

# UNDERSTANDING RECIPIENTS VIEWS OF THE NZ WAGE SUBSIDY SCHEME

Topline Report



MINISTRY OF SOCIAL  
DEVELOPMENT  
TE MANATŪ WHAKAHIATO ORA



GAME CHANGERS



# SUMMARY

- 1. Background & Methodology**
- 2. Executive Summary**
- 3. Characteristics of survey respondents**
- 4. The Business Impact of COVID-19**
- 5. Managing the Impact of COVID-19**

# BACKGROUND & METHODOLOGY

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# BACKGROUND

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## THE NZ GOVERNMENT WAGE SUBSIDY SCHEME

The Wage Subsidy Scheme is available to all businesses including the self-employed and contractors, and is designed to support both employers and employees to maintain an employment connection and ensure an income for affected employees, even if they are unable to work any hours.

To be eligible, a business needed to have experienced a 30% decline in revenue attributed to COVID-19 (when compared to the same time last year) and commit to retaining employees for 12 weeks on their normal or at least 80% of their salaries.

As of May 15, over half a million businesses had applied for the wage subsidy and \$10.85 billion worth of subsidies had been paid to New Zealand businesses to support 1.64 million employees.

On May 14, a wage subsidy extension was announced. It will be available from 10 June until 1 September 2020. Eligible employers need to reapply through Work and Income once their current 12-week subsidy has come to an end. The extension is available for those who have had, or expect to have, a revenue loss of at least 50% for the 30 days before applying, compared to the closest period last year. It will cover 8 weeks per employee from the date of application. The weekly rates will be the same as under the current wage subsidy, and the extension will provide an 8-week payment per named employee.

# TIMELINE



# MSD WAGE SUBSIDY SURVEY

The purpose of this research is to provide the Ministry of Social Development feedback from businesses who have received the wage subsidy to help inform future policy development and decisions.

This is an online survey of businesses who have received the wage subsidy.

N=381,093 businesses were sent the survey invitation, out of which 94,725 wage subsidy applicants participated, including the 90,134 businesses that actually reported receiving the subsidy.\* The survey took place between 15<sup>th</sup> and 25<sup>th</sup> May 2020.

## Research Objective:

- To understand the impact of COVID-19 and the wage subsidy on businesses.

## Information tracked includes:

- The impact of COVID-19 on businesses
- The efficacy of the wage subsidy
- Staffing intentions, expectations and confidence in the near team
- Awareness and uptake of the supports and services available to them through government
- Likely future support needs

\* Some were on the original list who were eventually found to be ineligible or who subsequently returned their money due to business being better than expected.

**NOTE:** Where results do not sum to 100 or the 'difference' appears to be +/-1 more / less than the actual, this may be due to rounding, multiple responses or the exclusion of 'don't know' or 'not stated' responses.



**90,134** wage subsidy recipients participated in this survey



Fieldwork took place between **15<sup>th</sup> May** and **25<sup>th</sup> May 2020\*\***



The average duration of the questionnaire was **14.2 minutes**

**\*\*17 March** COVID-19 business package worth \$12.1 billion announced (including the first wage subsidy package of \$5.1 billion)

**14 May** An extension to the Wage Subsidy scheme for a further 8 weeks (funding of up to \$3.2 billion) is announced



# ABOUT THIS RESEARCH – FIELDWORK AND RESPONSE RATE

## Mailout details:

- Two email invitations were sent; the initial invitation (15<sup>th</sup> May) and a reminder (19<sup>th</sup> May). Note the second mailout was smaller than the first as we excluded bounce-backs, subscriptions etc.

	Sent	Successful Deliveries	Successful Delivery Rate %	Bounce Rate % <i>messages that were rejected by the receiving server.</i>	Bad Rate % <i>messages that were rejected by the receiving server due to a mailbox that does not exist.</i>	Mailbox Full Rate %	Block Rate %	Other delivery failure Rate %
Mailout 1	395,728	391,679	98.98%	1.02%	0.57%	0.04%	0.02%	0.26
Mailout 1+2	695,570	687,202	98.8%	1.2%	0.85%	0.02%	0.02%	0.19

## Response Rate and Respondent Profile:

- The response rate was 25%, i.e. 25% of those who were emailed a survey invitation completed a questionnaire. For New Zealand research industry standards this is a high response rate for an online business survey. We assume that this is because of the high degree of interest in the subject and also a degree of reciprocity given how these people have already received substantial help from MSD.
- For New Zealand research industry standards this is also a much larger sample than is the norm, allowing for greater sub-group analysis.
- Being an opt-in survey there remains the possibility of a response-bias occurring, in which people who reflect an typical profile are more or less likely to respond than the sample as a whole. This can never be wholly mitigated.

# ABOUT THIS RESEARCH – REPRESENTATIVENESS OF RESULTS

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## Number of employees

- Over half (54 percent) of all businesses that received a Wage Subsidy had no employees (sole traders) and a further 44 percent had between one and 19 employee(s). The survey respondents are representative of this demographic in that 97 percent have less than 20 full-time employees.

## Regional view

- The spread of survey respondents by region was fairly similar to the spread of employees covered by the Wage Subsidy, suggesting the sample is representative by region.

## Industry view

- There is good alignment between the population distribution of businesses by industry and the survey respondents. There is a maximum difference of three percentage points for just a few industries (accommodation/food services, and administrative and support services).
- However, you should note that there is a large number of unknown / other industries for both the Wage Subsidy recipients and survey respondents. Care should be taken in interpreting industry results because of these large unknown / other numbers.



# ABOUT THIS RESEARCH – MARGIN OF ERROR

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## Margin of Error

- The statistical margin of error on a survey result (P) is a function of the result itself, and the size of the survey sample (n). The margin of error we have used is set at 99% confidence, meaning that we can be confident that if we did 100 separate surveys, in the same way, the results from 99 of those would fall within the margin of error.
- The formula for calculation of the margin of error at 99% confidence is....

$$\textit{Margin} = \pm 1.99 \sqrt{\frac{(100 - P)P}{n}}$$

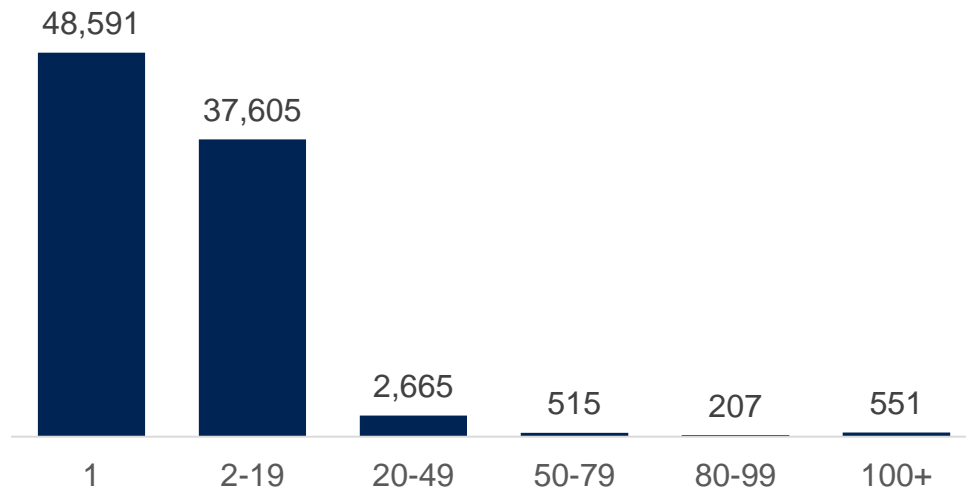
- This means that the maximum margin of error occurs when P=50%, ie. when the survey result is close to the midpoint.
- So in our sample, for an answer in which 50% of the sample answer in a given way, we can be confident that 99% of the time the answer lies between 49.634% and 50.366% (i.e. plus or minus the margin of error of **0.366%**).
- As the sample becomes less divided, the margin of error reduces. So for example if we have an answer where the sample is split 75/55 (instead of 50/50) the margin of error reduces even further, to 0.317%.

# ABOUT THIS RESEARCH – NATURE OF RESPONDENTS

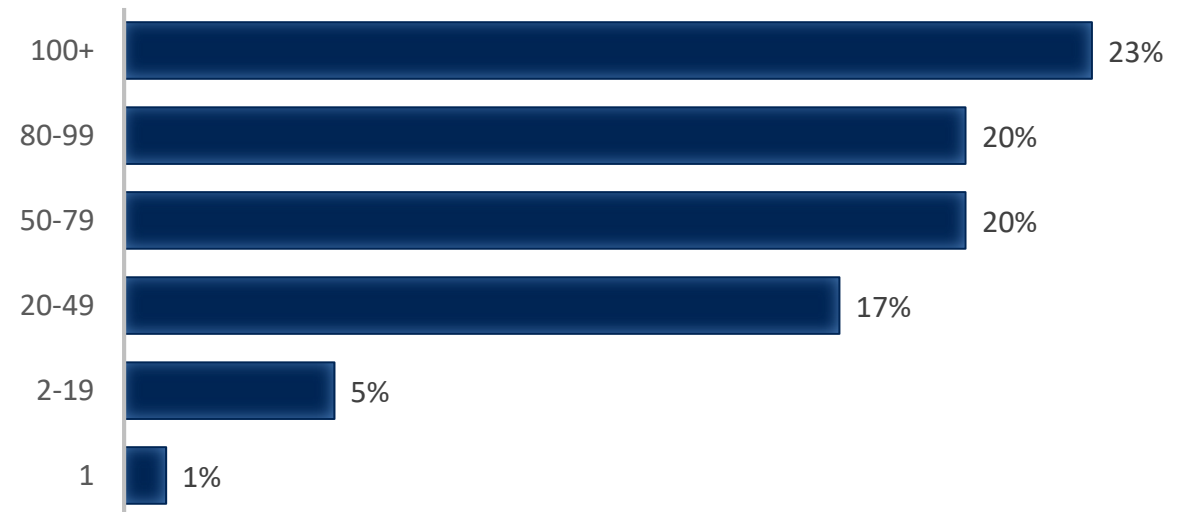
## Nature of respondents

- Most respondents to this survey were small businesses. This means that topline survey results are heavily weighted towards the intentions and experiences of smaller businesses, and may not accurately reflect what larger businesses intend to do, or experienced. It is indicated where there is a difference.
- One such example is the percentage of businesses that expect to start or keep making staff redundant over the next few months. Businesses which have between 1 to 19 staff subsidised (sole traders and small businesses) are much less likely to start or keep making staff redundant in the next few months than businesses with 20 or more staff subsidised (medium and large businesses), as demonstrated below.

### Respondents, by number of employees subsidised



### Percentage of businesses that have made staff redundant over this time, by number of staff subsidised



# MSD WAGE SUBSIDY SURVEY: EXECUTIVE SUMMARY

# 2

# Characteristics of survey respondents



**Qb6.** Still thinking about the last few months as COVID-19 has spread, please indicate your use of each of the following initiatives intended to help businesses. **Qa4.** In the months leading up to the COVID-19 pandemic, approximately how many staff did your business employ in each of the categories shown below (including yourself)? **Qa3.** What proportion of your business's annual turnover came from tourism prior to the COVID-19 pandemic (domestic and international)? **Qa1.** Which industry best describes the sector this business operates in?

**Base:** Those who received the wage subsidy (n=90,134). **\*Note:** Rest 6% and below.

**12** – Ipsos | Understanding Employers' Views of the NZ Wage Subsidy Scheme

Source: MSD Wage Subsidy survey



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# The effects of COVID-19 & use of the Wage Subsidy Scheme

90%

State that a loss of domestic customers / revenue has had an impact on their business's financial performance

66%

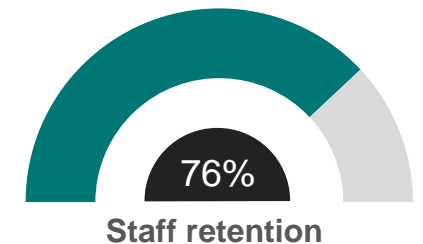
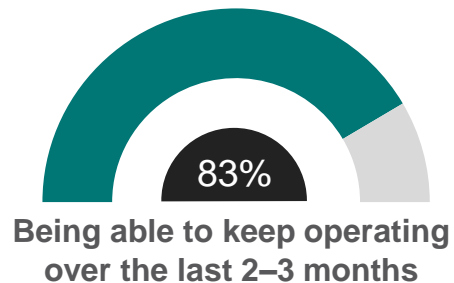
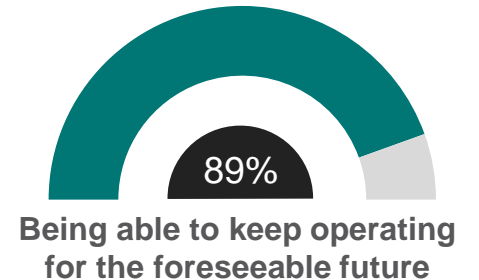
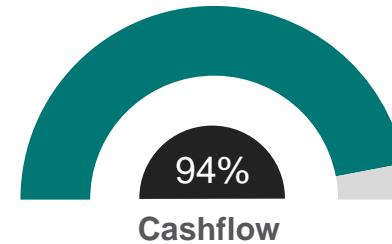
Of respondents report a turnover reduction of more than 50%

96%

Of subsidy-receiving businesses are subsidising the pay of 1–19 staff members

## The effect of the Wage Subsidy Scheme (top-4)

(% small positive + major positive impact)



**Qb2.** Thinking about the last 1-2 months as COVID-19 has spread, how much has each of the following factors affected your business's financial performance? **Qb3.** Although Wage Subsidy applicants anticipated a turnover loss of at least 30%, how much do you think your turnover has actually fallen since COVID-19 started to spread? **Qc1.** How many of your staff have had their pay subsidised by the Wage Subsidy scheme? **Qc4.** Thinking about the effects of the Wage Subsidy scheme on your business, to what extent has it helped with each of the following factors up to now?

**Base:** Those who received the Wage Subsidy (n=90,134)

# Beyond the Wage Subsidy Scheme



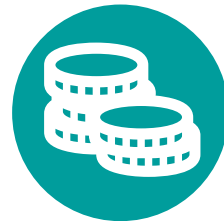
After *reducing operation overheads* (56%), those in **tourism-related businesses** are most likely to ask staff to *work reduced hours* (26%) or *defer planned investments* (26%).



After *reducing operation overheads* (44%), those **not in tourism-related businesses** are most likely to *defer planned investments* (19%) and *cancel planned pay rises* (18%).



Of all industries, those in **accommodation / food services (NETT)** are most likely to start or continue to ask staff to *work reduced hours* (35% vs. 18% total)



Continuing or starting to ask staff to *work unpaid* is most common in **public administration & safety** (8%) and **arts & recreation services** (6%).



Businesses that made people redundant as a way to manage costs during this time, are most likely to be in **accommodation / food services (NETT)** (8%), **manufacturing** (7%) and **mining** (7%).

Medium and large businesses are also more likely to expect to make employees redundant.

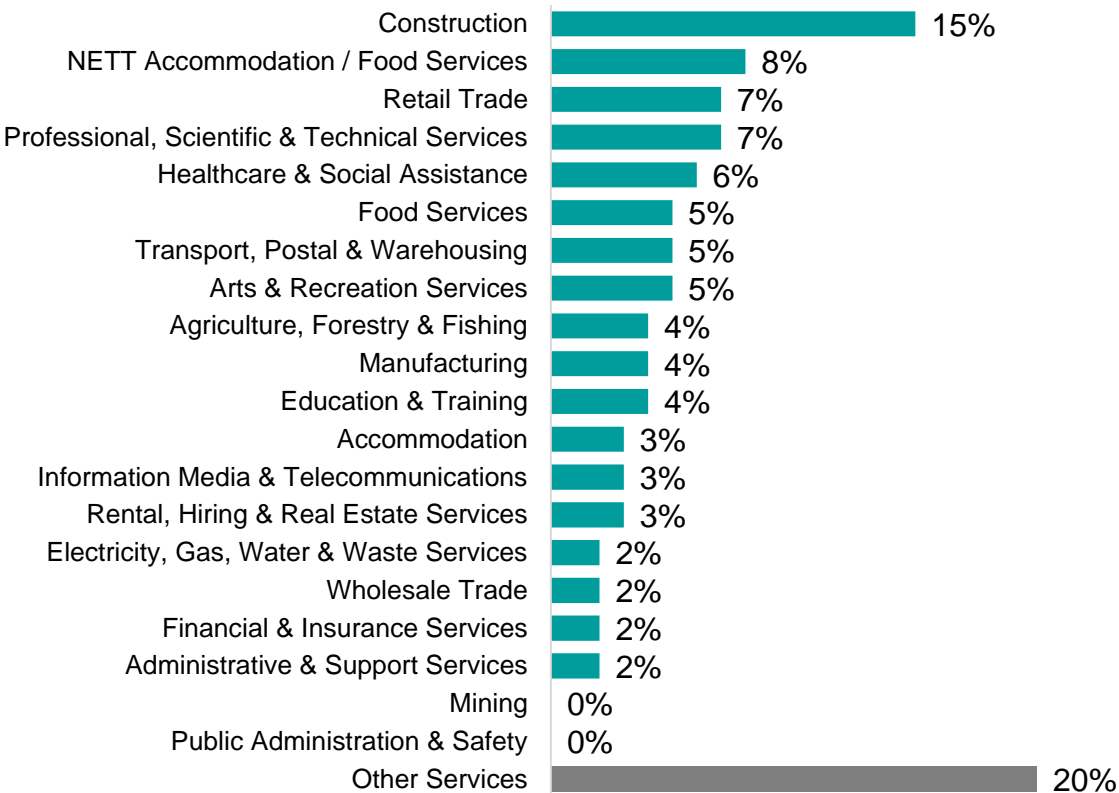
**Qc5.** The Wage Subsidy scheme is currently set to be paid for 12 weeks and another 8 weeks for some businesses. Which, if any of the following do you expect to start or keep doing over the next few months?  
**Base:** Those who received the Wage Subsidy (n=90,134)

# WHO RECEIVED THE WAGE SUBSIDY?

# 3

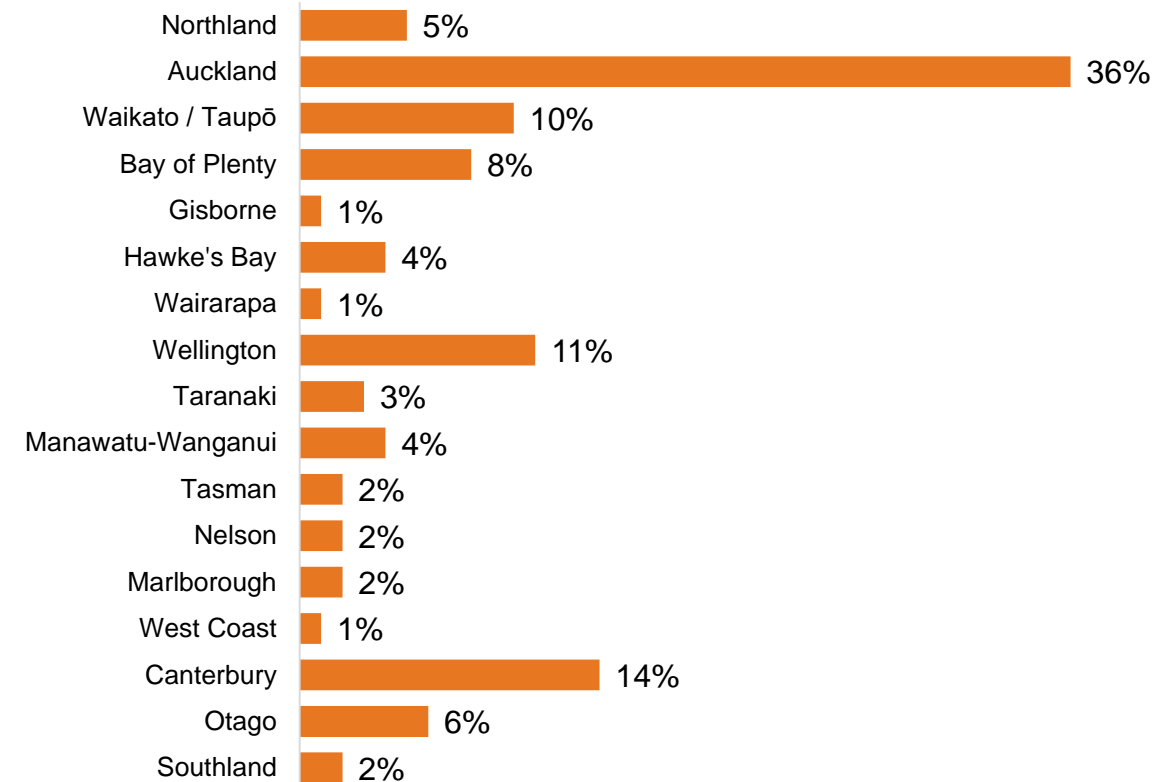
# The highest proportion of subsidy recipients are in the construction industry, followed by accommodation / food services.

## Industry



**Note:** Industry breaks were based on the Stats NZ definitions. However, we still have 20% that found it hard to self-categorise (e.g. travel agents found it hard to categorise themselves – we advised 'admin').

## Regions operating in



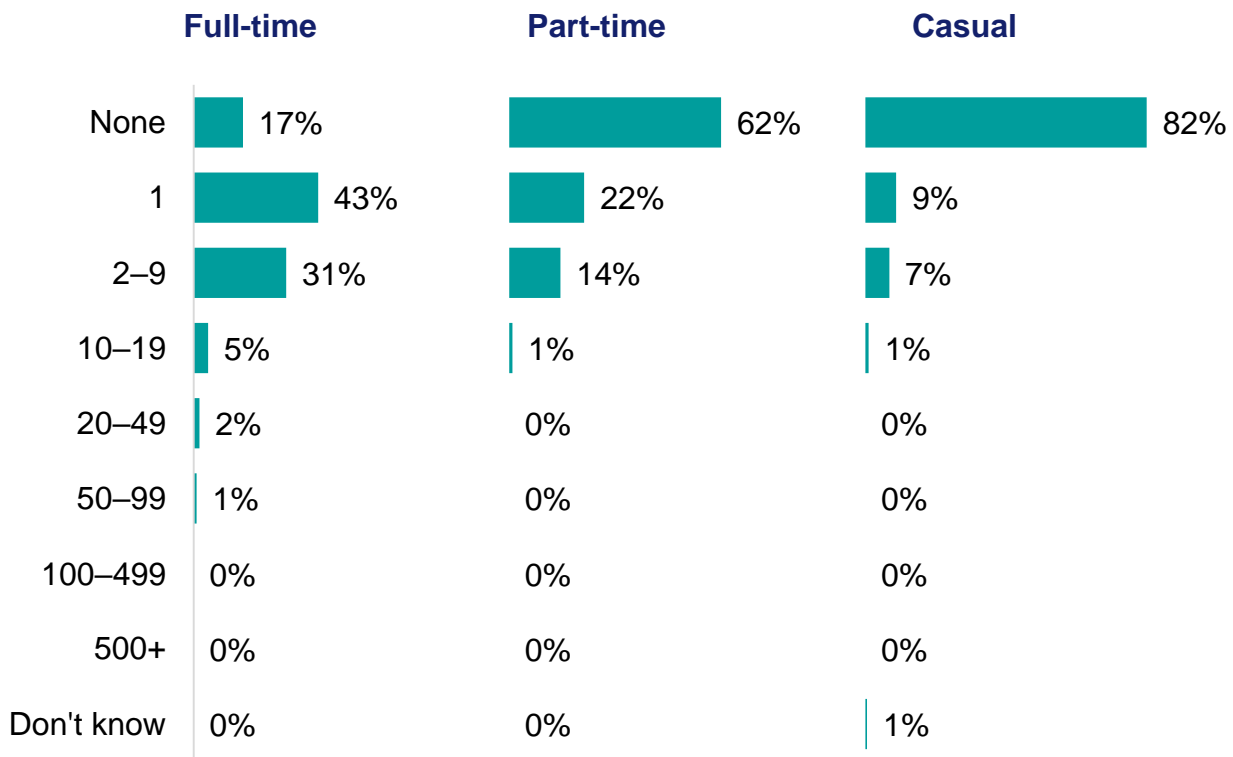
**Qa1:** Which industry best describes the sector this business operates in? / **Qa2:** Which of the following regions does this business normally have staff based in?

**Base:** Those who received the wage subsidy (n=90,134) ~ New Zealand business demography statistics: At February 2019, Enterprises by industry (ANZSIC06)

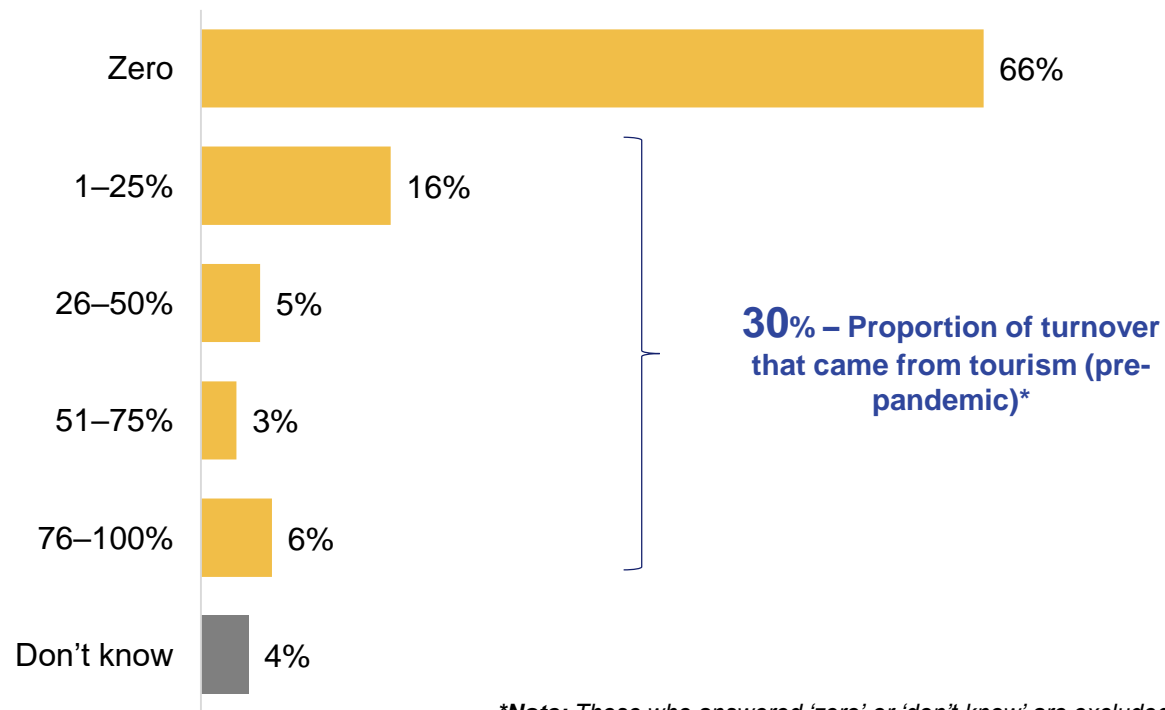


97% of businesses who received the wage subsidy were sole traders or small businesses with less than 20 employees. 30% received some income from tourism.

Number of staff employed



Proportion of subsidy recipients who received some income from tourism (pre-pandemic)



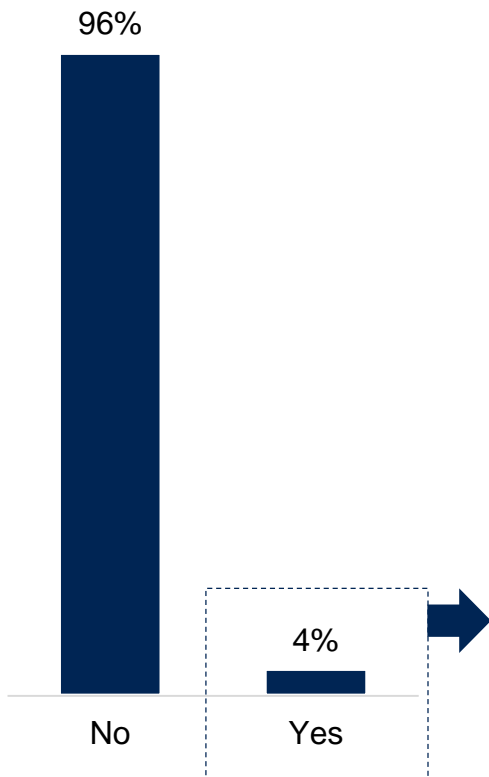
\*Note: Those who answered 'zero' or 'don't know' are excluded.

**Qa4:** In the months leading up to the COVID-19 pandemic, approximately how many staff did your business employ in each of the categories shown below (including yourself)? / **Qa3:** What proportion of your business's annual turnover came from tourism prior to the COVID-19 pandemic (domestic and international)?

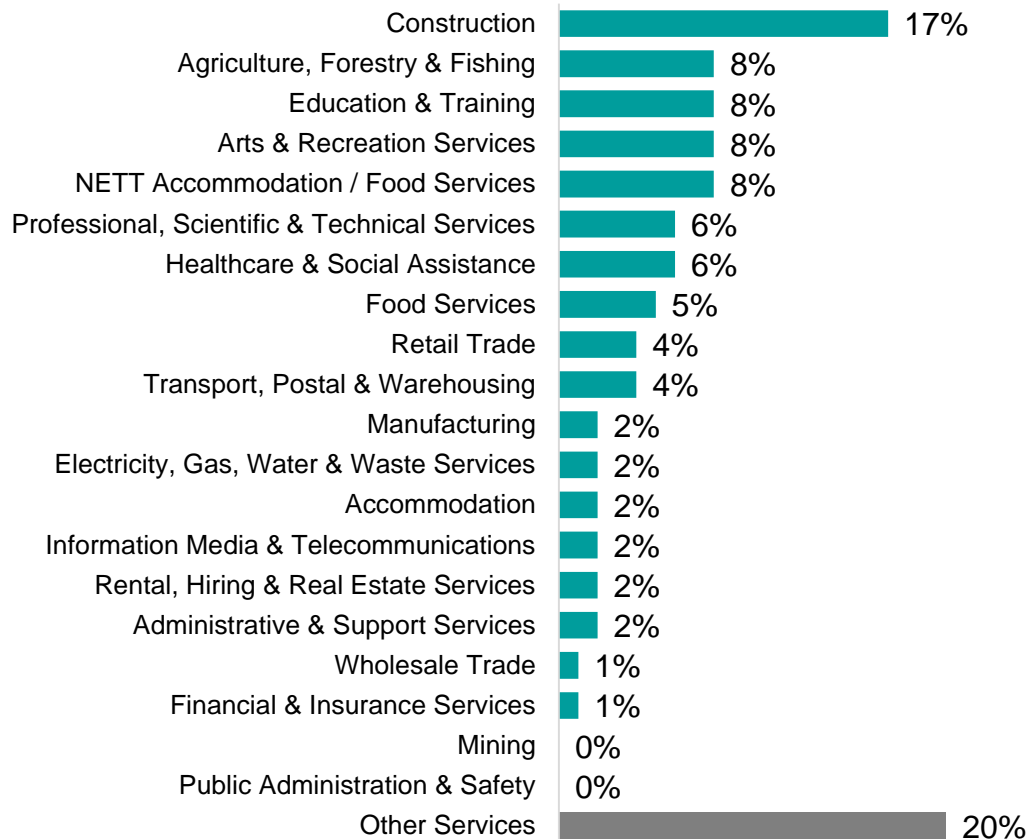
**Base:** Those who received the wage subsidy (n=90,134)

Recipients who identify as a Māori business are most likely to be in construction; 32% of these businesses have some turnover from the tourism industry.

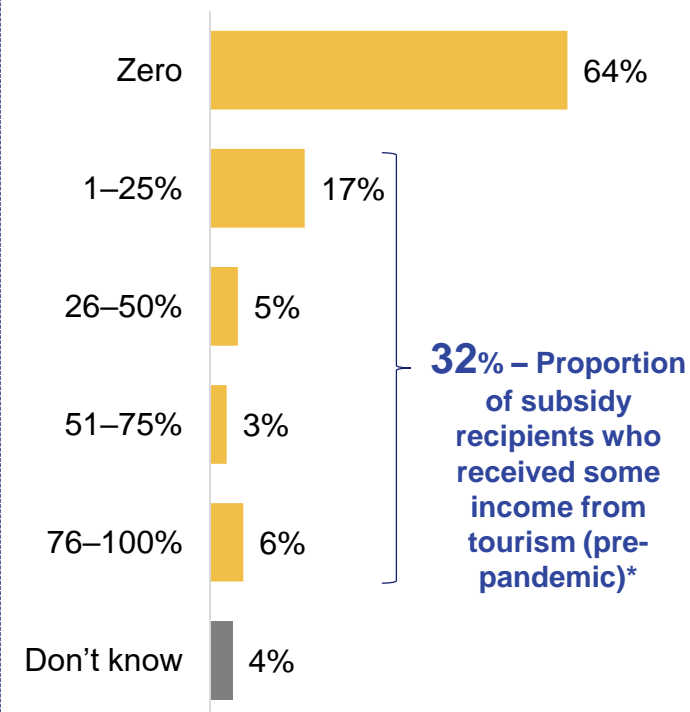
### Identify as a Māori business



### Industries of Māori businesses receiving wage subsidies



### Māori businesses: Proportion of turnover that came from tourism (pre-pandemic)



\*Note: Those who answered 'zero' or 'don't know' are excluded.

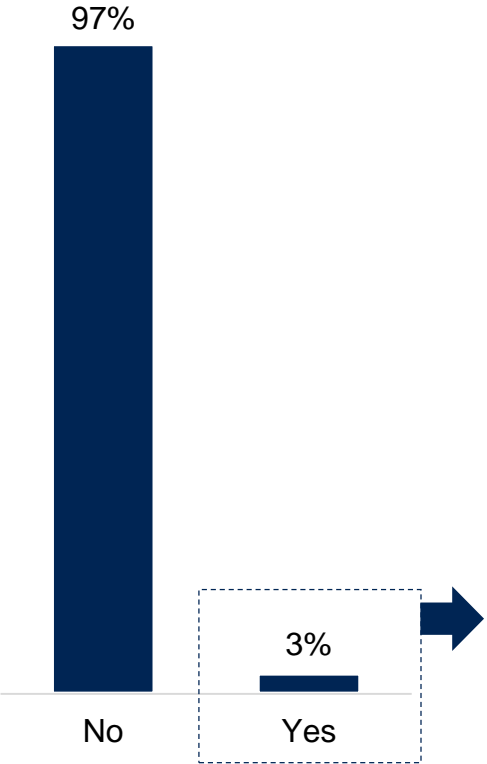
Māori businesses are slightly less likely to have received some income from tourism pre-pandemic (32%) compared with Pacific businesses (37%).

Qa6: Do you identify as a Māori business?

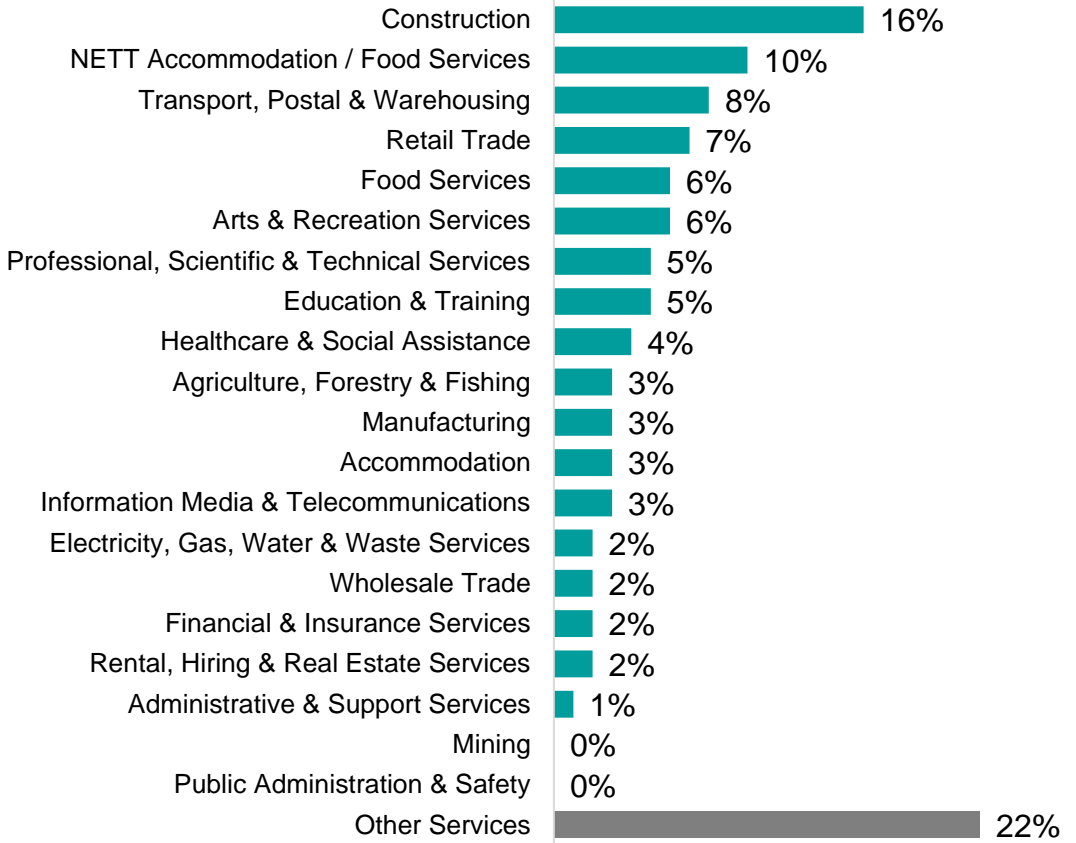
Base: Those who received the wage subsidy (n=90,134); Those who identify as a Māori business (n=3,222)

# 37% of businesses that identify as a Pacific business have some turnover from the tourism industry.

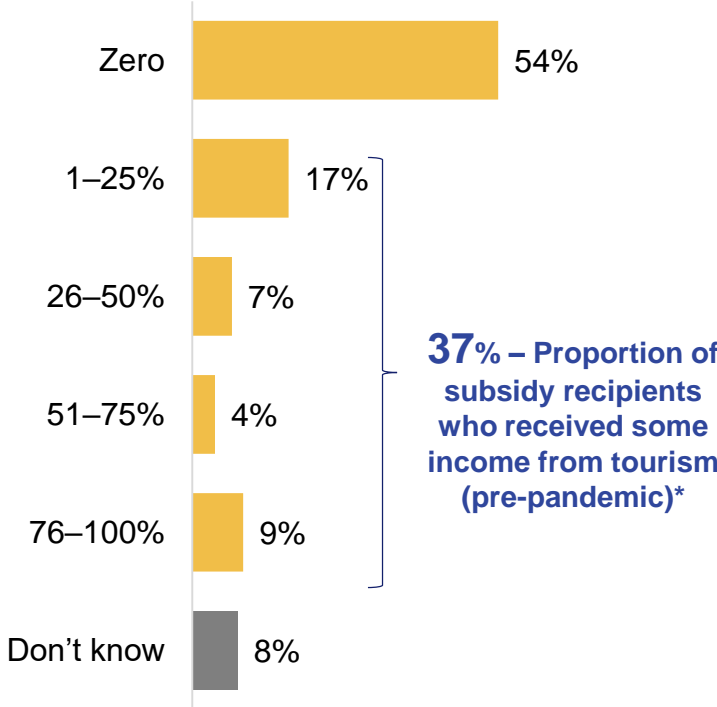
## Identify as a Pacific business



## Industries of Pacific businesses receiving wage subsidies



## Pacific businesses: Proportion of turnover that came from tourism (pre-pandemic)



\*Note: Those who answered 'zero' or 'don't know' are excluded.

Pacific businesses are more likely to have received some income from tourism pre-pandemic (37%) compared to Māori businesses (32%).

Qa7: Do you identify as a Pacific business?

Base: Those who received the wage subsidy (n=90,134); Those who identify as a Pacific business (n=2,757)

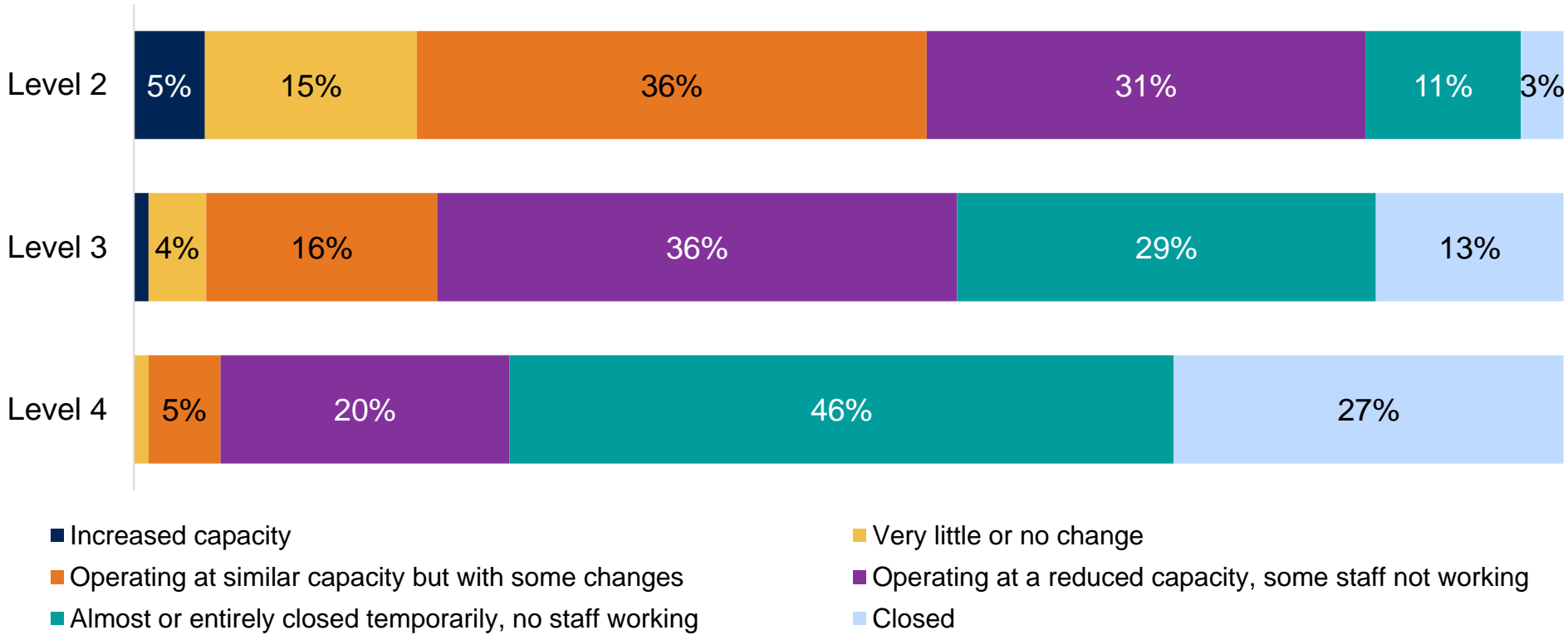
# THE BUSINESS IMPACT OF COVID-19

# 4



Although 27% of businesses reported closing during Level 4, only half that number were still closed in Level 3 and 3% in Level 2. This indicates a true closure level closer to 3% amongst Wage Subsidy survey respondents.

**Business operation during the various alert levels**



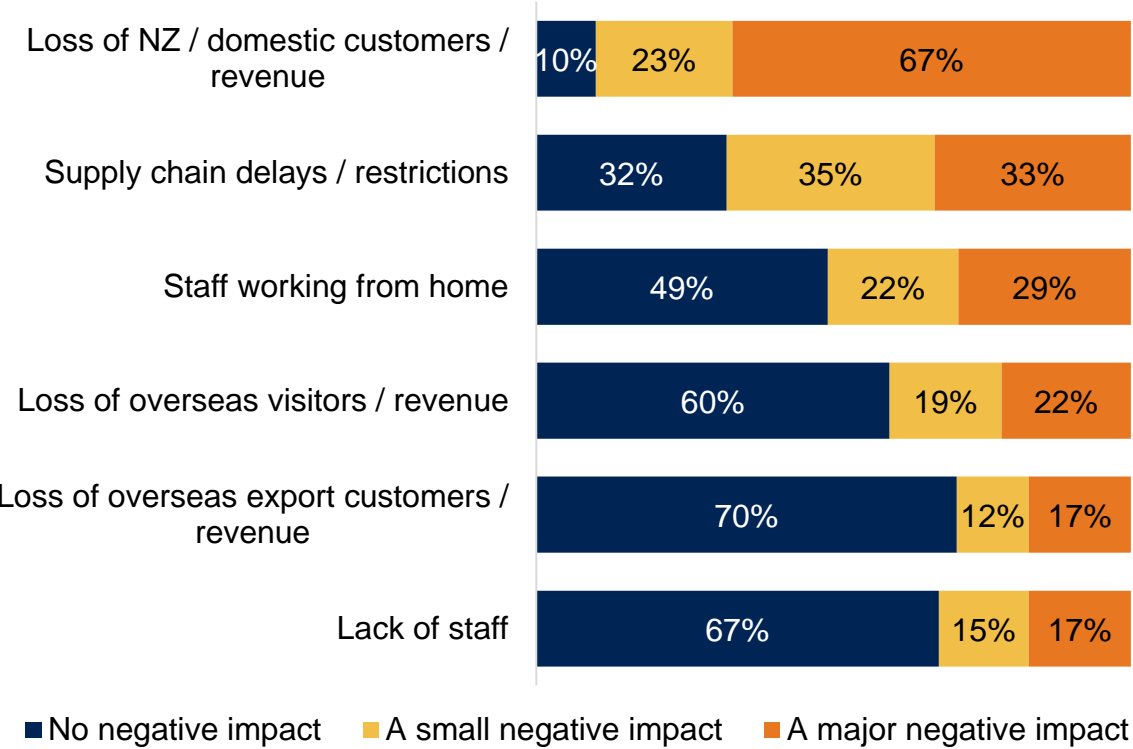
Businesses who closed during Level 4 were most likely to be in the construction sector (20% vs 15% total) and sole traders (43%). One third of these businesses received income from tourism (33% vs. 30% total).

**Qb1:** Which of the following best describes how your business operated, or expects to operate, during each lockdown level?

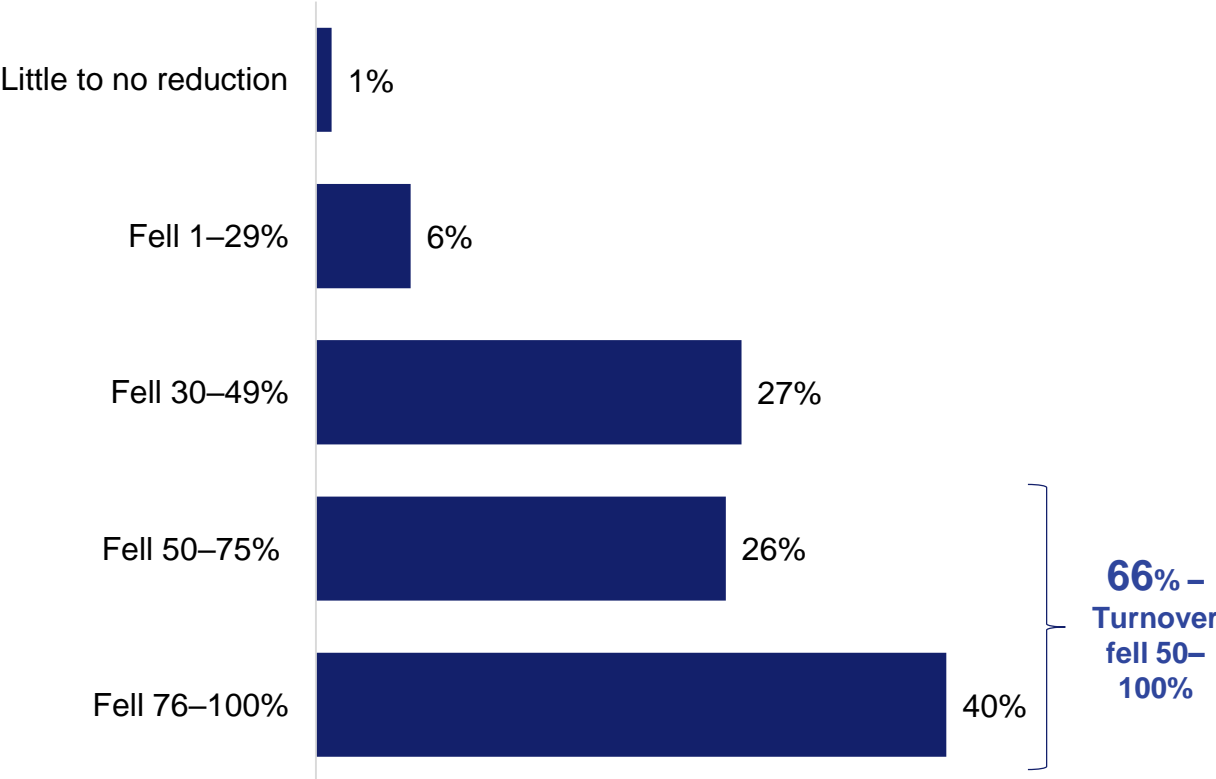
**Base:** Those who received the wage subsidy (n=90,134)

# The loss of domestic customers / revenue has had the greatest impact on financial performance; 66% of businesses report a turnover reduction of more than half.

**Factors affecting financial performance**



**% turnover reduction**

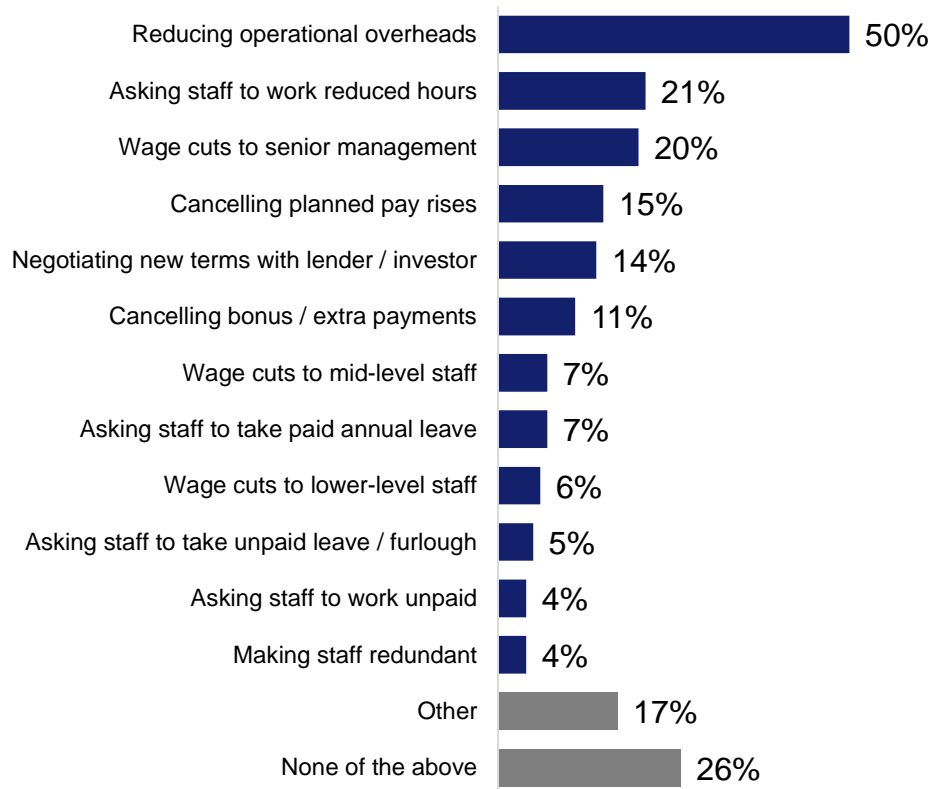


**Qb2:** Thinking about the last 1–2 months as COVID-19 has spread, how much has each of the following factors affected your business’s financial performance? / **Qb3:** Although wage subsidy applicants anticipated a turnover loss of at least 30%, how much do you think your turnover has actually fallen since COVID-19 started to spread?

**Base:** Those who received the wage subsidy (n=90,134)

Half of subsidy recipients cut costs by reducing operational overheads. Medium to large businesses were more likely than sole traders or small businesses to have used a majority of the cost cutting measures surveyed.

Cutting costs



Cutting costs, by firm size (staff)



**Qb4:** Which, if any, of the following has your business done to manage costs during this time? / **Qb5:** How many staff did your organisation make redundant?

**Base:** Those who received the wage subsidy (n=90,134); those who made staff redundant (n=3,373)

# MANAGING THE IMPACT OF COVID-19

# 5



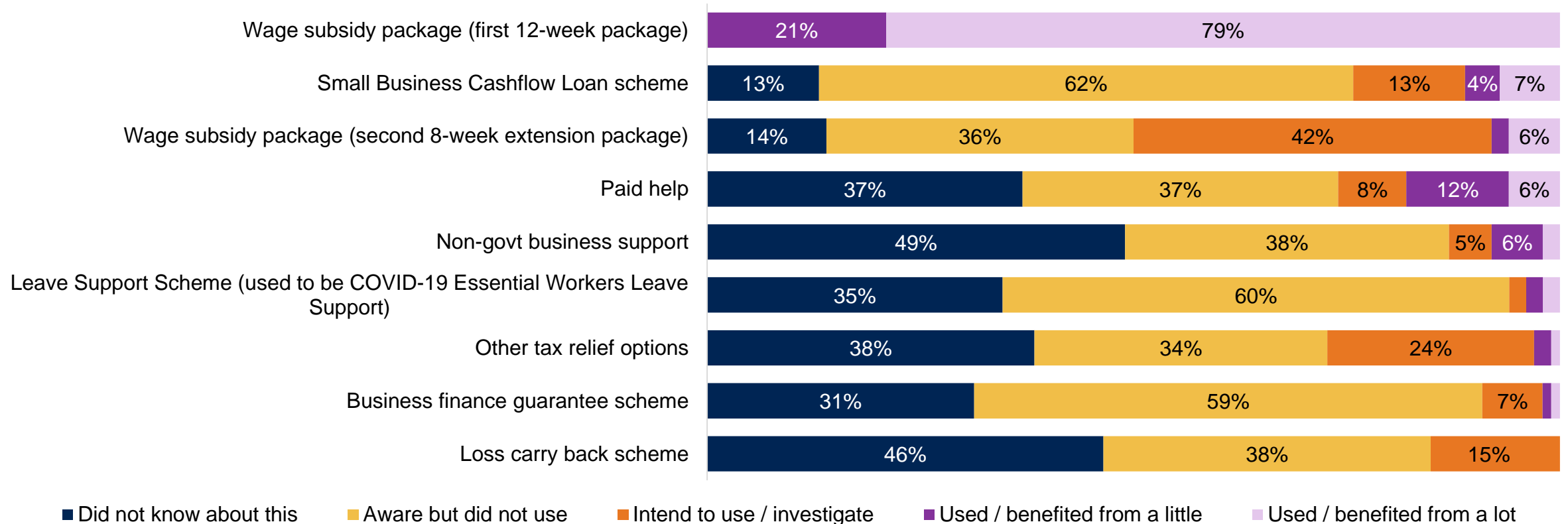
\$4,139.80
\$517.50
\$4,657.30
517.50
4,657.30





79% of recipients claim to have benefited from the wage subsidy *a lot*. Half also either intend to use / investigate the wage subsidy extension or already feel some kind of benefit from it.

### Initiatives used to help business

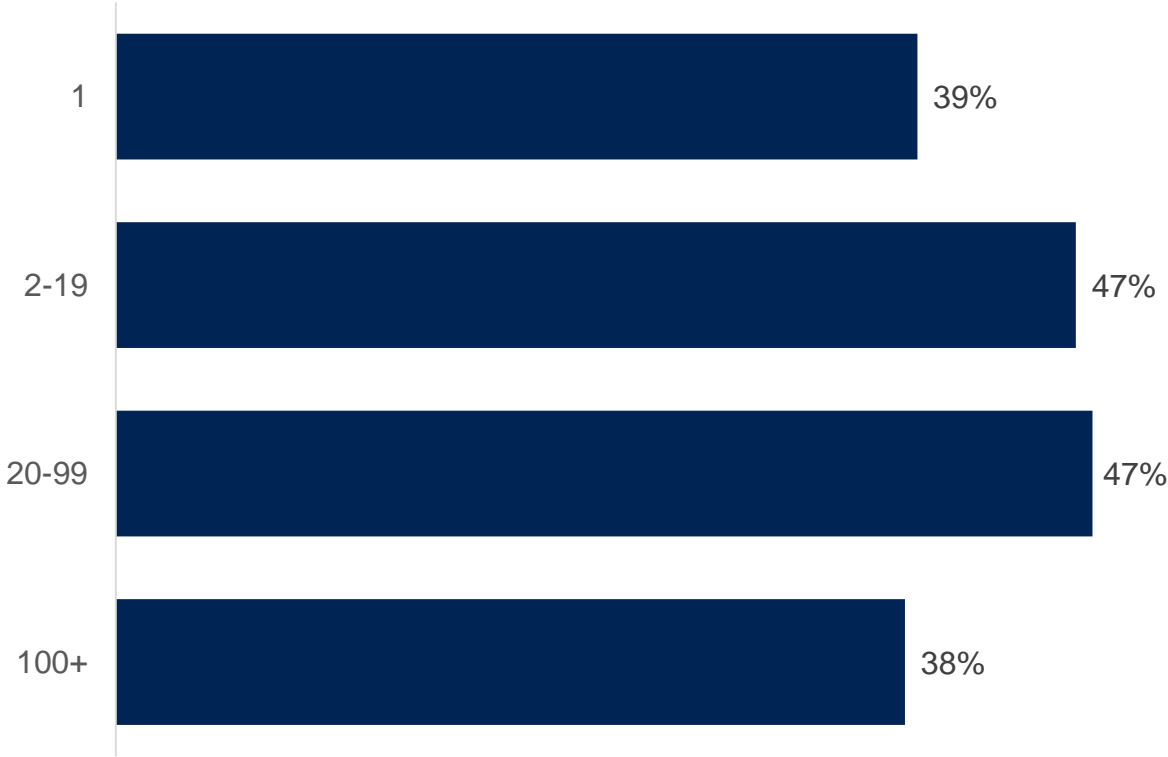


**Qb6:** Still thinking about the last few months as COVID-19 has spread, please indicate your use of each of the following initiatives intended to help businesses.

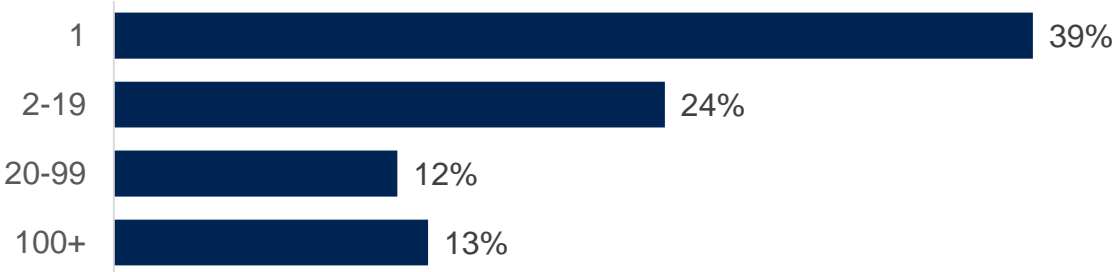
**Base:** Those who received the wage subsidy (n=90,134)

Small and medium sized businesses are more likely to report intending to use the Wage Subsidy extension, while sole traders and small businesses were less likely to be aware of the Business Finance Guarantee or the Leave Support schemes.

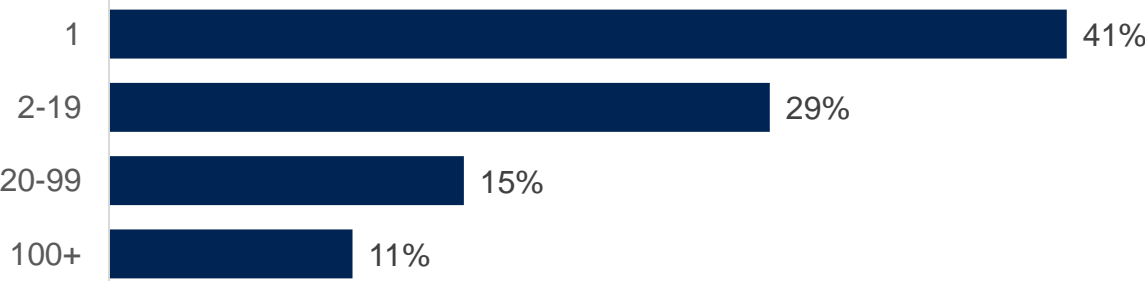
Percentage of businesses reporting that they intend to use the Wage Subsidy extension, by number of employees subsidised



Percentage of businesses reporting that they were not aware of the Business Finance Guarantee scheme, by number of employees subsidised

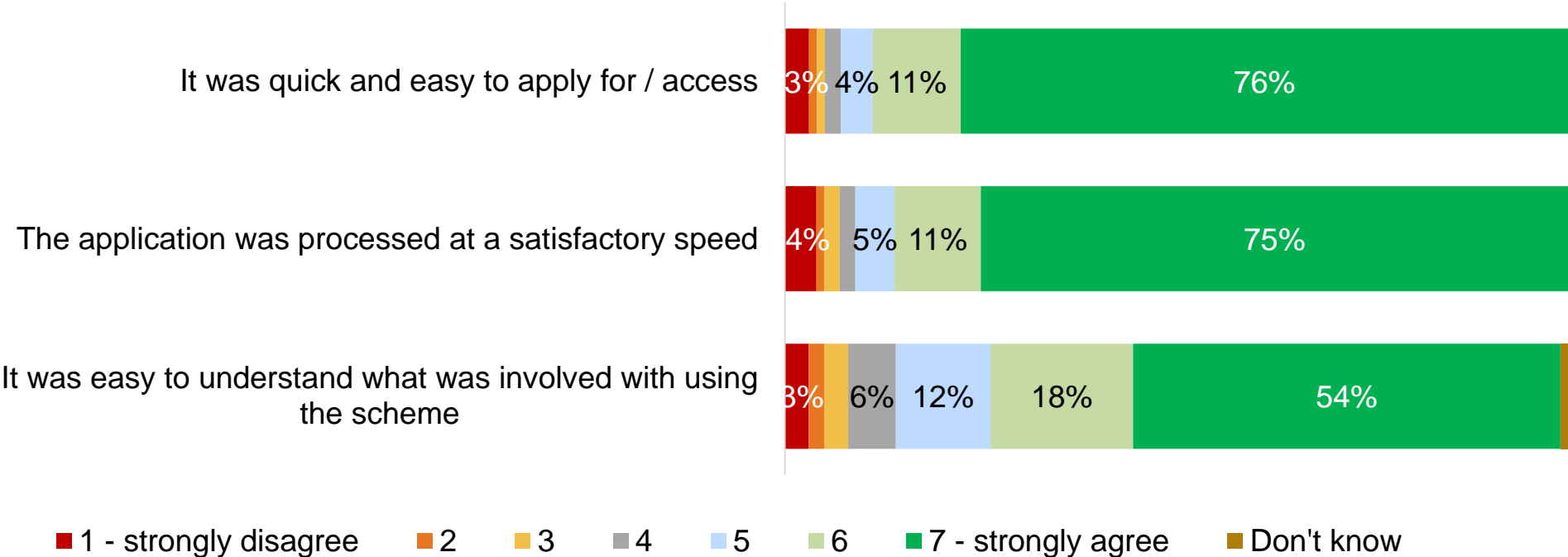


Percentage of businesses reporting that they were not aware of the Leave Support scheme, by number of employees subsidised



The majority of recipients strongly agree that the Wage Subsidy Scheme was easy to apply for & processed in a timely manner. However, there were some that felt they didn't understand what was involved with using the scheme.

**Wage Subsidy Scheme**



**Qb7:** To what degree do you agree or disagree with the following statements about the Wage Subsidy Scheme?

**Base:** Those who received the wage subsidy (n=90,134)

**27 –** Ipsos | Understanding Employers' Views of the NZ Wage Subsidy Scheme

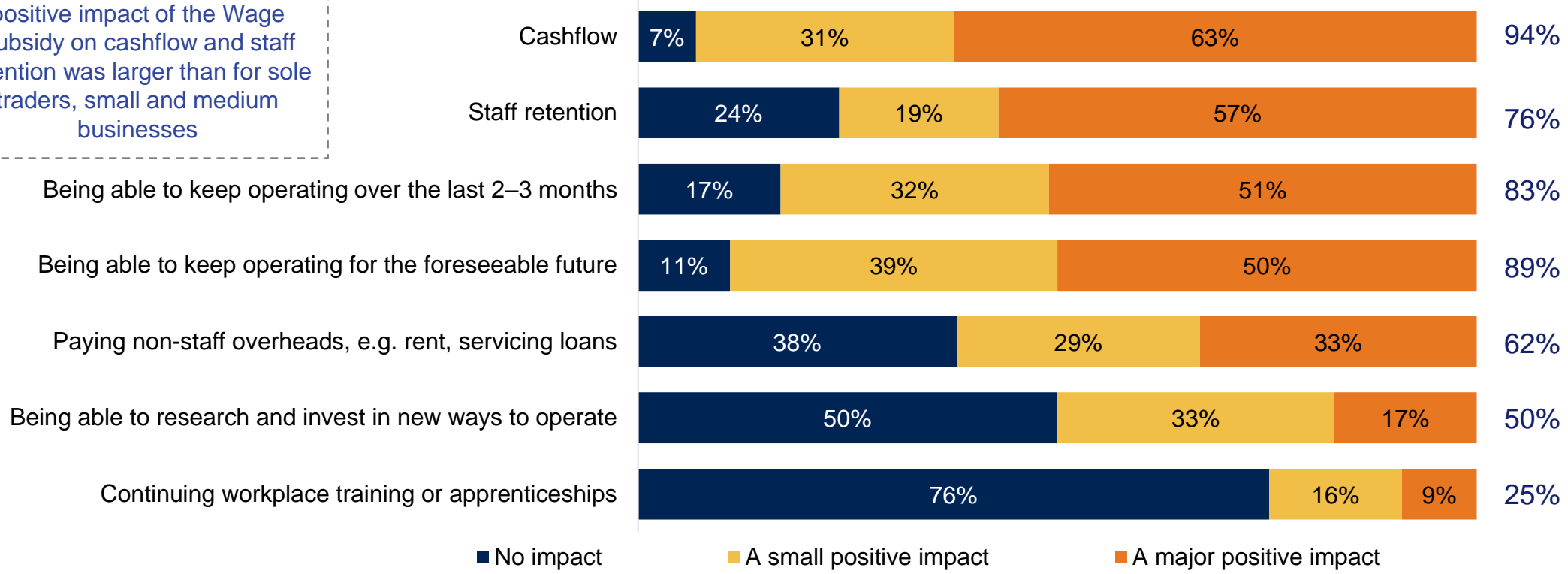
Source: MSD Wage Subsidy survey

# The Wage Subsidy Scheme has enabled businesses to manage cashflow, retain staff & continue operating. They were less likely to use the subsidy to continue workplace training / apprenticeships.

For large businesses, the major positive impact of the Wage Subsidy on cashflow and staff retention was larger than for sole traders, small and medium businesses

## Effects of the Wage Subsidy Scheme

**Total Positive Impact**  
(% small positive + major positive impact)

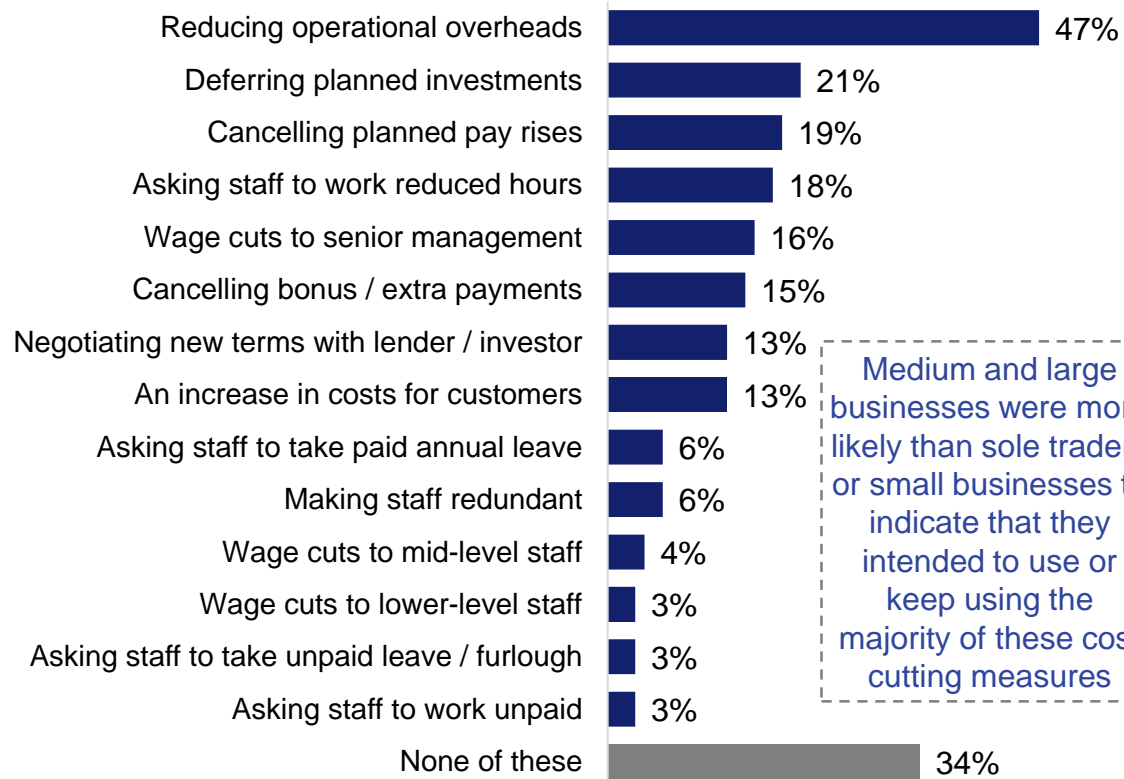


**Qc4:** Thinking about the effects of the Wage Subsidy Scheme on your business, to what extent has it helped with each of the following factors up to now?

**Base:** Those who received the wage subsidy (n=90,134)

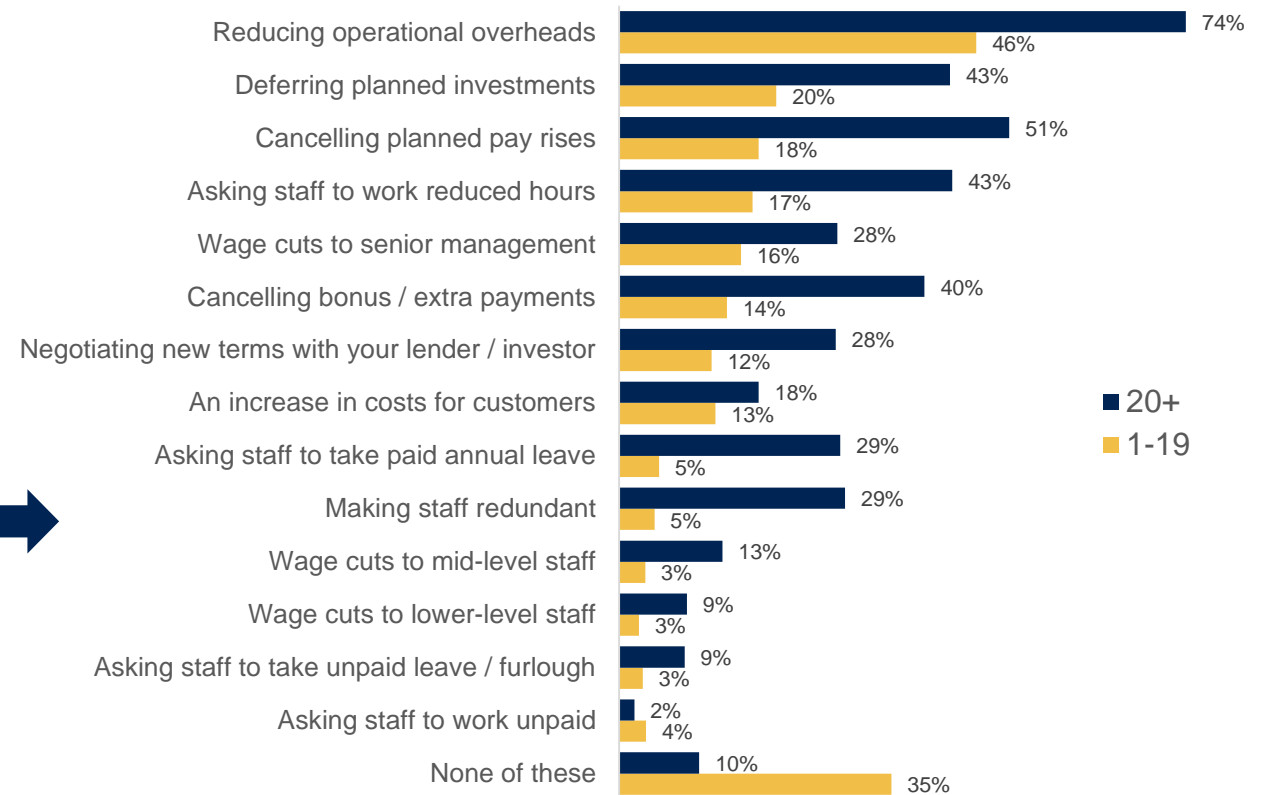
In future, just under half of the surveyed recipients intend to start or continue reducing operational overheads; 21% will defer planned investments.

### Cutting costs – start or keep doing over the next few months



Medium and large businesses were more likely than sole traders or small businesses to indicate that they intended to use or keep using the majority of these cost cutting measures

### Cutting costs – start or keep doing over the next few months, by business size (staff)



**Qc5:** The Wage Subsidy Scheme is currently set to be paid for 12 weeks and another 8 weeks for some businesses. Which, if any, of the following do you expect to start or keep doing over the next few months?

**Base:** Those who received the wage subsidy (n=90,134)