2014.[125]

Of note, it was surprising that the FMA did not direct preparers of financial reports to the requirements set out in NZ IAS 20 for disclosure of government grants.

Table 6: Regulatory reporting requirements eligible for extension by the FMA's no-action response

Source: Financial Markets Authority, *Temporary extension for certain reporting deadlines*, June 2021.[126]

Summary of requirements eligible for one-month extension	Who is affected
Requirement to lodge audited financial statements for FMC reporting entity or registered scheme. FMC Act: s 461H (1) and s461H(1A)	FMC reporting entities and managers of registered schemes.
Requirement to update certain information on the offers register. FMC Regulations: Reg 51 and cl 67(1)(b) and (2)(b) of Sch 2 and reg 51 and cl 55(2)(c) and (3)(b) of Sch 3	Continuous equity and debt issuers.
Requirement to prepare an annual report for a registered scheme. FMC Regulations: Reg 62	Managers of registered schemes.
Requirement to make an annual fund update available and supply confirmation information to members. FMC Regulations: Regs 56(2) and 71	Managers of restricted schemes if the final annual earnings (which could be negative) that are distributed to the scheme participants are determined by reference to the scheme's audited financial statements.
Requirement to call and hold an annual meeting. FMC Regulations: Reg 92	Managers of closed-ended schemes.
Requirement to have financial product registers audited. FMC Regulations: Regs 108 and 109	Issuers of regulated products.
Requirement to obtain assurance engagement in relation to: (i) scheme property (ii) client money or client property (iii) compliance with the requirements in Sch 21C and reg 229ZA(2)(b)(iii) to (v) of the FMC Regulations; or (iv) derivatives investor money or derivatives investor property. FMC Regulations: regs 87, 229U, 248, and cl 5(1)(f) of Sch 21C	Custodians of registered schemes, custodians of financial products, non-NZX providers and derivatives issuers.

6.0 Research findings on disclosures of the COVID-19 Wage Subsidy Scheme by NZSX-listed companies

Working Paper 2025/08 – Analysing COVID-19 Wage Subsidy Information Disclosed in Annual Reports of NZSX-listed Companies (in press) found that the Scheme faced several challenges, largely due to its rapid implementation.

Issues discussed in the working paper included:

- Lack of preparedness by government leading to an over-reliance on the high-trust model
- Lack of preparedness by organisations
- Lack of timely guidance on financial reporting
- Lack of a clawback clause when super profits are achieved, and
- Failure to ensure fraudulent behaviour is advised to shareholders and included in the company's annual report.

Many of these issues could (and should) have been resolved in advance. If the system had been designed and tested in preparation for a pandemic (or other shock), New Zealand would have delivered a more durable, effective, efficient, trusted and reliable system. The costs of administering the poorly designed scheme once it had started were significant, both in terms of investigating and prosecuting individuals for fraud, and the loss in public trust at a time when society faced a high level of anxiety over the future.

Below we discuss these five issues in further detail. The aim is to provide useful insights for those designing emergency wage schemes in preparation for another economic shock.

7.0 Recommendations

To address these challenges, we make eight recommendations, divided into three topic areas. The topic areas are outlined below, then the recommendations are presented in detail.

Topic 1: Review financial support during a pandemic (recommendations 1–4)
The recent publication of Treasury's Long-Term Insights Briefing (LTIB) is arguably a start of this conversation. Treasury should undertake a comprehensive review of pandemic spending on financial support for organisations. This would evaluate its effectiveness, efficiency and equity, including international comparisons and lessons learned. The report should be made public and invite discussion – what we would call a long conversation. Based on this review, Government should explore how best to design a future-proof subsidy scheme and establish criteria for activating and deactivating job retention schemes in the future.

Topic 2: Establish a crisis fund fit for the future (recommendations 5–7)
A crisis job retention fund should be established – a ring-fenced, transparent fund for future crises, guided by pre-agreed principles and oversight. It should be very clear what obligations exist on businesses and individuals to be prepared for emergencies and crises; the responsibility does not fall on Government alone.

Topic 3: Preserve institutional knowledge (recommendation 8)
Institutional knowledge should be preserved by developing a digital archive of pandemic decisions, data and reflections, and integrating these lessons into public service training and emergency simulations.

Recommendations

Topic 1: Review financial support during a pandemic

Recommendation 1: Conduct an independent review of the Wage Subsidy Scheme
An independent, comprehensive review of the Wage Subsidy Scheme is essential to inform future policy. Treasury should conduct this review, which would assess both operational effectiveness and broader economic impacts. It should involve all other relevant agencies, including MSD, IRD, MBIE, XRB, FMA and the Office of the Auditor-General.

Key questions to address:

1. What was the overall impact of the scheme?
2. What lessons were learned at each stage?
    - What improved over time?
    - What challenges did MSD face and how were they resolved?
3. What were common recommendations across independent reviews?
4. How were those recommendations implemented?
5. How much funding went to companies operating overseas?
6. Did any companies receive excess support from multiple countries?

Recommendation 2: Review international approaches to subsidy schemes
Treasury should commission or participate in an international review of job retention and subsidy schemes, potentially through the OECD. Learning from other countries' successes and failures will help ensure our future system is both effective and efficient.

This review could be:

- conducted independently by New Zealand researchers
- undertaken collaboratively with other nations
- focused on identifying best practices and common pitfalls.

Recommendation 3: Design a future-proof subsidy scheme framework
The Government should begin work immediately to design a robust, adaptable subsidy scheme that can be deployed in future pandemics or economic shocks. The lack of preparedness during COVID-19 led to reliance on a high-trust model, which created challenges in administration, oversight and enforcement. A well-designed system will:

- increase national resilience
- reduce future administrative and legal costs
- clarify roles and responsibilities across agencies.

This framework should be developed collaboratively by Government, XRB and FMA to ensure alignment with financial reporting standards and public expectations.

The system should address five key topics:

1. Scheme design
    - Will it be a wage subsidy or a short-time work scheme?
    - Which agency is best suited to manage it (e.g. MSD, IRD, ACC)?
    - Can it accommodate multiple concurrent crises (e.g. national pandemic + regional earthquake)?

2. Financing
    - How will the scheme be funded?
    - Will it align with Treasury's 'liquidity buffer' under New Zealand Debt Management?

3. Eligibility and conditions
    - Who qualifies, and can targeting be regional or sector-specific?
    - How can organisations be better prepared to reduce reliance?
    - How will clawback clauses work for companies with super profits?
    - Who ensures fraud is reported and addressed?

4. Reporting requirements
    - Tier 1 and 2 entities should disclose subsidies as separate line items in financial statements.
    - Disclosure should include:
        - iterations of the subsidy received
        - countries providing financial support
        - number of employees supported.
    - Will accounting guidance need updating?

5. Public transparency
    - A public register should align with annual reports and include:
        - New Zealand Business Number (NZBN), company name, ticker code
        - holding and subsidiary companies
        - number of employees supported
        - payments and repayments by iteration
        - clawback clauses and interest for excessive profits
        - any fraud identified.

Recommendation 4: Establish criteria for activating and deactivating job retention schemes
As part of New Zealand's National Resilience System, the Government should develop a set of guiding criteria to determine when a job retention scheme should be created or disestablished in response to an emergency or crisis. These criteria should:

- serve as a decision-making framework for officials and Ministers
- be flexible enough to accommodate the unique nature of each emergency
- include a discussion of the pros and cons of different scheme types (e.g. wage subsidies vs short-time work schemes).

Transparency and preparedness are key. During COVID-19, decisions were made rapidly – often based on advice from agencies such as the Ministry of Health (MOH), the Officials Committee for Domestic and External Security Co-ordination (ODESC), Treasury and the Reserve Bank. However, there was limited public knowledge of who made these decisions and on what basis. Future schemes should be informed by pre-established criteria that have been rigorously tested and publicly documented.

Roles and responsibilities:

- The Department of the Prime Minister and Cabinet (DPMC) should lead the integration of job retention schemes into the emergency management system.
- Treasury should assess fiscal implications and ensure alignment with long-term economic resilience.

Timing matters. The COVID-19 Wage Subsidy Scheme was launched in mid-March 2020, yet the first ODESC meeting occurred in January. Early discussion and planning could have reduced costs and improved oversight. Future schemes should be 'ready to go', with criteria and operational plans in place before a crisis hits.

Topic 2: Establish a crisis fund fit for the future

Recommendation 5: Establish a crisis job retention fund

- Create a ring-fenced, transparent fund for future crises.
- Ensure spending is guided by pre-agreed principles and oversight.
- Evaluate the effectiveness, efficiency and equity of wage subsidies.
- Include international comparisons and lessons learned.

Recommendation 6: Require businesses to develop emergency and crisis strategies
To strengthen national resilience, businesses – particularly those with 50 or more employees – should be required to develop and maintain a Board-approved emergency and crisis strategy. This strategy should:

- align with the National Risk and Resilience System and Framework (as outlined in the *National Resilience System Handbook*)
- be divided into two key components:
  1. Preparation – actions taken in advance of a crisis
  2. Execution – actions to be taken during a crisis.

The strategy should include a statement confirming that directors are aware of and have considered the Government's resilience framework. This will help ensure that businesses are not overly reliant on government support and are better equipped to respond independently.

Regulatory and governance updates:

- The Companies Act 1993 should be reviewed to consider adding a duty for directors to maintain an emergency and crisis strategy (e.g. under section 131).
- The following documents should be updated to reflect this requirement:
  - FMA's *Corporate Governance in New Zealand: Principles and Guidelines* (2018)
  - NZX's *Corporate Governance Code* (2025)
  - Institute of Directors' *The Four Pillars of Governance Best Practice*.

Recommendation 7: Set out clear emergency and crisis obligations on business and individuals
Set out a time period for which organisations and individuals should create their own financial buffer to manage wages. For example, organisations should have the ability to pay wages for the first month of an emergency. This could take the form of an arrangement with the bank that when a state of emergency is established, the organisation is able to borrow one month's wages in advance, no questions asked. This will provide certainty and allow a window of time until government is able to step in to help. It needs to be made clear that the generosity of the 2020 pandemic may not be able to be repeated.

Topic 3: Preserve institutional knowledge

Recommendation 8: Develop a comprehensive digital archive of Treasury's pandemic advice to Government, and of correspondence with RBNZ, OAG and government departments
It is extremely important to be as open and transparent with the public as possible. By doing so, the government leaves a map for future policy makers of what to do and what not to do, so these lessons can be integrated into public service training and emergency simulations. Ensuring the papers are accessible will enable analysts to explore and build expertise for future crises.

Treasury should develop a digital archive of pandemic decisions, data and correspondence (e.g. with RBNZ, OAG and government departments), which will help rebuild critical public trust that was lost during the pandemic. In our view, all Cabinet papers must be released, and show the date they were prepared, the date they were proactively released, and the identifying code of Cabinet numbers. It is now five years since the pandemic and it is time to share the advice and thinking as events transpired.

New Zealand has an opportunity to lead by example in how it learns from crises and prepares for the future. By taking the above steps, we can ensure that emergency spending is not only responsive but also responsible – grounded in fairness, foresight and fiscal integrity.

8.0 Discussion questions

New Zealand must reflect on its pandemic response not only to learn from the past but to prepare wisely for the future.

During the COVID-19 pandemic, New Zealand, along with countries such as the UK, Australia and Canada, implemented wage and business subsidy schemes to mitigate economic fallout. While their goals were broadly similar – preserving jobs and supporting businesses – their approaches varied significantly due to differences in existing welfare systems, political priorities and economic structures.

New Zealand's response involved approximately $18.8 billion in wage subsidy spending. While this helped mitigate immediate health and economic impacts, it remains unclear whether the outcomes justified the cost.

Although there was strong public support during the pandemic for the wage subsidy, we owe it to current and future generations to ensure that emergency spending is effective, equitable and sustainable.

Five years on, institutional memory is fading as key decision-makers leave office, and no comprehensive review has been conducted to assess the effectiveness or sustainability of this expenditure. As Members of Parliament and government officials move on, the insights and lessons from the pandemic response risk being lost, weakening New Zealand's ability to respond effectively to future emergencies.

This raises several critical questions: Should New Zealand aim to have the highest proportion of employees relying on emergency spending in the next crisis (see Figure 4 on p.14)? Can we afford to repeat this level of expenditure? Is it fair to pass on this financial burden to future generations? If we had $18.8 billion to spend again, would we allocate it the same way? And how can we preserve institutional knowledge to improve future decision-making?

The fiscal sustainability of such spending is a major concern. Emergency measures significantly increased public debt, and future crises may require similar or greater investment. Without a clear framework for evaluating cost-effectiveness, New Zealand risks compromising its long-term fiscal resilience. Moreover, the intergenerational equity of this approach must be questioned. Younger and future generations will bear the financial burden of pandemic spending, and if these funds did not result in lasting improvements – such as enhanced infrastructure or systemic resilience – the debt may be viewed as unjust.

There is also the issue of opportunity cost. Could the $18.8 billion have been more effectively invested in areas like climate adaptation, housing, education, or health system reform? The absence of transparent cost-benefit analysis limits public understanding and accountability.

In terms of wage subsidy schemes, ten discussion questions remain central to future schemes:

1. **What are the primary goals of the scheme?**
   During the COVID-19 pandemic, governments had to determine whether they were focused on preserving jobs in order to maintain employer/employee relationships, to reduce the impact after the crisis, to support businesses, or to maintain income levels so that people could purchase food and pay rent and mortgages.

2. **What scheme best meets those goals?**
   There were two types of schemes that different governments used. Wage subsidy schemes covered a percentage of businesses' wage costs whether employees were working or not, as long as the business met certain conditions (such as having experienced a large fall in turnover). Short-time work schemes provided payments only for the hours an employee did not work. Governments had to determine which type of scheme was best.

   The cost of administering a scheme varies by its nature. For example, one would expect the high-trust model to be less expensive initially, but more expensive at the back end as the costs incurred by those who may have illegally claimed funds go through the due process and possibly the legal system. This means a review of the costs, benefits and risks of each different type of scheme, and therefore raises the opportunity to design an off-the-shelf scheme in advance.

3. **When should the scheme be implemented?**
Ireland was the first country to provide funds to workers, on 27 March 2020. The UK, Australia and Canada did not start to make payments until the beginning of May. New Zealand approved its first payments on 17 March.[127]

4. **How often will the scheme be reviewed?**
Governments had to undertake independent reviews on an ongoing basis during the pandemic to improve the cost-effective delivery of funds. For example, frequent reviews early on in the process led to changes in eligibility criteria, fraud detection and a cap on maximum payment of $150,000 per employer.

5. **How generous should subsidies be?**
Governments had to balance preventing massive layoffs with avoiding overcompensation that might disincentivise work or artificially support businesses that would have naturally closed.

6. **Who should be eligible?**
Governments had to decide whether to include part-time workers, self-employed individuals, and gig economy participants (workers who take on short-term, flexible jobs).

7. **How long should support last?**
Some governments needed to extend existing schemes multiple times, raising concerns about fiscal sustainability.

8. **How should fraud and misuse be prevented?**
Governments had to roll out support rapidly while ensuring adequate oversight and accountability.

9. **How should governments transition out of subsidies?**
Governments faced pressure to phase out support without triggering economic shocks.

10. **How should the costs, benefits and risks of responses be reviewed once the emergency and/or crisis has subsided?**
Governments have faced pressure to provide clarity that subsidies did what they were intended to do. Questions that need to be asked in New Zealand include:

    - What evidence is there that the scheme targeted those most affected by revenue loss?
    - How did the Wage Subsidy Scheme impact firm survival and employment continuity?
    - Were subsidised firms more likely to survive and retain staff than non-subsidised firms? Did the scheme help maintain workers' earnings and job security?
    - Were outcomes different for full-time vs part-time or casual/gig economy workers?
    - Were any groups of workers or businesses disadvantaged or excluded from the scheme?
    - Did employers comply with the requirement to pass on the full subsidy to employees? What mechanisms were in place to monitor and enforce compliance?
    - Were there any unintended consequences, such as supporting non-viable firms or reducing job reallocation?
    - What legal rights did employees have regarding leave, wage reductions and redundancy during the subsidy period?
    - How did the scheme interact with existing employment law and contracts? Were there conflicts or ambiguities in how employers applied the subsidy?
    - How effectively did government agencies manage the scheme?
    - Was the high-trust model appropriate?
    - How did the government balance speed of delivery with accountability?
    - Above all, what lessons were learned for future emergency support programmes?

And one overarching question – have we taken the time to really 'inquire'?

New Zealand has a long history of using Royal Commissions (established under the authority of the Letters Patent constituting the office of the Governor-General) and, more recently, public inquiries and government inquiries, to inquire into events and circumstances from an independent, non-partisan perspective.

Unfortunately, the latest Royal Commission of Inquiry has had to operate with some political interference and constraints that previous Commissioners did not need to deal with. The Institute analysed the differences between past royal inquiries and the COVID-19 Inquiry in a chapter in a recent book.[128]

One benefit of an inquiry is that it is independent and the Commissioners are free to inquire and call on anyone they wish to come before them and provide information or opinion. For this reason, the purpose of the inquiry and the selection of the Commissioners undertaking the inquiry are more important than determining a detailed terms of reference. Arguably, the process should not be detailed in the terms of reference, but left to the Commissioners to navigate. Commissioners need to have the skills to inquire and manage processes in an open, considered and transparent manner. Often it is the public's need for independence and considered hindsight that is a primary consideration when establishing a Royal Commission.

In our view, the terms of reference for Phase 1 of the COVID-19 Inquiry were too specific, limiting the scope of inquiry. In contrast, the terms of reference for Phase 2 limited the Commissioners to three topics[129] and a tight band of time. The reality is that, although all the Commissioners and staff will have strived to work within the given terms, the final result is likely to be compromised – an independent mind has not been able to traverse all aspects of the impacts in one sitting.

In addition, an inquiry is all about interviewing experts and decision-makers and gathering good information. From our experience, the Commissioners have not had access to timely and complete information. There was a real missed opportunity in that a historian or archivist was not employed early in the pandemic. Parliament could also have undertaken smaller public or Government inquiries to help speed up the process and ensure records were maintained, but this opportunity was not taken up.

Lastly, we are disappointed that Commissioners are reporting in practice to a Cabinet member, rather than the Governor-General. Although an inquiry is technically meant to go to the Governor-General, this step is often missed; it should be received and read by the Governor-General in the first instance. Secondly, it is extremely important that these reports are delivered to a select committee to be discussed by MPs across the house. Otherwise this makes the report and audience political, rather than parliamentary.

All of these issues combined mean Treasury and other departments need to step up and fill the void. Treasury has a key role in delivering certainty in times of uncertainty. We cannot let the lessons from the pandemic become political – the public service needs to be better than that. Our hope is that Parliament will, at some time in the future, consider that a select committee, not a Minister, should review New Zealand's pandemic preparedness every year. This should include our legislation, our National Reserve Supply (e.g. PPE), our strategy and planning instruments, our pandemic exercises, our border controls and most importantly, our fiscal and monetary policies for responding to an emergency and/or crisis. We expect our staff to prepare for an earthquake drill or get a regular first aid certificate, but we fail to require a small group of MPs to undertake a detailed look at our preparedness annually. Front and centre of that dialogue should be the Wage Subsidy Scheme.

The COVID-19 wage subsidy deserves our attention; for those interested in exploring its establishment, the resulting design and the subsequent impact, we hope this report provides more information – and ideas to consider – as we navigate our way forward.

Next steps

The Institute is currently working on a Project 2058 report titled *Report 19: A Decision Tree for Future Pandemics*. This report will include a decision tree that brings together all the key decisions for providing financial support, such as a job retention scheme during a pandemic or other significant event.

Glossary

Adverse opinions (modified opinion)

Expressed when 'the appointed auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial and/or non-financial information'.[130]

Alert Level Framework

The framework introduced a four-stage COVID-19 alert level system, with Alert Level 4 being the highest level of restriction. It specified measures to be taken at each of the four levels.[131]

COVID-19 Protection Framework

The COVID-19 Protection Framework (CPF) introduced the traffic light framework, but over time the two frameworks became synonymous. The framework allowed government to allocate one of three major settings — red, orange or green — over different parts of New Zealand.[132]

Disclaimers of opinion (modified opinion)

Expressed when:

> the appointed auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion (that is, a limitation in scope), and the appointed auditor concludes that the possible effects on the financial and/or non-financial information of undetected misstatements, if any, could be both material and pervasive.[133]

Can also be expressed when in extremely rare circumstances involving multiple uncertainties:

> the appointed auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements and/or non-financial performance information because of the potential interaction of the uncertainties and their possible cumulative effect on the financial and/or non-financial information.[134]

Going concern basis of accounting

> Financial statements are normally prepared on what is described as a 'going concern basis' that is, the company expects to continue operating and meeting all of its obligations for the foreseeable future. In these circumstances the normal rules of accounting apply. The need for a company to change how it operates or change the nature of its activities in response to the economic environment does not necessarily mean the company is no longer a going concern – the assessment is primarily based on the directors' consideration of the intention and ability to continue operating in the future.[135]

Modified opinion

Modifications made to an auditor's opinion. The three types of modified opinions are adverse opinions, disclaimers of opinion and qualified opinions.[136] Audit opinions are modified when the auditor:

- Concludes that there is information in the financial statements that is sufficiently incorrect that may impact the economic decisions of someone relying on those financial statements; or
- Has been unable to obtain sufficient and appropriate audit evidence to be able to conclude that the information in the financial statements does not contain a material misstatement.[137]

NZSX-listed companies (as defined by the McGuinness Institute)

Includes equities listed on the NZSX that contain the term 'Limited' or 'Corporation'. All 'Trusts' and 'Funds' (e.g. Exchange Traded Funds [ETFs]) have been removed. To find this list, apply the search filter on the NZX website, go to the NZSX Board and search by 'equity', and then remove any remaining funds and warrants.

NZSX-listed entities
Includes equities and funds that are listed on the NZSX Board. 'The "funds" include all open-end products (including ETFs) and closed-end products (including listed investment companies) which have the nature of a fund vehicle regardless of treatment under the Listing Rules.'[138]

Qualified opinion (modified opinion)
Expressed when 'the appointed auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial and/or non-financial information'.[139]

Short-time work (STW) scheme
These types of schemes subsidise businesses for hours employees have not worked.[140]

Wage subsidy scheme
These types of schemes subsidise businesses for hours worked or top up earnings of employees on reduced hours.[141]

Abbreviations

ACC	Accident Compensation Corporation
Companies Office	New Zealand Companies Office
CRRF	COVID-19 Response and Recovery Fund
ETF	Exchange Traded Fund
FMA	Financial Markets Authority
FMC	Financial Markets Conduct Act 2013
FY	Financial year
IRD	Inland Revenue Department
MBIE	Ministry of Business, Innovation & Employment
MSD	Ministry of Social Development
NZSX	New Zealand Stock Exchange (also referred to as NZX Main Board)
NZX	New Zealand Exchange
OAG	Office of the Auditor-General
PwC	PricewaterhouseCoopers
Registrar	Registrar of Financial Service Providers
WI Register	Work and Income register for the COVID-19 wage subsidies – Employer Search database
STW	Short-time work (scheme)
XRB	External Reporting Board

Appendix 1: OECD review of job retention schemes

Figure A1.1: Countries have adjusted existing job retention schemes or adopted new ones

Source: OECD, Job retention schemes during the COVID-19 lockdown and beyond, 12 October 2020.[142]

	Pre-existing short-time work scheme	Increased access and coverage	Increased benefit generosity	Increased access for workers in non-standard jobs	New short-time work scheme	New wage subsidy scheme
Australia						●
Austria	●	●	●			
Belgium	●	●	●			
Canada	●					●
Chile*	●	●	●	●		
Czech Republic	●	●	●			
Denmark	●	●			●	
Estonia						●
Finland	●	●	●	●		
France	●	●	●	●		
Germany	●	●	●	●		
Greece					●	
Hungary					●	
Iceland					●	
Ireland*	●					●
Italy	●	●		●		
Japan	●	●	●	●		
Korea	●	●	●			
Latvia					●	
Lithuania					●	
Luxembourg	●	●	●			
Netherlands*	●					●
New Zealand						●
Norway	●	●	●			
Poland						●
Portugal	●	●		●		
Slovak Republic	●	●	●			
Slovenia					●	
Spain	●	●	●	●		
Sweden	●	●	●			
Switzerland	●	●		●		
Turkey	●	●		●		
United Kingdom					●	
United States	●	●	●			

Note: Ireland and the Netherlands: the existing STW scheme was replaced by a temporary wage subsidy scheme. Chile: Income support is financed out of the individual savings accounts for unemployment insurance of workers, unless there are no remaining funds.

Appendix 2: COVID-19 declarations

The wage subsidy was often referred to as using a high-trust model. The MSD website states:

> The Wage Subsidy was a high-trust scheme providing rapid payments up front to businesses affected by COVID-19 restrictions so that employers could continue to pay their employees. The aim was to help prevent job losses and business closures, and employers undertook to pass payments on to staff in wages.
>
> About $18.8 billion was delivered in 2020 and 2021 for wages for more than 1.8 million jobs. Overall 47 per cent of New Zealand jobs, excluding sole traders, were covered by at least one of the 2021 wage subsidies.

The MSD undertook a number of checks retrospectively, and in some cases, these investigations led to prosecutions for fraud. For example, MSD provided a list of actions undertaken on or before 12 April 2024:

> Our programme of work includes investigations, post-payment checks, requests for repayment, civil recovery, and in the more serious cases, prosecutions where there is evidence deliberate fraud was involved.
>
> We have engaged with tens of thousands of applicants since the scheme began, and as a result repayments continue to come in.
>
> We've been assisted by the high degree of transparency in the wage subsidy scheme, with an online tool that provides an up-to-date account of payments made to employers, net of any repayments. This has provided additional assurance, allowing employees and other members of the public to question payments or to lay complaints.
>
> Our assurance work is part of actions in response to the May 2021 report of the Office of the Auditor General.
>
> As of 12 April 2024 there has been:
>
> - 25,026 repayments of taxpayers' funds have been made, totalling $824.8 million
> - 15,722 pre-payment and post-payment checks on wage subsidy applications have been made (as of 31 March 2024)
> - 7,598 allegations of wage subsidy misuse have been resolved (as of 31 March 2024)
> - 46 people have been brought before the courts for wage subsidy misuse, in relation to more than $3 million in subsidy payments
> - 46 businesses have civil recovery action underway against them to recover payments
> - 11 cases of significant and complex alleged wage subsidy fraud have been referred to the Serious Fraud Office.

Box 1: MSD COVID-19 wage subsidy declaration form (on or before 27 March 2020)

Adapted from *COVID-19 Nation Dates*, p.438.[143]

The declaration on the Work and Income Te Hiranga Tangata website states:

This declaration applies to you if you applied for the COVID-19 Wage Subsidy before 4pm on 27 March 2020.

By submitting this form, you (the employer or self-employed person) are declaring that you:

- meet the eligibility criteria for the subsidy:
  - your business is registered and operating in New Zealand; and
  - the employees named in your application are legally employed in New Zealand; and
  - your business has experienced a minimum 30% decline in actual or predicted revenue:
    - over the period of any month from January 2020 through to the end of this scheme when compared to the same month last year, or a reasonably equivalent month for any business operating less than a year; and
    - that loss is attributable to the COVID-19 outbreak; and your business has taken active steps to mitigate the impact of COVID-19 on their business activities (such as engaged with your bank, Chamber of Commerce, industry association or the Regional Business Partner programme); and
  - you agree you will, using best endeavours, retain the employees named in your application in employment on at least 80 percent of their regular income for the period of the subsidy
- will notify the Ministry of Social Development if anything changes that may affect your eligibility
- have discussed this application with the employees named in your application and that they have consented (in writing, if practicable) to the information about them in the application being:
  - provided to the Ministry of Social Development; and
  - used by the Ministry of Social Development to make decisions about your application and to audit and review any subsidy that is granted; and
  - shared by the Ministry of Social Development with other agencies to the extent required by MSD, it's staff and auditors to make decisions about your application and to audit and review any subsidy that is granted
- will provide the Ministry of Social Development with information about you, your business or (with their consent) your employees to the extent required by the Ministry of Social Development, it's staff or auditors to make decisions about your application and to audit and review any subsidy that is granted
- consent to the Ministry of Social Development sharing information provided in this application about you or your business with other agencies to the extent necessary to make decisions about your application and to audit and review any subsidy that is granted
- consent to us publishing basic identifying information about your business and the level and duration of any subsidy provided to you (excluding any personal information about your employees) on a publicly accessible register
- acknowledge and agree all of the information you have provided to us is true and correct

Figure A2.1: COVID-19 Wage Subsidy and Leave Payment Application Form

Source: Dyhrberg Drayton Employment Law, Workplace Response to COVID-19, April 2020.[144]

Work and Income

COVID-19 Wage Subsidy and Leave Payment Application Form

Employer Application

Required information is flagged with " * "

* I am applying because

My business has been impacted by COVID-19 and I am/or about to experience at least a 30% decline of actual reve

* I confirm that I have read and understood and agree to this declaration

* Business IRD Number

* IR Customer Name

NZ Business Number (NZBN)

* Business address

* Contact Name

* Note: Contact Email and Contact Mobile may be used for further communication regarding your application.

* Contact Email

* Contact Mobile

Contact Other Phone

* Bank Account

Bank (2) | Branch (4) | Account (7) | Suffix (2-3)

Your account suffix will either be 2 or 3 digits depending on your bank. Please enter it exactly as it appears.

Affected employees you wish to claim a subsidy for.

If you wish to claim a subsidy for yourself, enter your own details as well as those of your employees.

First name	Last name	Date of Birth	IRD Number	Employment Type
		(dd/mm/yyyy)		

Add Employee

Submit

Figure A2.2: COVID-19 Wage Subsidy as shown in payslip, 29 March 2020

Source: Anonymous, Payslip, March 2020

[redacted]

[redacted]

Payments

Type	Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total	Rate	Value
Covid Wage Sub	23rd										[redacted]
[redacted]											
Gross Earnings											[redacted]
Gross Taxable Earnings											[redacted]

Deductions

Type	Reference	Value
[redacted]		[redacted]
Total Deductions		[redacted]
Nett Pay		[redacted]

[redacted]

Bank	Name	Value
[redacted]	[redacted]	[redacted]

Appendix 3: Cabinet material released that mentions the Wage Subsidy Scheme

Table A3.1: List of Cabinet material related to the COVID-19 Wage Subsidy with selected excerpts

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	6 Mar 2020	27 Aug 2020	An Intervention Strategy for Economic Policy Responses to COVID-19 Authors: MBIE and Treasury	Paragraph 47: Employers impacted by COVID-19 could be supported with an Employer Subsidy to keep workers who have reduced hours, attached to their employers. Note that there is a risk of subsidies going to businesses who do not need them, and/or supporting businesses who are struggling for unrelated reasons. This could include funding to cover the wages of staff working reduced hours or funding for those who need training/upskilling in and alternative area of work. This could start at a regional level and be scaled up to a national level if required. (p.13)
Treasury	9 Mar 2020	28 May 2020	COVID-19: Oral Update and Economic Impacts Author: Cabinet CAB-20-MIN-0090	Paragraph 6: directed officials to develop further targeted firm support options for Cabinet decisions with priority on: Paragraph 6.1: 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). (p.1)
Treasury	Early Mar 2020	8 May 2020	COVID-19: Overview of the Government's response and Economic Response Package Author: Cabinet CAB-20-SUB-0108	Paragraph 4.2: A Business and Worker Support package to cushion the impact of the economic shock on firms and workers and support confidence in the near-term. This will include: Paragraph 4.2.1: A temporary wage subsidy, which will be proposed in a separate Cabinet paper. (p.1)
Treasury	15 Mar 2020		COVID-19 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme Author: Cabinet Withdrawn	Summary: Design of the wage subsidy scheme has evolved since lodgement of the Cabinet paper [COVID-19 financial support, Paper A: Business Continuity Package: Targeted wage subsidy scheme]. These design changes respond to recent developments and the likelihood that impacts will spread across all sectors of the economic [*sic*] I [Hon Grant Robertson, Minister of Finance] propose a scheme still targeted at businesses impacted by COVID-19 and experiencing a significant downturn, but extending its coverage to all sectors of the economy. Key design settings and their changes relative to the lodged version of the Cabinet paper are summarised below [in the Cabinet Paper]. (p.1)

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	16 Mar 2020		COVID-19: Overview of the Government's Response: Economic Package Author: Cabinet CAB-20-MIN-108 Revised	Paragraph 22: agreed to implement a temporary COVID-19 wage subsidy scheme; Paragraph 23: agreed 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; Paragraph 24: noted that the COVID-19 wage subsidy will apply to all sectors nationwide; Paragraph 25: agreed that the COVID-19 wage subsidy will be payable to the employer at a rate per employee of $585.80 per week for full time employees (similar paid to the maximum rate of paid parental leave) and $350 for part-time employees; Paragraph 26: agreed that the COVID-19 wage subsidy will be for 12 weeks per employee; ... Paragraph 27: agreed to a maximum payment of $150,000 per employer. (p.3)
Treasury	21 Mar 2020	8 May 2020	Expanding the COVID-19 wage subsidy scheme and adapting it to support furloughed workers Author: Cabinet CAB-20-SUB-0134	*Expanding the existing (active worker) COVID-19 wage support scheme* Paragraph 4: We propose that we expand the coverage of the wage subsidy scheme by removing the cap to enable more support for workers in medium and large sized firms. Paragraph 5: In the event of moving to an Alert Level 3 this would be even more important. *Introduction of an enhanced (furloughed worker) COVID-19 wage subsidy scheme* Paragraph 6: In the event of an Alert Level 4 there will still be some firms that will need to operate (i.e. essential services, employees working from home, or firms with appropriate social distancing protocols implemented). It is therefore important that firms continue to have the ability to receive support. (p.1)
Treasury	23 Mar 2020		Expanding the COVID-19 Wage Subsidy Scheme and Adapting it to Support Furloughed Workers Author: Cabinet CAB-20-MIN-0134	Paragraph 7: agreed to remove the cap on the COVID-19 wage subsidy scheme. (p.1)

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	26 Mar 2020	8 May 2020	Cabinet paper - Transitioning to an enhanced wage subsidy scheme Author: Cabinet CMG-20-SUB-0101	Paragraph 5: As of Thursday 26 March New Zealand is at COVID-19 Alert Level 4. There are still some firms that will need to operate (i.e. essential services including supermarkets, pharmacies, clinics etc. and employees able to work from home) all other employees would be asked to stay home (i.e. on prolonged leave) until the virus has been eliminated in New Zealand. It is therefore important that firms continue to have the ability to receive support to continue paying their workers. Paragraph 6: There is a need to modify the existing wage subsidy scheme to enable firms that do need to shut down under Alert Level 4 meet wage costs for an extended period of time. This scheme would support employers and employees to maintain an employment connection and ensure a basic income for affected employees, even if the employee is unable to actually work any hours. (p.1)
Treasury	28 Mar 2020	4 Apr 2020	Administrative Modifications to Wage Subsidy Author: Cabinet CMG-20-MIN-0101	Following discussions on 27 March 2020, and further discussions on 28 March 2020, the Ministers with Power to Act (Prime Minister, Deputy Prime Minister, Minister of Finance, Minister for Social Development and Hon James Shaw): 1. noted that there is a need to make some administrative modifications to the Wage Subsidy and Leave Schemes to clarify aspects of the operation of the scheme to support employers and employees to maintain a connection and ensure income reaches employees. (p.1)
MBIE	1 May 2020	21 Jul 2020	A Refreshed Industry Strategy in Response to COVID-19 Author: MBIE	Evidence pack: New Zealand Industries 1 May 2020: 'Despite the wage subsidy scheme, TIA [Tourism Industry Aotearoa] said 100,000 jobs (out of 400,000) in the tourism sector could still disappear. (p.65)
MSD	17 Jul 2020	17 Jul 2020	Oral Item: Wage Subsidy Employer Survey MSD (Understanding recipients views of the NZ Wage Subsidy Scheme) CAB-20-MIN-0261	
Treasury	14 Aug 2020	8 Dec 2020	Additional Item: COVID-19 Resurgence: Possible Economic Response Package Author: Cabinet CAB-20-MIN-0399	Paragraph 1: agreed in principle that the Wage Subsidy Scheme be extended nationally to provide further wage subsidy support if the government decides to extend Level 3 restrictions in Auckland to a total of two weeks. (p.1)

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	17 Aug 2020	5 Nov 2020	Creating a Resurgence Wage Subsidy Scheme and Amending the Leave Support Scheme Author: Cabinet CAB-20-SUB-0402	Paragraph 1: This paper seeks agreement to the criteria for a Resurgence Wage Subsidy Scheme in response to the increased Alert Levels put in place in August 2020. (p.1)
Treasury	17 Aug 2020	5 Nov 2020	Creating a Resurgence Wage Subsidy Scheme and Amending the Leave Support Scheme Author: Cabinet CAB-20-MIN-0402	Paragraph 1: noted that on 14 August 2020, Cabinet agreed in principle that: Paragraph 1.1: the Wage Subsidy Scheme be extended nationally to provide further wage subsidy support if the government decides to extend Level 3 restrictions in Auckland to a total of two weeks. (p.1)
MBIE		3 Nov 2020	COVID-19 Leave Support Scheme Changes Author: MBIE	Paragraph 36: With applications now closed for the Wage Subsidies, the LSS [Leave Support Scheme] will become increasingly utilised (along with other supports) for businesses and their immunocompromised and vulnerable workers who are unable to work from home and cannot return to their place of work. (p.7)
Treasury	11 Dec 2020	4 Mar 2021	Economic response to future resurgences of COVID-19 Author: Cabinet CAB-20-SUB-0531	See Figure 5: Existing and proposed economic supports as at 11 December 2020 (p.20) Paragraph 108: Beyond the changes proposed above, we have directed officials to report back to Ministers in February 2021 on whether other, more substantive changes could be made to the scheme, including: Paragraph 108.1: introducing a higher-integrity model; Paragraph 108.2: establishing a legal framework for the scheme; Paragraph 108.3: introducing more payment tiers to reduce windfalls; Paragraph 108.4: examining the potential benefits of moving scheme delivery to IR; and Paragraph 108.5: the feasibility of a repayment rule, in a more enduring scheme, for employers who receive payments under the WSS, then subsequently both lay off stay and make a profit. (pp.16–17)
Treasury	14 Dec 2020	4 Mar 2021	Economic Response to Future Resurgence of COVID-19 Author: Cabinet CAB-20-MIN-0531	Paragraph 25: agreed that the government introduce a WSS in the event of an escalation to Alert Level 3 or above, anywhere in New Zealand 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. (p.4)

<table>
<tr><th>Published by</th><th>Date of paper (signed)</th><th>Date pro-actively released (issue date)</th><th>Title</th><th>Selected excerpts</th></tr>
<tr><td>Treasury</td><td>1 Mar 2021</td><td>28 May 2021</td><td>Activating the COVID-19 Wage Subsidy March 2021 Scheme
Author: Cabinet CAB-21-SUB-0043</td><td>Paragraph 4: On February 27, Cabinet agreed to a period of seven days at Alert Level 3 in Auckland from 6am on 28 February, fulfilling the activation criteria agreed to by Cabinet in December for future Wage Subsidy Schemes [CAB-20-MIN-0531 refers]. (p.1)
...
The Short-Term Absence Payment and the Leave Support Scheme are currently available at all Alert Levels. An employer cannot receive these and the WSSMAR21 [March 2021 Wage Subsidy Scheme] concurrently for the same employee. However, an employer can receive the WSSMAR21 and a Resurgence Support Payment at the same time. (p.4)</td></tr>
<tr><td>Treasury</td><td>1 Mar 2021</td><td>28 May 2021</td><td>Activating the COVID-19 Wage Subsidy March 2021 Scheme
Author: Cabinet CAB-21-MIN-0043</td><td>Paragraph 4: agreed to activate a nationwide wage subsidy scheme, the COVID-19 Wage Subsidy March 2021 scheme (WSSMAR21), with the settings agreed to by Cabinet in December 2020. (p.1)</td></tr>
<tr><td>Treasury</td><td>30 Jun 2021</td><td></td><td>Oral Item: Wage Subsidy Activation Approach: Six Month Report
Author: DEV-21-MIN-0142</td><td>Paragraph 2: agreed to maintain the status quo activation approach for the Wage Subsidy Scheme. (p.1)</td></tr>
<tr><td>Treasury</td><td>18 Aug 2021</td><td>22 Dec 2021</td><td>COVID-19: Auckland Community Cases: Wage Subsidy Issues
Author: CVD-21-MIN-0004</td><td>Paragraph 39: noted the following indicative cost estimates for a single, two-week lump sum payment of the WSSAUG21:
<table>
<tr><th>Scenario</th><th>WSSAUG21 cost (single, two-week lump sum)</th></tr>
<tr><td>National Alert Level 4 for 1 week or less</td><td>$1,000 million</td></tr>
<tr><td>National Alert Level 4 for 2 weeks</td><td>$2,000 million</td></tr>
</table>
(p.4)</td></tr>
<tr><td>Treasury</td><td>20 Aug 2021</td><td>22 Dec 2021</td><td>Further Funding for Activating the COVID-19 Wage Subsidy and Resurgence Support Payment August 2021 Schemes
Author: Cabinet CAB-21-SUB-0328</td><td>Potential future payments under WSSAUG21
...
Paragraph 16: This paper seeks authority to delegate funding decisions to the Minister of Finance and the Minister for Social Development and Employment, if the Alert Level decisions trigger a further payment of the WSSAUG21. The authority is to approve a maximum of $2.2 billion of funding from the CRRF, which is an upper estimate of the funding required to cover a further two weeks under current payment settings. (p.3)</td></tr>
</table>

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	20 Aug 2021	22 Dec 2021	Further Funding for Activating the COVID-19 Wage Subsidy and Resurgence Support Payment August 2021 Schemes Author: Cabinet CAB-21-MIN-0328	Paragraph 29: authorised the Minister of Finance and the Minister of Social Development and Employment to agree appropriation changes for the Business Support Subsidy COVID-19 appropriation to cover future payments under the WSSAUG21, up to a maximum of $2.2 billion, to be charged against the CRRF. (p.5)
Treasury	27 Aug 2021	22 Dec 2021	Additional Item: COVID-19 Wage Subsidy August 2021 Scheme: Second Payment: Update Author: Cabinet CAB-21-MIN-0346	
Treasury	9 Sep 2021	22 Dec 2021	Replenishing the COVID-19 Response and Recovery Fund Author: Cabinet CAB-21-SUB-0368	
Treasury	13 Sep 2021	22 Dec 2021	Replenishing the COVID-19 Response and Recovery Fund Author: Cabinet CAB-21-MIN-0368	
Treasury	13 Sep 2021	22 Dec 2021	Additional Item: Wage Subsidy Scheme: Update on Third Payment Author: Cabinet CAB-21-MIN-0373	Paragraph 1: agreed that payment three of the August Wage Subsidy Scheme (WSSAUG21) will be triggered if Cabinet agrees that Alert Level 3 or 4 will remain in place anywhere in New Zealand at 11.59 pm on 17 September 2021. (p.1)
Treasury	27 Sep 2021	22 Dec 2021	Wage Subsidy August 2021 Scheme: Six Week Review Author: Cabinet CAB-21-SUB-0392	Paragraph 21: Cabinet previously noted that MSD would initially absorb the costs of administering the WSSAUG21 within baseline, but that MSD may come back to Cabinet to seek additional funding [CAB-21-MIN-0328 refers]. (p.6)

Published by	Date of paper (signed)	Date pro-actively released (issue date)	Title	Selected excerpts
Treasury	27 Sep 2021	22 Dec 2021	Wage Subsidy August 2021 Scheme: Six-week Review Author: Cabinet CAB-21-MIN-0392	
Treasury	4 Nov 2021	23 Feb 2022	Wage Subsidy August 2021 scheme: Second six-week review Author: Cabinet CAB-21-SUB-0458	
Treasury	8 Nov 2021	23 Feb 2022	Wage Subsidy August 2021 scheme: Second six-week review Author: Cabinet CAB-21-MIN-0458	
Treasury	23 Nov 2021	8 Sep 2022	Financial Support under the COVID-19 Protection Framework Author: Cabinet CAB-21-SUB-0504	Paragraph 16: The WSS and the RSP were both designed to temporarily address severe restrictions on businesses and individuals as a result of the public health measures under the Alert Level system. These schemes have provided time-limited, broad-based support to businesses and individuals to recognise that they were not able to operate as they did pre-COVID, or could only do so under significant restrictions. This context has changed. Paragraph 17: Under the CPF, most businesses will be able to operate normally in the context of COVID-19, particularly under the Green level. Under the Orange and Red levels, the main exception would be businesses that do not implement COVID-19 Vaccine Certificate (CVC) requirements, which we want to discourage. (p.4)
Treasury	18 Feb 2022	8 Sep 2022	Economic Supports under Omicron Author: Cabinet CAB-22-SUB-0030	Paragraph 22: As the Red setting of the CPF permits most businesses to operate with few restrictions, broad-based economic supports such as the Wage Subsidy Scheme (WSS) are no longer appropriate. … There is a risk that further generalised business support like the wage subsidy could exacerbate inflationary pressure, create precedents that are unsustainable in the medium-to-long-term, and impede the transition to a more COVID-resilient economy. (p.4)

Table A3.2: Changes in design aspects of the scheme

Design	Initial Scheme pre-17 Mar 2020[145]	Scheme as at 17 Mar 2020[146]	Scheme as at 23 Mar 2020[147]	Scheme as at 26 Mar 2020[148]	Scheme as at 14 Aug 2020[149]	Scheme as at 14 Dec 2020[150]	Scheme as at 18 Aug 2021[151]
Sectors	Includes forestry and tourism sectors (accommodation, hospitality, and other tourism services) and other firms directly connected in the supply chain that are also suffering a decline.	Includes all sectors.	Includes registered charities, incorporated societies, non-government organisations, post-settlement governance entities, new businesses (less than a year old), high growth firms, and self-employed people.	Includes all businesses, self-employed people and sole traders, and registered charities and incorporated societies that are adversely affected by COVID-19, non-government organisations, and post-settlement governance entities. Excludes public sector organisations.	No change.	No change.	No change.
Regions	All regions included.	No change.	No change.	No change.	No change.	No change.	No change.
Disruptions to business required for eligibility	30% decline in actual revenue compared to the year before.	30% decline in revenue compared to the year before, or can be expected to decline 30% within duration of scheme.	No change.	Employers no longer have to have experienced a 30% decline in revenue to qualify.	No change.	Employers need to experience or predict at least 40% decline in weekly revenue relative to an appropriate comparator period.	No change.
Scale of subsidy (per full-time worker)	$585.80 per week for full-time or $350 for part-time.	No change.	No change.	No change.	No change.	No change.	$600.00 per week for full-time or $359.00 for part-time.
Duration of support	12 weeks.	No change.	No change.	No change.	No change.	Linked with the escalation to Alert Level 3 or above, anywhere in New Zealand, for a period of seven or more consecutive days.	Two-week lump sum payments, with a report on the availability and settings every six weeks should the scheme remain open.

Design	Initial Scheme pre-17 Mar 2020[145]	Scheme as at 17 Mar 2020[146]	Scheme as at 23 Mar 2020[147]	Scheme as at 26 Mar 2020[148]	Scheme as at 14 Aug 2020[149]	Scheme as at 14 Dec 2020[150]	Scheme as at 18 Aug 2021[151]
Max subsidy per business	Cap of $150,000.	No change.	Cap removed.	No change.	No change.	No change.	No change.
Maintenance of income	Qualifying employees to be paid at least 60% of their previous income.	Decision to be made by Cabinet. Qualifying employees to be paid at least either: • 60% of their previous income • 80% of their previous income for the duration of the scheme.	No change.	Employers must continue to pay the staff named in their application at least 80% of their normal income, if this is possible. If this is not possible, employers are required to pass on the full subsidy to each named employee.	No change.	Employers must endeavour to pay at least 80% of those employees' ordinary salary or wages, or, at a minimum, to pay at least the value of the subsidy to those staff (or their normal wage if less).	No change.
Other pre-qualifications	The business must have taken active steps to mitigate the impact of COVID-19 (e.g. engaged with their bank) and sign a declaration form to that effect.	No change.	No change.	The requirement to have taken measures to manage the implications of COVID-19 for their business now specifically mentions including drawing on internal cash reserves as appropriate.	No change.	No change.	No change.
Administering agency	MSD, with support from IR.	No change.	No change.	No change.	No change.	No change.	No change.
Fiscal cost (gross), central estimate	$750 million.	$5,100 million.	No change.	$8–12 billion. The highest theoretical impact is $15 billion.	No change.	$960 million for two weeks.	$1000 for National Alert Level 4 for 1 week or less, $2000 for National Alert Level 4 for two weeks (as single lump sum payment for two weeks).

Appendix 4: Implementation of OAG recommendations from *Management of the Wage Subsidy Scheme* (2021)

Figure A4.1: Assessment of the implementation of OAG's recommendations

Source: Office of the Auditor-General New Zealand, 2021[152]

Appendix 2: Our assessment of the progress made with implementing each of our recommendations

Implementation of recommendations – Management of the Wage Subsidy Scheme.

Recommendation 1: Use clear criteria.

We recommended that, when public organisations are developing and implementing crisis-support initiatives that approve payments based on "high-trust", they ensure that criteria are sufficiently clear and complete to allow applicant information to be adequately verified.

What has happened to date

MSD has committed to ensuring that criteria are sufficiently clear and complete to allow applicant information to be adequately verified. It has said publicly that: "In many cases where entitlements have been wrongly claimed, it is often due to uncertainty about the eligibility criteria, rather than deliberate attempts at deception."[1]

MSD has continued to work with applicants to explain the criteria of the Scheme and the obligations of applicants during subsequent iterations of the Scheme. This has included using an updated and more detailed declaration form.

Inland Revenue has also continued to work with MSD to support the pre-payment checks of applicant information against Inland Revenue's records. Those checks have become increasingly automated where multiple applications from applicants have been previously verified. Inland Revenue has also worked with MSD to provide more clarity about why automatic verification fails. It has supplied MSD with additional wording that could be used to provide the public with clearer information on the different types of application they could make depending on their circumstances. MSD has made this information available online.

Applicants' obligations were strengthened in the March and August 2021 iterations of the Scheme. Applicants are now required to "prepare and retain evidence to support this declaration, such as records that demonstrate: how the decline in your revenue was attributable to the continuation of Alert Levels 3 or 4..."

Completing the declaration also involves applicants confirming that they "have taken active steps to mitigate the impact of the continuation of Alert Levels 3 or 4... on your business activities. This includes (but is not limited to) engaging with your bank, drawing on your cash reserves as appropriate, or making an insurance claim."

MSD told us that records of compliance with the declaration are routinely requested from applicants when they are selected for a pre-payment integrity check. MSD told us that this will also be the case for the post-payment integrity work for the March and August 2021 iterations of the Scheme when it is carried out.

The Treasury and MSD have worked with Ministers to agree policy decisions clarifying some eligibility issues. These include that:

- Under the previous Alert Level framework, if a region moved from Alert Level 3 or 4 to Alert Level 2, or from Alert Level 2 to Alert Level 3 or 4 during a revenue test period, businesses in that region would be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 4, 3, and 2 effects, but not to Alert Level 2 effects alone.
- To be eligible for the Wage Subsidy, a group of organisations with a common owner (where the revenue generation and employment functions are separated within the group), must apply the revenue decline test across the whole group. Wage Subsidy applicants that apply as a group must base the revenue decline test on a complete and accurate representation of their whole business. The intent of the Wage Subsidy revenue decline test is to reflect changes in external trading activity.

There has also been some discussion with external stakeholders about the application of the "take active steps" requirement to mitigate the impact of Covid-19.

Our assessment of the progress made

Introducing requirements to maintain records as evidence of compliance with the declaration should make it easier for MSD to obtain that information during its integrity work. It might also encourage applicants to think more carefully about their compliance with the criteria and their obligations before applying for the subsidy.

In recent iterations of the Scheme, tens of thousands of applications were initially declined because information provided with applications did not match the records held by Inland Revenue. Inland Revenue had no evidence of a sole trader or self-employed status for some applicants. Other applicants were unable to provide sufficient evidence of a business activity.

Updating records and resubmitting applications takes time and many applicants have consequently experienced delays in receiving payment. Although this will be frustrating, applicants are obliged to supply correct information to Inland Revenue about their tax situation, and to keep that information current. Inland Revenue told us that since April 2020 it has received about 80,000 Wage Subsidy enquiries relating to self-employment.

MSD told us that there are a range of factors that may contribute to declined applications in the recent iterations of the Scheme. It appears that the length of time given to applicants to correct information with Inland Revenue is one of those factors. In the first iteration of the Scheme, this could be around 12 weeks. In the August 2021 iterations of the Scheme, it was reduced to three weeks, given the much shorter term of each iteration of the Scheme.

There have not been any fundamental changes in criteria in subsequent iterations of the Scheme, although a more detailed declaration form has been used. This should make it easier for MSD to obtain relevant information from applicants when performing integrity work. It should also mean that applicants are less able to argue that they were not aware of the records they were required to keep. However, in our view, the expected steps that could be taken to mitigate the impact of Covid-19 on a business could be further clarified.

Recommendation 2: Put in place robust post-payment verification measures.

We recommended that, when public organisations are developing and implementing crisis-support initiatives that approve payments based on "high-trust", they put in place robust post-payment verification measures, including risk-based audits against source documentation, to mitigate the risks of using a high-trust approach.

What has happened to date

MSD has not yet performed the post-payment verification measures for the March and August 2021 iterations of the Scheme. We were told that when that work starts, it will be informed by work jointly performed with Inland Revenue to identify the areas of risk to target. Looking into allegations of misuse in relation to the August 2021 iterations of the Scheme will also be part of the post-payment verification measures.

The first iteration of the Scheme involved applicants applying for up to a 12-week period and receiving a lump sum payment. The March and August 2021 iterations of the Scheme involved applicants applying every two weeks and receiving a payment every two weeks. MSD is performing some checks when the applicant first applies for the March and August 2021 iterations of the Scheme. The pre-payment checks that MSD is performing for the first application include the large employer checks we described in our May 2021 report. In our view, this is a reasonable risk-based approach for MSD to take.

Staff from Inland Revenue have been seconded to MSD to support MSD's work.

The publication of recipients' names continues to be an important post-payment accountability mechanism for the Scheme. As we noted in our original work, it appears to have encouraged some people to comply with the requirements of the Scheme or make repayments when they did not comply.

A similar approach has been used for the Government's Covid-19 Resurgence Support Payment (RSP). This payment is different from the Wage Subsidy. The RSP is a payment to help support viable and ongoing businesses or organisations that have experienced a 30% drop in revenue, for a week or more, due to a Covid-19 alert level increase to level 2 or higher. Applicants can apply for both the RSP and the Wage Subsidy.

Our assessment of the progress made

The impact of MSD's post-payment verification work on the March and August 2021 iterations of the Scheme cannot be known until that work has started and been completed. It is important that MSD delivers on its commitment to complete that work.

The level of financial risk associated with an individual application has reduced with the change to rolling two-week application periods. However, until MSD and Inland Revenue complete their analytical work, it is not yet clear whether, or to what extent, the overall risk profile has changed in subsequent iterations of the Scheme.

MSD has committed to performing risk-based post-payment verification work for the iterations of the Scheme that came after our report. It has also committed to asking for evidence from applicants as part of that work. When requesting that evidence it will be relying on the requirement in the updated declaration for applicants to keep records that demonstrate their compliance. That work is yet to start, so we are unable to form a view about its effectiveness. We will follow up with MSD once the work has started.

Questions for the Committee to ask MSD

We suggest that the Committee might wish to ask MSD:

1. When will work start on the post-payment verification work for the March and August 2021 iterations of the Scheme and when might that work be completed?

Recommendation 3: Test the reliability of a sample of the earlier post-payment assurance work.

We recommended, in relation to the Wage Subsidy Scheme, that MSD test the reliability of a sample of the earlier post-payment assurance work it carried out against documentary evidence held by applicants.

What has happened to date

MSD has begun to test the reliability of a small sample of the earlier post-payment assurance work it carried out against documentary evidence. This work has found a level of non-compliance.

Inland Revenue staff seconded to MSD have assisted with this work from June 2021 onwards.

MSD asked a sample of 339 recipients of payments in the first iteration of the Scheme for documentary evidence to confirm their entitlement to the Wage Subsidy. As at 27 October 2021, 186 of the 339 recipients had provided documentary evidence

Of those 186, MSD determined that:

- 90.3% (168 cases) required no further action;
- 7.5% (14 cases) were required to provide a partial or full refund; and
- 1.1% (2 cases) had been referred for further investigation based on the evidence or lack of evidence provided.

Our assessment of the progress made

Although these may appear to be small numbers, it is important this information is carefully considered to determine what further work needs to happen to protect the integrity of the whole Scheme, and the significant public funds involved.

MSD does not yet know whether the findings from its follow-up work are indicative of wider non-compliance with the requirements of the Scheme. If they are, this could involve a substantial amount of public funds. This reinforces the importance of MSD knowing more about the extent of non-compliance across all iterations of the Scheme and taking action to recover funds paid to applicants who did not meet the criteria or their obligations.

MSD told us that it intends to analyse the results of all integrity and assurance work to inform a risk-based assessment of next steps, and what further integrity work needs to be completed, if any, to strengthen the integrity of the Scheme. MSD has said that this analysis will happen in 2022. It is important that this work is progressed.

We will continue to monitor the progress made with implementing our recommendations through our annual audit and ongoing engagement our sector managers have with the audited agencies, in particular with MSD.

When MSD's testing work is completed, we expect MSD to consider whether further additional checks or changes to integrity work are required to protect the integrity of past, current, and future iterations of the Scheme. Even small levels of non-compliance across the Scheme as a whole involves significant public funds.

The deterrent effect of this testing work, and the level of additional recovery of funds, if any, are yet to be seen.

Inland Revenue has also carried out some post-payment integrity work. It has followed up with applicants who received a Wage Subsidy payment (in the period April 2020 to 31 March 2021) and who did not report this in their 2021 Income Tax Return. Where the applicant has repaid the amount (in full or part), Inland Revenue has required them to obtain and provide confirmation of this from MSD.

Questions for the Committee to ask MSD

We suggest that the Committee might wish to ask MSD:

1. What is the most recent estimate of likely non-compliance in the Scheme, given the findings from the sampling of post-payment checks?
2. Has, or will, MSD be considering whether additional checks of other recipients are required given the findings of the sample testing to date?

Recommendation 4: Prioritise remaining enforcement work.

We recommended, in relation to the Scheme, that MSD prioritise remaining enforcement work, including:

- seeking written confirmation from applicants (which could be targeted towards larger or risk-indicated applicants) of compliance with the eligibility criteria and the obligations of receiving the subsidy; and
- pursuing prosecutions to recover funds and/or to hold businesses to account for potentially unlawful behaviour.

What has happened to date

The follow-up work that MSD has done to seek confirmation from applicants about eligibility has identified some payments to ineligible applicants.

MSD contacted 1000 businesses by email, to seek written confirmation of compliance with the eligibility criteria and obligations of receiving the Wage Subsidy. The 1000 applicants have been selected randomly, but the sample includes only businesses with six or more employees and is weighted towards larger businesses that have more than 80 employees.

MSD told us that, as at 18 October 2021, 535 replies had been received. Of these, 532 employers confirmed they had met the eligibility criteria and had complied with their obligations. Three applicants who responded to MSD's request indicated that they might not meet the criteria for the Scheme. Two of those applicants have paid back the subsidy in part or in full, and it was determined the third applicant was eligible.

There may be additional applicants who assess that they have not met the criteria when MSD sends reminder emails to applicants who have not yet confirmed their compliance with the eligibility criteria and obligations.

MSD plans to send reminder emails to those employers who have not yet replied, after applications from the August 2021 iterations of the Scheme have closed. In our view, seeking confirmation of eligibility from applicants has been useful to identify non-compliance and is relatively inexpensive compared with other actions MSD could take to protect the integrity of the Scheme.

A Wage Subsidy Scheme Recovery and Response Panel (the Panel) has been convened by MSD to consider enforcement cases. All cases referred to the Panel have been reviewed by MSD's Principal Lawyer and by Crown Solicitors, Meredith Connell. To date, the Panel has agreed to MSD taking civil recovery action in eight cases. Five of those cases were provided one final opportunity to repay before court action began.

The Panel has also agreed to MSD starting two prosecutions. Charges have been laid in the Auckland District Court.

In addition, MSD has referred some complex cases to the Serious Fraud Office (the SFO).

Additional investigators have also been recruited. MSD told us that about 20 full-time equivalent investigation staff are undergoing training. Initially these staff will manage benefit integrity work, allowing experienced investigators to prioritise and progress Wage Subsidy investigations and, where appropriate, prosecutions.

In total, MSD told us that it has about 50 full-time equivalent staff currently working on pre- and post-payment Wage Subsidy integrity work.

MSD expects to continue its investigation work for the next 12 to 15 months.

Our assessment of the progress made

MSD has implemented our recommendation by seeking written confirmation and pursuing prosecutions. Although enforcement work is ongoing, MSD is giving priority to its remaining enforcement work.

Establishing a panel of specialists to consider enforcement issues is a sensible approach. Being able to draw on expertise should assist in the consistency of enforcement action decision-making.

MSD might pursue additional prosecutions. The effectiveness of prosecutions in recovering public funds, and any deterrent effect, remains to be seen.

MSD has taken sensible steps to ensure resources will continue to be available to support its investigative work for the Scheme.

MSD's confirmation work to date has found some non-compliant applications. We expect MSD to consider what this means for its ongoing integrity work for past, current, and future iterations of the Scheme. This includes determining how representative the findings might be, what the findings mean for non-compliance across the Scheme, and whether additional confirmation work is required.

Question for the Committee to ask MSD

We suggest that the Committee might wish to ask MSD:

1. Now that MSD has some results that show a level of non-compliance not previously identified, what are the implications for MSD's ongoing investigative and enforcement work?

Recommendation 5: Carry out a timely evaluation.

We recommended that MSD, Inland Revenue, the Ministry of Business, Innovation and Employment, and the Treasury carry out timely evaluation of the development, operation, and impact of the Scheme and use the findings to inform preparation for future crisis-support schemes.

What has happened to date

MSD is co-ordinating an evaluation of the Scheme with support from the Treasury, Inland Revenue, and the Ministry of Business, Innovation and Employment. A high-level evaluation plan has been prepared and two external providers are to be procured to carry out the two main components of the evaluation work. Funding from the Covid-19 Response and Recovery Fund has been authorised by Ministers to fund the evaluation work.

The primary objectives of the evaluation are to:

- understand how well the Wage Subsidy was implemented over time;
- identify the extent to which the intended outcomes of the Wage Subsidy scheme were achieved in the short and medium-term for recipient employers and employees; and
- identify the lessons for policy design and delivery of future support schemes responding to economic crises.

MSD told us that Australia, New Zealand, and the United Kingdom respectively intend to conduct a process evaluation to understand how well each employment scheme was designed and implemented, and an outcome evaluation to examine the extent to which each scheme achieved its intended objectives. New Zealand and the United Kingdom are also planning to conduct cost-effectiveness analyses.

Our assessment of the progress made

It is anticipated that the evaluation will provide information and recommendations to inform future responses to crisis situations, where keeping people in jobs is critical. MSD anticipates the findings of the evaluation becoming available during the second half of 2022.

MSD, along with the Treasury, Inland Revenue, and the Ministry of Business, Innovation and Employment, has made significant progress in implementing this recommendation.

We accept that an evaluation of the scale proposed takes time, and to some extent will depend on the availability of relevant information and people. The same officials involved in the oversight of the evaluation have been directly involved in the design and implementation of ongoing iterations of the Scheme. It is appropriate that implementation has been their immediate priority. However, this has reduced the opportunity to immediately implement lessons from the evaluation during the ongoing iterations of the Scheme.

Although the timing of the evaluation might be too late to inform any iterations of the Scheme, the findings could inform whether similar schemes should be used in response to future crisis situations. We are pleased to see that some external expertise has been engaged to support oversight of the evaluation.

We will continue to monitor the progress of the evaluation work.

Appendix 5: Selected COVID-19 wage subsidy, COVID-19 Short-Term Absence Payment and COVID-19 Leave Support Scheme judgments, 2022 to 2024

Table A5.1: Selected COVID-19 wage subsidy, COVID-19 Short-Term Absence Payment and COVID-19 Leave Support Scheme judgments, 2022 to 2024

Source: *COVID-19 Nation Dates*, pp.383–387, September 2024.[153]

Date[1] and result	Case name/defendant and summary
7 Oct 2022 District Court Given all the circumstances including repayment of money received, Abdul was discharged.	*Ministry of Social Development v Abdul* [2022] NZDC 25897 First sentencing for wage subsidy misuse. Abdul was convicted of three charges of receiving payments he was not entitled to via three applications totalling $18,745.60.
14 Nov 2022 District Court Sentence increased to seven-and-a-half months from six months' home detention after failure to repay $14,000.00 of funds received.	*Ministry of Social Development v Cochrane* [2022] NZDC 22538 Cochrane dishonestly submitted 34 applications for wage subsidy and leave support payments between March and September 2020 for a total of $159,079.60. He received payment for ten applications of $50,378.80.
15 Feb 2023 District Court Sentenced to 10 months' home detention and payment of $2000 in reparation.	Cosgrove submitted 21 dishonest wage subsidy applications between April 2020 and March 2021. Six were successful and he was paid $28,029.60.
5 Apr 2023 District Court Sentenced to 8.5 months' home detention and repayment of outstanding wage subsidy funds.	Hohipa-Kahuroa made eight applications for wage subsidy payments between April 2020 and August 2021 totalling $161,851.20. Two were successful and she received $63,266.40 which was used for personal use.
10 May 2023 District Court Mr Mckenzie sentenced to 11 months' home detention and payment of $38,662.80 reparation. Ms Mckenzie was sentenced to three months' community detention and payment of $14,744.40 reparation.	Mr and Mrs Mckenzie made two dishonest wage subsidy applications for a total of $29,488.80 which was paid. Mr Mckenzie then made 45 more dishonest applications, including two in the name of a deceased person, totalling $276,836.00. Four were successful and he received a further $23,918.40.
10 May 2023 District Court Sentenced to 12 months' imprisonment and repayment of $10,000 in reparation.	Blackburn submitted 10 dishonest applications between March 2020 and August 2021 for a total of $114,864.60. He was successful in four applications and was paid $89,041.60.
30 May 2023 District Court Sentenced to five months' community detention and repayment of $10,000 of funds received in reparation.	Kelsall submitted 39 dishonest applications for wage subsidies, leave support scheme payments, and short-term absence payments between April 2020 and November 2021 totalling $118,595.20. Three were successful and he was paid $15,429.60.
1 Aug 2023 District Court Sentenced to six months' community detention and 12 months' supervision.	Hale submitted one dishonest application for wage subsidy in her own name and received four applications for a company supplying her bank account details. She received $84,355.20 of payments.

Date[1] and result	Case name/defendant and summary
14 Aug 2023 District Court Athrenos-Wise sentenced to 22 months' imprisonment cumulative on sentence for other offences. Raroa sentenced to six months' community detention.	Athrenos-Wise dishonestly submitted six wage subsidy applications on behalf of two companies totalling $153,262.00. Raroa was sole director and shareholder of one of these. Four of these applications were approved and Raroa received $67,536.40 of funds.
29 Aug 2023 District Court Sentenced to three months' community detention, six months' supervision and repayment of $7029.60 received in reparation.	Patten submitted one fraudulent wage subsidy application. This was successful and she was paid $7029.60.
27 Sep 2023 District Court Sentenced to seven months' home detention and repayment of $14,059.20 received in reparation.	Martinson made 12 applications for wage subsidy and leave support scheme payments between April 2020 and April 2022 for a total of $55,722.00. Three applications were successful and she was paid $14,059.20.
29 Sep 2023 District Court Sentenced to 27 months' imprisonment.	Filimoehala registered a company after the introduction of the wage subsidy scheme in 2020 and made six fraudulent applications for a total of $169,024.00. Three were successful and he was paid $126,532.80.
13 Oct 2023 District Court Sentenced to 10 months' home detention and ordered to pay $25,000.00 reparation.	Low submitted 31 wage subsidy applications totalling $212,169.60. Seven were successful and he was paid $49,207.20.
8 Nov 2023 District Court Sentenced to 12 months' home detention, 12 months' post-detention conditions, and judicial monitoring.	Nassery made eight wage subsidy applications between April 2020 and September 2021 in the name of his company totalling $148,387.20. Six were approved and he was paid $112,325.60. Money was spent on gambling and other personal expenses.
4 Dec 2023 District Court Sentenced to 27 months and two weeks imprisonment, $2000.00 payment in reparations to victims. Smith appealed this sentence in the High Court, which was later dismissed.	Smith made 43 applications for the wage subsidy and leave support scheme payments between April 2020 and April 2022 using his own and two other identities for a total of $234,462.00. Five of these, worth a total of $26,946.80, were successful.
21 Dec 2023 District Court Sentenced to home detention. Had repaid $36,429.60.	Knock, an accountant, submitted 12 fraudulent wage subsidy applications between March and May 2020 for a total of $68,629.60. Eight applications were successful, worth $40,629.60. None of the companies received wage subsidy payments from him and nine of the companies were those Knock had or claimed to have an interest in.
11 Mar 2024 Court of Appeal Initially sentenced to 20.5 months' imprisonment. Downey appealed this sentence in the High Court (HC) and Court of Appeal (CA). The HC dismissed the sentencing appeal. The CA denied leave to bring a second appeal.	*Downey v Ministry of Social Development* [2024] NZCA 53 Downey admitted 14 charges of dishonestly taking or using a document having submitted 19 fraudulent wage subsidy applications. 13 were successful and he was paid $196,076.00.
16 May 2024 District Court Sentenced to four years' imprisonment.	Rapana made 10 applications between April 2020 and July 2020. Three of these were successful. Rapana received $109,644 in total, $97,900 of which was transferred to another person's account. The other seven applications, totalling $108,671.20, were unsuccessful. He was sentenced on burglary and other charges at the same time.

Date[1] and result	Case name/defendant and summary
16 May 2024 District Court Sentenced to six months' community detention and repayment of $17,574.00.	Kennedy made a total of 12 applications under four separate names between May 2020 and November 2021. He was paid $17,574.00 while applications for a further $22,288.80 were declined.
11 June 2024 District Court Sentenced to seven months' home detention and repayment of $5000.00.	Webber submitted a total of 50 applications between April 2020 and November 2021. Some applications were made under a company he registered in December 2020 while others were made under the names of 14 people, including family members. Eight applications were successful and he received a total of $36,345.60. The remaining 42 were unsuccessful.
25 July 2024 District Court Sentenced to eight months' home detention and repayment of $21,088.80 received in reparation.	Aberhart submitted three fraudulent applications between 18 April and 25 April 2020, only one of which was made in his name, resulting in payment of $21,088.80. He made two other applications between 24 April and 4 May 2020, again under other people's names, which were unsuccessful. The money he received was used for online gambling or cash withdrawals, except for a $4,500.00 lump sum that was transferred to another bank account.
25 July 2024 District Court Both sentenced to eight months' home detention and repayment of $20,000.00 within 40 business days or face imprisonment for 28 days.	Wright and Silbery made 43 applications in the name of their two businesses Wright Hip Hop Trends and Mirror Image Tee's Limited between March and November 2020. 28 applications were approved resulting in payment of $87,986.80. Wright and Silbery were the only directors and shareholders of both companies and claims on their applications included staff members who were not employed at the time and applying as sole traders when they were not engaged in any sole trader business.
2 August 2024 District Court Sentenced to 12 months' imprisonment to be served in addition to an existing prison term and repayment of $5000.00 in reparation.	Letchford made 14 applications under 10 different identities, including one for a person who was deceased, for a total of $65,609.60. Four were successful resulting in payment of $28,118.40 between April and June 2020. At the time of sentencing, Letchford was already in prison for other charges.
20 August 2024 District Court Sentenced to 120 hours of community work, 12 months' intensive supervision and repayment of $20 per week in reparation.	Taumalolo made one application under the name of another person which was successful, resulting in payment of $7029.60 into his own bank account. Taumalolo made cash withdrawals totalling $4800.00 and spent $2230.00 through online sites.

Notes to Table A5.1

1. If the written judgment can be found, that is the date that has been used. If the judgment could not be found, the date is the date found on MSD's website.
2. These cases were drawn from a Ministry of Social Development web page, 'Wage subsidy cases in the courts'. Where available, we have included the reported cases. Otherwise, only the defendant's name is recorded. These cases arise out of the Wage Subsidy Integrity and Fraud Programme, a work programme that began after the roll-out of the wage subsidy scheme. The MSD web page records that:

   > The Wage Subsidy was a high-trust scheme providing rapid payments up front to businesses affected by COVID-19 restrictions so that employers could continue to pay their employees. The aim was to help prevent job losses and business closures, and employers undertook to pass payments on to staff in wages … Two years later MSD has a substantial continuing work programme aimed at providing assurance that those who received payments were entitled to them.[154]

3. Prosecutions range from those who made one or two dishonest claims, to some who made upwards of 30. Sentencing for prosecutions of misuse of the wage subsidy included repayment of the wrongfully obtained money, community detention, home detention and imprisonment.
4. The overwhelming majority of cases recorded were only in the District Court. The one case that reached the Court of Appeal did so on a sentencing decision which was ultimately dismissed.
5. The records of the decisions also record the judges' consideration of the defendants' behaviour, with many remarking on their dishonesty, exploitative behaviour, and shameful conduct in taking advantage of a high-trust-based system at a time of national struggle.

Appendix 6: The COVID-19 recession

The COVID-19 pandemic triggered a global recession, characterised by economic slowdown and contractions in economic activity, primarily due to lockdowns and other preventative measures implemented in early 2020. Lockdowns severely disrupted economic activity, leading to a sharp contraction in economic growth and consumer spending. In the short term money printing by governments led to a mini boom, which was the reason we then went into an economic hangover. The impact is illustrated in Figures A6.1–A6.4. Together they indicate that the recession, and the resulting measures, created a blip in sale prices followed by a significant drop before reverting to normal trend lines (see Figure A6.1). They show that the recession is longer than previous recessions (see Figure A6.2), that the increase in the cost of building is occurring alongside a decrease in median sale prices (see Figure A6.3), and that the property market (as illustrated in Figure A6.4) is not showing signs of picking up in the short term. Given that the intent of the wage subsidy was to prevent an economic recession, these graphs raise questions over whether other measures might have been more effective in preventing New Zealand falling into a recession.

Figure A6.1: Median property sale price, 1992 to 2024

Source: REINZ/Willis Bond[155]

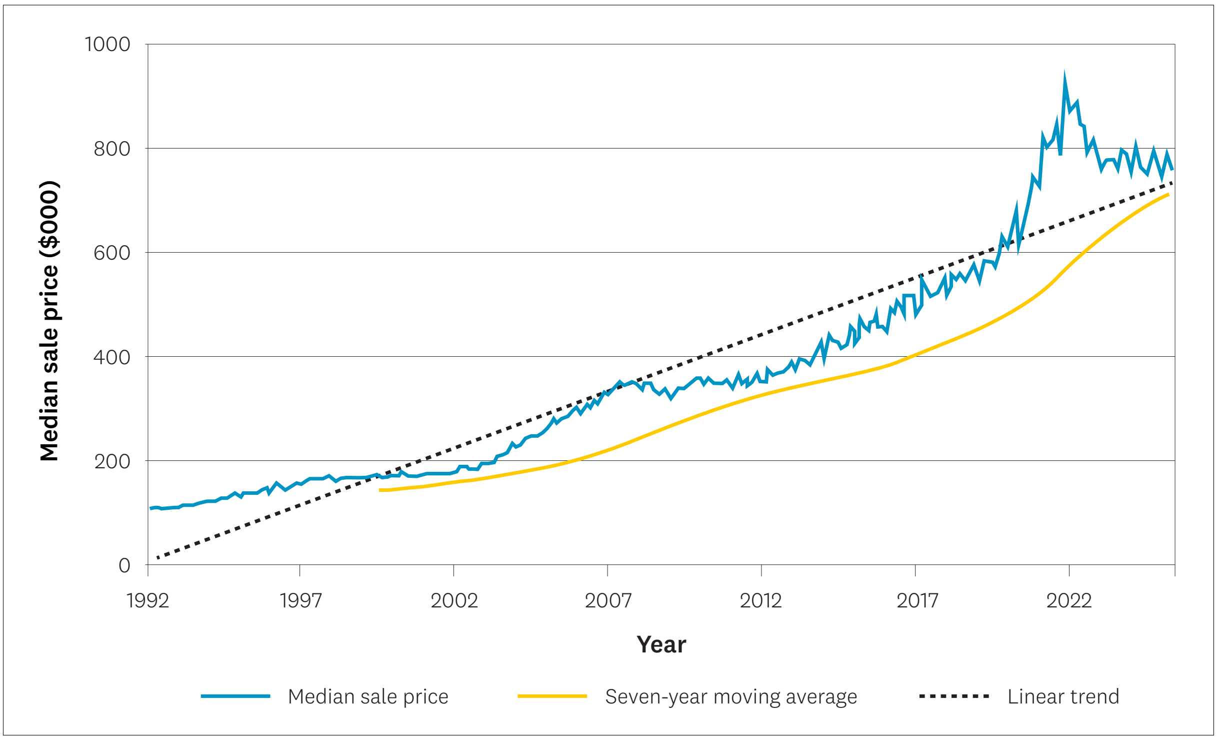


Figure A6.2: Median property sale price: Market correction by time taken (in months)

Source: REINZ/RLB Cost Index/Willis Bond[156]

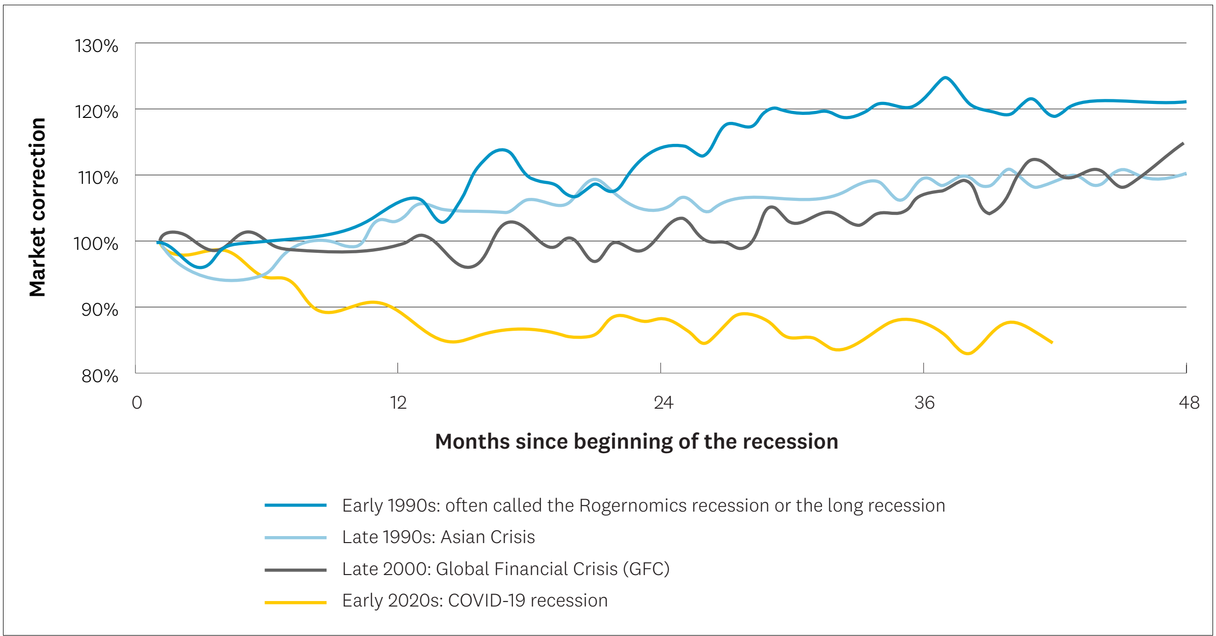


Figure A6.3: Comparing New Zealand median property sale price and the Rider Levett Bucknall (RLB) Construction Cost Index, 2020 to 2024

Source: REINZ/RLB Cost Index/Willis Bond[157]

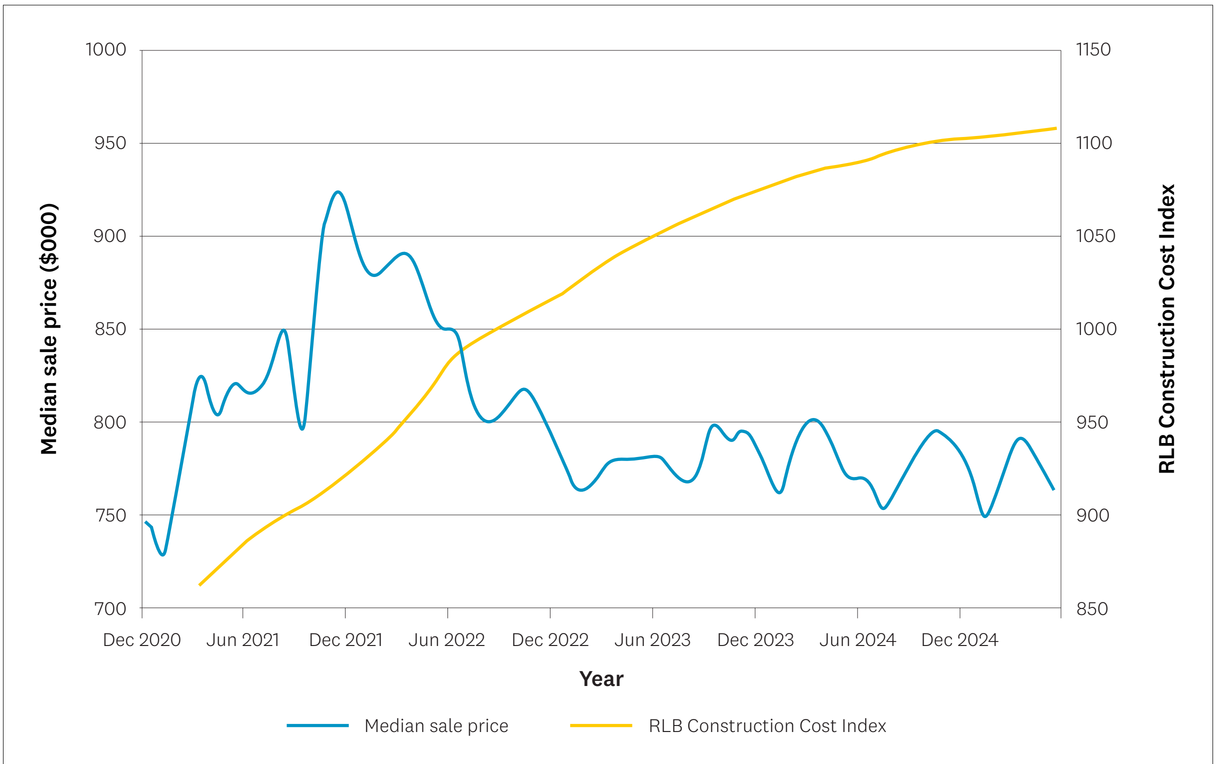
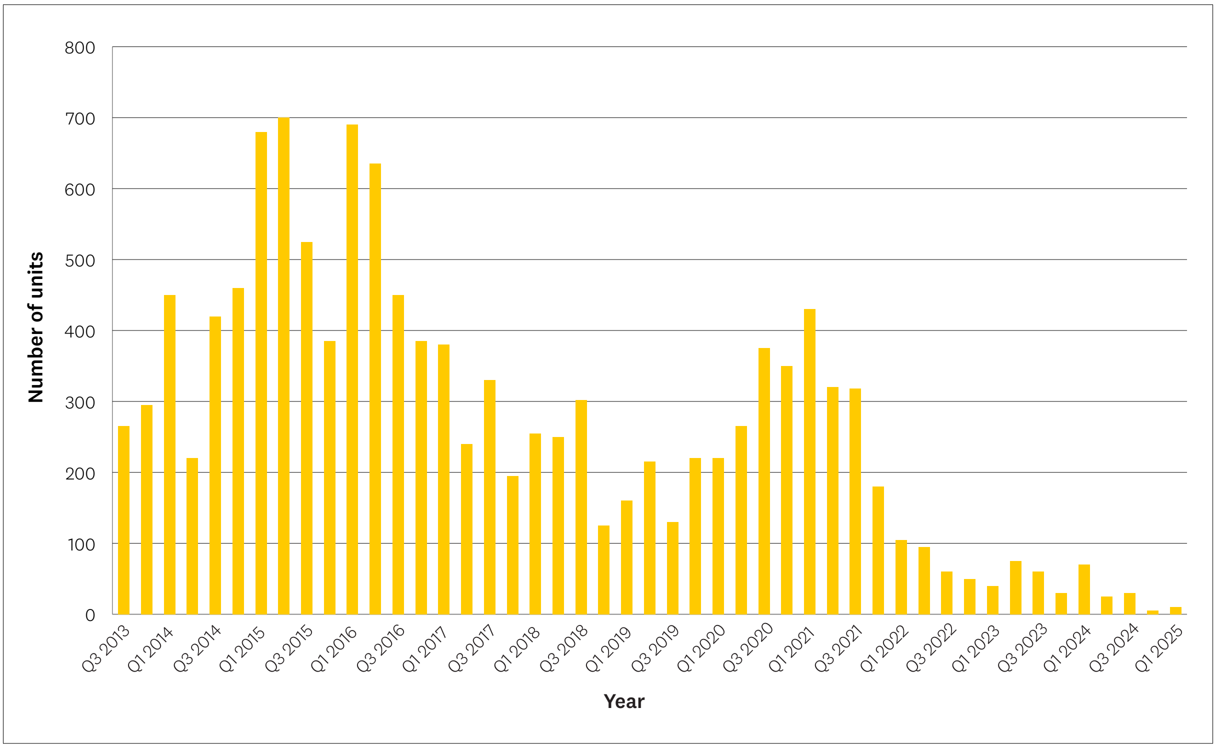


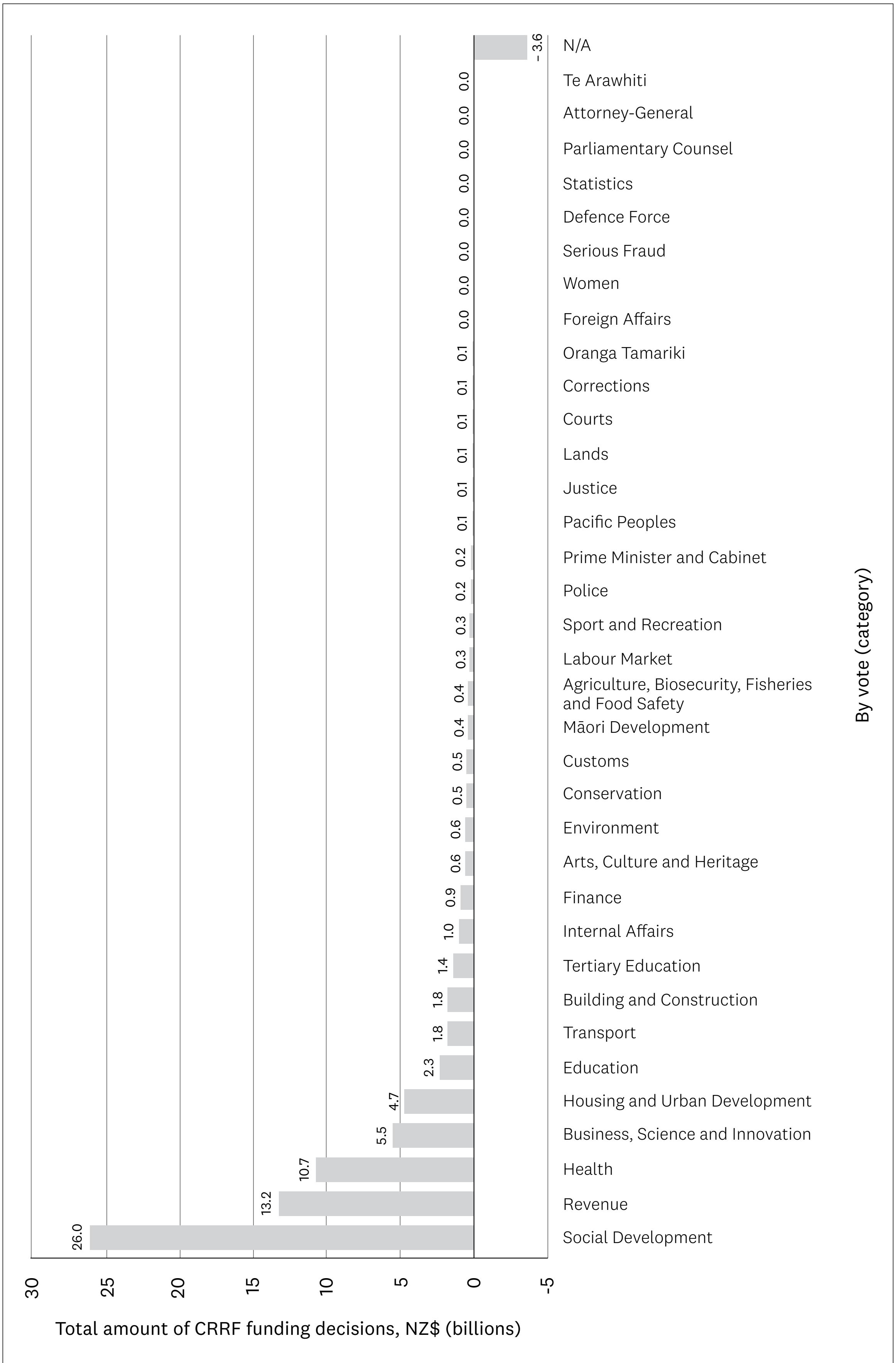
Figure A6.4: Auckland off-plan apartment presale volume by quarter, 2013 to 2024

Source: CBRE[158]



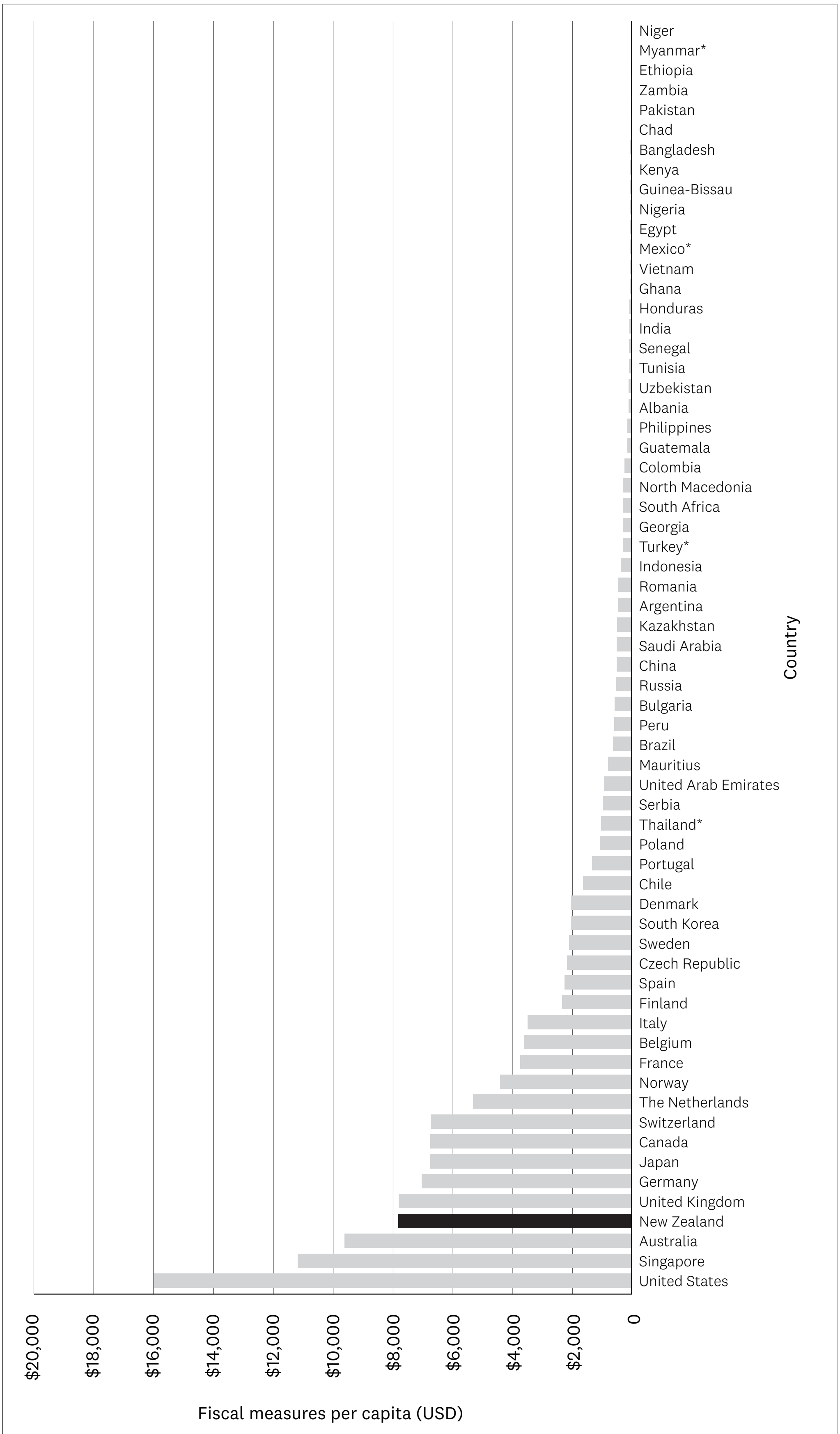
Appendix 7: Fiscal impact of COVID-19 Response and Recovery Fund (CRRF) funding decisions by Vote

Figure A7.1: Fiscal impact of CRRF funding decisions by Vote ($70.4 billion)[159]



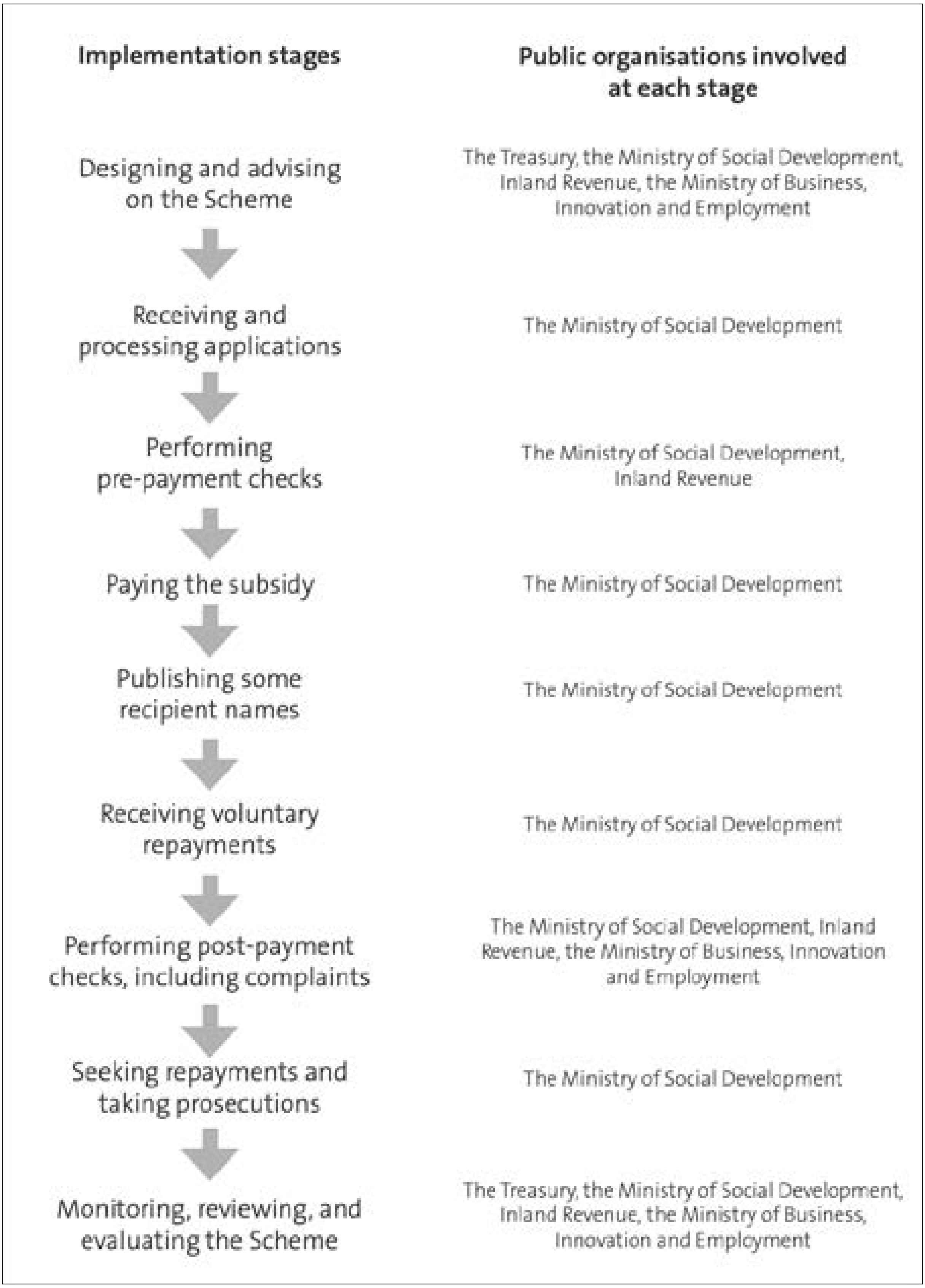
Appendix 8: Fiscal measures in response to the COVID-19 pandemic by country, per capita

Figure A8.1: Fiscal measures in response to the COVID-19 pandemic by country, per capita (USD), as at 27 September 2021[160]



Appendix 9: OAG's stages of the Wage Subsidy Scheme's implementation

Figure A9.1: OAG's Stages of the Wage Subsidy Scheme's implementation and the public organisations involved at each stage[161]



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