



# Report

**Date:** 29 July 2021

**Security Level:** IN CONFIDENCE

**To:** Hon Grant Robertson, Minister of Finance

Hon Carmel Sepuloni, Minister for Social Development and Employment

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## **Wage Subsidy Schemes evaluation drawdown from the COVID-19 Response and Recovery Fund**

### **Purpose of the report**

- 1 This paper provides you with an update and overview of the evaluation work programme for the COVID-19 Wage Subsidy schemes, including timeframes for deliverables, and requests the drawdown of \$1 million from the COVID-19 Response and Recovery Fund to support the work programme.

### **Executive summary**

- 2 Cabinet authorised the Minister of Finance and the Minister for Social Development and Employment to drawdown up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) to undertake an evaluation of the COVID-19 Wage Subsidy (WS) schemes<sup>1</sup>. Officials have developed a high-level evaluation approach, documenting the objectives of the evaluation, key evaluation questions, planned procurement of evaluation activities, and timeframes for deliverables. To achieve the evaluation objectives, a process evaluation and an outcome evaluation will be conducted.
  - A **process evaluation** provides information on whether an initiative has been implemented as intended.
  - An **outcome evaluation** measures the results of an initiative and determines whether intended outcomes were achieved.
- 3 Officials are now ready to procure external suppliers to complete a process and outcome evaluation. Supplier(s) of the process evaluation will be expected to complete a chronology of the decisions made in relation to the WS schemes, fieldwork, analysis, and final reporting. Supplier(s) of the outcome evaluation will be expected to: complete a stocktake of existing evidence on outcomes of the WS, examine whether the WS was effective in meeting its objectives, and complete a cost-effectiveness analysis of the WS in light of the outcomes achieved, as well as a findings report.

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<sup>1</sup> Includes the COVID-19: Wage Subsidy scheme, Wage Subsidy Extension, Resurgence Wage Subsidy, and Wage Subsidy March 2021 scheme.

- 4 Officials are seeking your agreement to drawdown \$1 million from the CRRF for the purposes of procuring suppliers. Officials aim to provide a final report on the process evaluation findings in July 2022, and outcome evaluation findings in December 2022. However, officials will provide you with interim findings ahead of these timeframes.

### Recommended actions

It is recommended that you (the Minister of Finance and the Minister for Social Development and Employment):

- 1 **note** that the Office of the Auditor General (OAG) recommended that the Ministry of Social Development (MSD), Inland Revenue (IR), Ministry of Business, Innovation and Employment (MBIE), and The Treasury (TSY) carry out a timely evaluation of the development, operation and impact of the Wage Subsidy schemes and use the findings to inform preparation for future crisis-support schemes,
- 2 **note** that Cabinet authorised you the Minister of Finance and the Minister for Social Development and Employment to drawdown up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) to undertake an evaluation of the Wage Subsidy March 2021 and previous Wage Subsidy schemes [CAB-21-MIN-0043, refers],
- 3 **note** that Cabinet also noted that officials will report separately to you on the details of an evaluation of the schemes [CAB-21-MIN-0043, refers],
- 4 **note** that MSD, IR, MBIE and TSY officials are planning an evaluation of the Wage Subsidy schemes. A high-level evaluation approach has been developed, documenting the objectives of the evaluation, key evaluation questions, planned procurement of evaluation activities, and timeframes for deliverables,
- 5 **note** that a cross-agency steering group, which includes representatives from MSD, IR, MBIE, and TSY, and an independent advisor has been formed and has endorsed the high-level evaluation approach,
- 6 **agree** to drawdown \$1 million from the CRRF for the purposes of undertaking an evaluation of the Wage Subsidy schemes.

**agree / disagree**

Minister of Finance

**agree / disagree**

Minister for Social  
Development and  
Employment

- 7 **approve** the following changes to appropriations to provide for the decision in recommendation 6 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses: Data, Analytics and Evidence Services (funded by revenue Crown)	1.000	-	-	-	-

**agree / disagree**  
Minister of Finance

**agree / disagree**  
Minister for Social  
Development and  
Employment

- 8 **agree** that the proposed changes to appropriations for 2021/22 above, be included in the 2021/22 Supplementary Estimates and that in the interim, the increase be met from Imprest Supply.

**agree / disagree**  
Minister of Finance

**agree / disagree**  
Minister for Social  
Development and  
Employment

- 9 **agree** that the expenses incurred under recommendation 7 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

**agree / disagree**  
Minister of Finance

**agree / disagree**  
Minister for Social  
Development and  
Employment

- 10 **note** that expenditure is expected to occur across 2021/22 and 2022/23 but for simplicity funding will be drawn down to the current financial year and MSD will seek to rephase this later as required.

*RP R Skerter*

Rob Hodgson  
Group General Manager  
Insights, Ministry of Social Development

*30 July 2021*

Date

Hon Grant Robertson  
Minister of Finance

Date



Hon Carmel Sepuloni  
Minister for Social Development and  
Employment

*2/8/21*

Date

RELEASED UNDER THE OFFICIAL INFORMATION ACT

## Background

- 5 In May 2020, the Office of the Auditor General (OAG) recommended that the Ministry of Social Development (MSD), Inland Revenue (IR), the Ministry of Business, Innovation and Employment (MBIE), and The Treasury (TSY) carry out a timely evaluation of the development, operation and impact of the WS schemes and use the findings to inform preparation for future crisis-support schemes.<sup>2</sup>
- 6 Cabinet also authorised you to drawdown up to \$1 million from the COVID-19 Response and Recovery Fund (CRRF) to undertake an evaluation of the Wage Subsidy March 2021 and previous WS schemes, and noted that officials will report separately to you on the details of an evaluation of the schemes [CAB-21-MIN-0043 refers].

## Officials have commenced work on an evaluation of the Wage Subsidy schemes

- 7 A cross-agency steering group, comprising officials from MSD, IR, MBIE, and TSY, has been established to provide high-level oversight and decision making on the evaluation scope and implementation, and to provide guidance on how the evaluation could inform on-going policy work, and other similar economic responses.
- 8 A high-level evaluation approach has been developed by a cross-agency working group and approved by the steering group. This approach documents the objectives of the evaluation, key evaluation questions (**appendix one**), planned procurement of evaluation activities, and timeframes for deliverables.
- 9 The overall purpose of this evaluation is to understand the development, operation, and wider effects of the WS schemes in order to inform preparation for future crises where a similar scheme might be needed. The key objectives of the evaluation include:
  - 9.1 understanding how well the schemes were implemented over time,
  - 9.2 identifying the extent to which the intended outcomes of the schemes were achieved in the short and medium-term for recipient employers and employees,
  - 9.3 identifying the lessons for policy design and delivery of future support schemes responding to economic crises.
- 10 The evaluation will not revisit the work of the OAG on agency performance and scheme integrity; however, it will aim to address the recommendations set out in that report.

## We will engage with other agencies, Māori, New Zealand Council of Trade Unions, and Business NZ during this evaluation

- 11 The evaluation will be led by MSD, in partnership with TSY, IR and MBIE.
- 12 The high level evaluation approach will be reviewed in a MSD Wānanga session to identify how the evaluation will reflect the commitments of each agency as Te Tiriti o Waitangi partners, and how the evaluation will consider the extent to which the WS

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<sup>2</sup> Recommendation 5, Office of the Auditor General New Zealand: Management of the Wage Subsidy Scheme 2021

schemes supported success in key Te Pae Tata (MSD's Māori Strategy and Action Plan) focus areas.

- 13 Successful suppliers will be expected to specify how they will engage with and measure outcomes for Māori in their evaluation plans; specifically how their evaluation design will allow for an exploration of Te Pae Tata focus areas. Performance measures will also be included in the contractual agreements with suppliers to ensure they have complied with their plans.
- 14 Officials will discuss the planned evaluation with the New Zealand Council of Trade Unions and Business New Zealand.
- 15 Officials also plan to discuss the planned evaluation with Government officials in Australia and the United Kingdom, to compare our approach with their equivalent Wage Subsidy schemes.

### **The evaluation will include a process and outcome evaluation**

- 16 To achieve the evaluation objectives, both a process evaluation and an outcome evaluation of the WS will be conducted.
  - A **process evaluation** provides information on whether an initiative has been implemented as intended.
  - An **outcome evaluation** measures the results of an initiative and determines whether intended outcomes were achieved.
- 17 It is anticipated that up to a third of the money available for evaluation from the CRRF will be used for the process evaluation component, and all remaining funding used for the outcome evaluation.
- 18 Suppliers responsible for each evaluation component will be expected to work closely to develop a comprehensive evaluation plan, identify the intervention logic(s) underpinning the WS schemes, and develop evaluation success criteria.
- 19 Suppliers of the process evaluation will be expected to provide a chronology of the different decisions made in relation to the WS schemes, and to complete fieldwork, analysis, and final reporting for the process evaluation. Suppliers of the outcome evaluation will be expected to complete a stocktake of existing evidence on outcomes of the WS schemes, an outcome evaluation examining whether the WS schemes were effective in meeting their objectives, and a cost-effectiveness analysis of the WS schemes in light of the outcomes achieved.

### **A process evaluation report can be expected in July 2022 and an outcome evaluation report towards the end of 2022**

- 20 Officials aim to provide you with:
  - a final report on the process evaluation findings in July 2022;
  - a final report on the outcome evaluation findings in December 2022.
- 21 Officials will provide you with interim findings ahead of these timeframes as they become available, in order to support other work on economic supports in response to COVID-19.
- 22 The process evaluation involves a combination of qualitative interviews and focus groups with key stakeholders. The outcome evaluation will include quantitative analysis of monitoring and linked administrative data in the integrated data infrastructure (IDI), requiring more time as reflected in the estimated delivery date of the end of 2022.
- 23 We aim to provide you with a final report synthesising the process and outcome evaluation findings in March 2023. This will be made publicly available.

## **Officials are ready to draw down funds as part of the procurement process**

- 24 Officials are now ready to draw down funds to procure suppliers to complete the evaluation work.
- 25 In-line with Cabinet's authorisation for you to drawdown up to \$1 million from the CRRF, officials are now seeking your agreement to drawdown \$1 million for the purposes of procuring suppliers.
- 26 Any underspend from the \$1 million in the 2021/2022 Financial Year will be utilised for the evaluation work in the 2022/2023 Financial Year.

## **Next steps**

- 27 Upon your agreement to drawdown \$1 million from the CRRF, officials will move to procure suppliers to complete the evaluation work.
- 28 Officials will provide you with key deliverables such as the interim findings reports from the process and outcome evaluations. A process evaluation report can be expected in July 2022 and an outcome evaluation report towards the end of 2022 however, officials will provide you with interim findings ahead of these timeframes.
- 29 The findings of the evaluation will help inform further work on the WS scheme, or future WS schemes, including any crisis provisions developed for the proposed Social Unemployment Insurance scheme.

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## **Appendix one: key evaluation questions**

- 1 The process and outcome evaluations will include a separate set of key questions to ensure that the objectives are met.

### **Process evaluation questions**

- 2 How well did the WS scheme policy development process work given the crisis context, time, and resource constraints?
- 3 How well was the WS scheme implemented over time and how well were risks managed during implementation?

### **Outcome/impact evaluation questions**

- 4 To what extent did the WS scheme reach the intended people and businesses?
- 5 To what extent did the WS scheme support employment attachment, business survival/resilience, employee income and other key outcomes in the short and medium term?
  - How were these outcomes distributed across different population groups, firms, sectors, industries, and regions?
  - What was the value for money of the WS scheme?
- 6 What (if any) were the unintended outcomes/consequences/risks of the WS scheme?

### **Summary evaluation questions**

- 7 To what extent were the WS scheme eligibility criteria and rules “about right” in the context of the high-pressure policy development process and existing infrastructure?
- 8 What are the lessons for the policy design and delivery of future schemes like the WS scheme?