MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Report

Date: 1 September 2020 **Security Level:** IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development

COVID-19 New Zealanders Stranded Overseas Support Programme – seeking agreement to extend

Purpose of the report

1 This report seeks your direction on:

- a proposal to extend the COVID-19 New Zealanders Stranded Overseas Support Programme (the NZSOS Programme).
- s 9(2)(f)(iv) OIA [redacted]

2 If you agree to extend the NZSOS Programme, this report will be part of a series of papers to implement this decision, including:

- a paper to Cabinet, which will signal your intention to extend the NZSOS Programme and seek agreement to make a fiscally neutral adjustment totalling $29.989 million to support this extension.
- a subsequent paper to you, which will provide you with the amended programme for your approval and signature.

3 MSD officials are currently working with your office on the timing of these papers.

Executive summary

4 The NZSOS Programme was established as part of MSD's response to COVID-19. Commencing on 20 April 2020, the programme enabled continued or resumed benefit[1] and pension[2] payments to clients who were stranded overseas as a result of the pandemic. The programme is due to expire on 20 October 2020.

5 There is ongoing demand for the support the programme provides. More than one thousand MSD clients remain overseas as a result of COVID-19, and travel options to return to New Zealand are very limited. Action is being taken by Government to ensure the number of people arriving in to the country does not exceed the capacity of managed isolation and quarantine (MIQ) facilities, which is further impacting the availability and affordability of return flights.

6 These factors are preventing many of the clients currently overseas from returning to New Zealand before the NZSOS Programme expires on 20 October 2020. Many of MSD's international counterparts are continuing to provide some form of financial

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[1] Main benefit or supplementary assistance.

[2] New Zealand Superannuation or Veteran's Pension.

assistance to their overseas clients who are impacted by the pandemic, further supporting more enduring support being provided to MSD's clients stranded abroad.

7 Based on these considerations, MSD officials recommend that you extend the NZSOS Programme. An extension would provide certainty to clients about their benefit and pension payments, while they make plans to return to New Zealand. From a welfare protection point of view, this improved certainty is particularly important as many of the clients stranded abroad rely on MSD for their income.

8 We recommend a six-month extension of the NZSOS Programme. This period of extension is preferable because it facilitates payment certainty for clients, while considering the impact of peak operational periods for MSD's service delivery staff. This period of extension mitigates the need for further Cabinet decisions being required on this matter in the short-term, and gives officials time to consider the future impact of the pandemic on clients stranded abroad. s 9(2)(f)(iv) OIA [redacted] A longer extension period is not recommended until there is greater clarity about the likely future need for support under the programme.

9 At this stage, we don't recommend changing the content of the programme. The extended programme would commence on 21 October 2020 and expire on 27 April 2021.[3]

10 A fiscally neutral adjustment of $29.989 million will be required to implement a programme extension. The adjustment would increase the amount of funding available in the *New Zealand Beneficiaries Stranded Overseas* appropriation, to support ongoing payments being made under the programme from this appropriation. Cabinet's approval is needed to make this fiscally neutral adjustment.[4] Pending your decision on the proposed programme extension, we will prepare a Cabinet paper signalling your intention to extend the programme and seeking Cabinet's approval to make the required adjustment.

11 At least four weeks will be required to operationalise a decision on the future of the NZSOS Programme. This will include communicating the decision to impacted clients (which will need to start from Monday, 21 September 2020) and taking action to end or extend payments to reflect the decision. As a result, we are seeking your direction, and confirmation of funding from Cabinet, by Friday 18 September 2020 at the latest.

12 s 9(2)(f)(iv) OIA [redacted]

13 Officials will work with your office to clarify timing and which committee will consider the Cabinet paper related to this programme extension. Following Cabinet's decision, we will provide you with a further report, enclosing the amended NZSOS Programme

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[3] If extended, the programme will expire on 27 April (rather than 21 April) 2021 for operational reasons – to align with pay periods for New Zealand Superannuation.

[4] Note that while the Minister of Finance and Minister for Social Development are jointly authorised to approve demand-driven forecast adjustments in the *New Zealand Beneficiaries Stranded Overseas* appropriation, this does not cover adjustments necessitated by changes in policy (e.g. a programme extension).

for your approval and signature. That final report will outline relevant next steps to establish the amended programme.

Recommended actions

It is recommended that you:

1 **note** that on 17 April 2020 you approved and signed the COVID-19 New Zealanders Stranded Overseas Support Programme, which commenced on 20 April 2020 and is due to expire on 20 October 2020

2 **note** that there is ongoing need for the support provided by the COVID-19 New Zealanders Stranded Overseas Support Programme, with more than one thousand MSD clients still stranded abroad, and limited travel options available to return to New Zealand

3 **note** that we recommend extending the COVID-19 New Zealanders Stranded Overseas Programme for a further six months and six days, to 27 April 2021

4 **agree** to extend the COVID-19 New Zealanders Stranded Overseas Programme for six-months and six-days, expiring on 27 April 2021

Agree / Disagree

5 **note** that a fiscally neutral adjustment in the *New Zealand Beneficiaries Stranded Overseas* appropriation is required to implement an extension of the COVID-19 New Zealanders Stranded Overseas Support Programme

6 **note** that if you decide to extend the programme you will need to seek Cabinet's approval to make the adjustment noted in recommendation 5

7 **note** that, pending your decision to extend the programme, and Cabinet's agreement to make the adjustment in recommendation 5, we will provide you with an amended programme for approval and signature

8 **note** that some of our overseas clients will continue to be ineligible to receive support under the COVID-19 New Zealanders Stranded Overseas Support Programme, or under existing policy settings that enable overseas payments of benefits and pensions

9 s 9(2)(f)(iv) OIA [redacted]

Agree / Disagree

______________________________ ______________

Julia Bergman
General Manager
Disability, Seniors and International Policy

Date

______________________________ ______________

Hon Carmel Sepuloni
Minister for Social Development

Date

The NZSOS Programme ensures overseas clients are supported during the pandemic

Prior to the introduction of the NZSOS Programme, existing settings provided payment of New Zealand benefits and pensions to some clients overseas

14 These existing settings enable offshore payment of New Zealand benefits and pensions in several situations, including to:

- **MSD clients temporarily travelling overseas (absence provisions).** Statutory absence provisions enable payment of pensions for up to 26 weeks and benefits for up to 28 days. [5] MSD has discretion to extend payments beyond these specified periods in certain circumstances.
- **MSD clients travelling abroad for longer periods, or residing in non-agreement countries (portability provisions).** Clients can apply (usually before leaving New Zealand) to receive portable pension payments. Proportional payments[6] can continue on an open-ended basis, if the client continues to be eligible and is not in a country with which New Zealand has a reciprocal social security agreement. [7]
- **MSD clients residing overseas in agreement countries (reciprocal social security agreements).** New Zealand has a network of reciprocal social security agreements which enable New Zealanders to get certain benefits or pensions when residing in agreement countries, if they meet certain eligibility criteria.[8]

Existing settings support many MSD clients stranded abroad as a result of COVID-19

15 While existing payment settings enable continued payment of New Zealand benefits and pensions to overseas clients in several circumstances, they do not extend to cover all of the situations clients have found themselves in as a result of COVID-19 restrictions.

16 An example is a client who may have been temporarily travelling overseas before the pandemic hit, who has now been out of the country for longer than 26 weeks, and who finds themselves stranded in a country with which New Zealand has a reciprocal social security agreement. Without the NZSOS Programme, continued benefit or pension payments would be unlikely for this client because:

- they have exceeded allowed periods of absence – the client has been outside of New Zealand for longer than 26 weeks;
- they cannot, on the face of it, apply for portable payments - the portability provisions do not apply to people in agreement countries; and
- they cannot rely on the reciprocal social security agreement to receive support - the client wouldn't be considered ordinarily resident, or present long term, in the agreement country. The agreement would therefore not apply to them.

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[5] Refer to section 219 of the Social Security Act 2018.

[6] Payments are proportional, based on periods of working age residency in New Zealand.

[7] E.g. refer to section 26 of the New Zealand Superannuation and Retirement Act 2001, which provides for overseas payment of New Zealand Superannuation.

[8] New Zealand currently has a social security agreement with Australia, Canada, Denmark, Republic of Ireland, Jersey and Guernsey, Greece, Malta, Netherlands and the United Kingdom.

17 Outside of the NZSOS Programme, there is also no mechanism to resume payments for clients stranded abroad, whose usual payments were suspended due to their absence.

18 s 6(a) OIA [redacted]

The NZSOS Programme provides support to more MSD clients stranded offshore during the pandemic

19 The NZSOS Programme provided a temporary solution to meet the needs of clients who were stranded abroad due to COVID-19, particularly those who are not eligible to receive continued payments under current policy settings, previously discussed.

20 The Programme came into force on 20 April 2020,[10] and has enabled continued or resumed payments to eligible recipients of:

- New Zealand Superannuation (NZS)
- Veteran's Pension (VP)
- Main benefits; and
- Supplementary assistance.[11]

21 To be eligible for support under the Programme, an applicant needed to:

- have left New Zealand prior to 26 March 2020;
- be entitled to, and be receiving, the relevant benefit or pension immediately prior to departing New Zealand;
- continue to be eligible to receive the relevant benefit or pension, but for their absence from New Zealand;
- be ordinarily resident in New Zealand (i.e. hasn't started residing overseas permanently); and
- be unable to return to New Zealand because there are no reasonable travel options available due to COVID-19.

22 If clients were overseas and receiving one of the abovementioned benefits or pensions as at 20 April 2020, their payments were automatically continued by MSD under the programme, from the date their payments would have stopped due to their absence. Clients were contacted to confirm the action taken, the conditions under which payments could continue and the obligation to tell MSD about a change in their circumstances.

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[9] This information is current as at 21 August 2020 and 25 August 2020, respectively.

[10] This Ministerial Welfare Programme was established under section 101 of the Social Security Act 2018.

[11] Supplementary assistance is defined in the NZSOS Programme as Accommodation Supplement, Child Disability Allowance, Disability Allowance, Orphan's Benefit, Special Benefit, Special Disability Allowance, Temporary Additional Support, Unsupported Child's Benefit, Winter Energy Payment, and support paid under specified Ministerial Welfare Programmes and Regulations.

23 Clients whose payments had recently stopped because of their absence from New Zealand were contacted by MSD to inform them that they may be eligible for payment under the programme, and information about how to apply for this support was provided. Payments resumed from the date a recipient expected to return to New Zealand, or earlier if they could demonstrate they were experiencing hardship. Payments made under the NZSOS Programme are equivalent to the rate of payment the recipient would be entitled to receive if they were in New Zealand. The conditions of payment were also communicated to these clients, as outlined in the previous paragraph.

24 Eligibility for payment under the NZSOS programme is ongoing until clients provide information that indicates they are no longer eligible, or they return to New Zealand. Data matching between MSD and Customs New Zealand is used to determine which clients have managed to return to New Zealand, and which clients remain overseas.

25 Clients were again contacted in July 2020 to reiterate the programme's eligibility criteria and to again prompt clients to contact MSD if their circumstances have changed (e.g. something has changed that means they are no longer eligible for their relevant payment, or they no longer intend to return to New Zealand).[12]

26 The NZSOS Programme is due to expire on 20 October 2020.

Payments made under the NZSOS Programme are fiscally neutral

27 A new demand-driven Benefit or Related Expense appropriation *New Zealand Beneficiaries Stranded Overseas* was established to make payments under the programme. Payments made under the programme are cost neutral – the increased cost of paying overseas clients is offset by a corresponding saving in domestic payments.

Latest information available indicates that there are still MSD clients stranded abroad due to COVID-19

28 The following table provides information about New Zealanders stranded overseas because of COVID-19, comparing the information that was available in April 2020 (when officials reported to Ministers about options to provide financial assistance to people offshore) with currently available information in August 2020.

Table 1: information about number of New Zealanders and MSD clients overseas during the COVID-19 pandemic

	As at 30 April 2020	As at 31 August 2020
New Zealanders registered on SafeTravel	23,331 [13]	21,280[14]
MSD clients overseas with current and suspended payments, who left prior to 26 March 2020	7,243 5,165 pensioners and 2,078 beneficiaries	4,083 3,286 pensioners and 797 beneficiaries

[12] This July correspondence was sent to clients who were receiving payments under the Programme in July 2020, who we had email addresses for. As a result, some clients whose payments are being made under the Programme may not have been communicated with as part of this correspondence.

[13] This is the number of New Zealanders registered on SafeTravel as at 29 March 2020.

[14] As at 25 August 2020.

MSD clients receiving benefit or pension payments under the statutory absence or portability provisions	4,093	1,482
MSD clients receiving benefit or pension payments under the NZSOS Programme	224 137 pensioners and 87 beneficiaries	1,668 1,542 pensioners and 126 beneficiaries
MSD clients not receiving payment (e.g. payments suspended, no longer qualify, didn't apply for support under the NZSOS Programme etc)	2,926	933
Payment amount under the NZSOS Programme	$6.8m for the month ending 31 May 2020 $0.6m under the programme, $6.2m under statutory provisions	$6.9m for the month ending 31 August 2020 $2.2m under the programme, $4.7m under statutory provisions

A recent MSD survey tells us that most of the clients stranded abroad intend to return home as soon as possible, but options to return are limited

29 In July 2020, we surveyed 1,876[15] overseas clients to gauge ongoing demand for the NZSOS Programme and determine whether overseas clients intend to, and are actively trying to, return home.

30 Survey questions asked clients whether or not they remain stranded overseas due to COVID-19 and, if so, in what country. Clients were also asked whether they intend to return to New Zealand as soon as they are able, including questions about intended return dates and flight bookings.

31 We received 727 responses to the survey (39 percent of clients contacted). The responses received indicate that there is an ongoing need for the support provided by the NZSOS Programme, with a significant proportion of respondents still stranded overseas without practical arrangements to return to New Zealand.

32 The following provides an overview of the 727 survey responses received:

- **The majority of the 727 respondents said they were still stranded overseas** – 596 (or 82 percent of) respondents considered themselves to be stranded overseas due to COVID-19. The remainder (131 respondents) said they were no longer stranded overseas (eg may have returned to New Zealand since we last received information from Customs, or had decided to reside abroad more permanently).[16]
- **Almost half of the 596 respondents stranded abroad are in Australia** – 292 (or 49 percent of) respondents are in Australia. There were groupings of more than 15 clients in Asia (countries other than those listed), the United

[15] These are the clients MSD has email contact information for, and whose email did not bounce back when MSD sent the survey. These clients include NZS, VP and main beneficiary clients, either being paid under the Programme or statutory absence provisions.

[16] Note that survey responses were anonymously received to protect the privacy of respondents. As a result, MSD has not been able to action information provided in survey responses that suggest a respondent is no longer eligible to receive payments under the NZSOS Programme. MSD did prompt survey participants to contact MSD if their circumstances had changed, impacting their eligibility.

Kingdom, China, Europe, India and the United States. Smaller groupings of clients reported being located in various other countries across the globe.

- **Nearly all of the 596 clients stranded abroad said they intend to return home as soon as they are able to** – 561 (or 94 percent of) respondents stranded abroad intend to return to New Zealand as soon as they can. However, many clients' return is being disrupted by return flights being rebooked or cancelled by airlines – 334 (or 56 percent of) respondents stranded abroad have had flights rebooked or cancelled.[17] Only 133 survey respondents reported having an intended return date to New Zealand, with 118 of these clients intending to return prior to 20 October 2020 (the current expiry of the NZSOS Programme).

33 These trends are what we would expect to see, following the initial establishment of the NZSOS Programme in April 2020.

- Some MSD clients who have been able to return to New Zealand have done so, reducing the overall number of clients abroad.
- MSD clients have progressively shifted from being paid their pensions under the statutory absence provisions, to being paid under the NZSOS Programme. This reflects allowed absence periods being exceeded in many cases, making clients ineligible to receive continued payments under these statutory provisions.[18]
- Efforts are being made by MSD clients to return to New Zealand, but options to do so are uncertain and unreliable.

Global border restrictions largely remain in place and travel options to return to New Zealand are limited

34 To help stop the spread of COVID-19, New Zealand's borders remain closed to almost all travellers. New Zealand citizens and residents (with valid travel conditions) still have a legal right to come home, but will be required to complete at least 14 days of MIQ upon doing so (with limited exceptions, mostly in extraordinary circumstances).

35 Many New Zealanders have found it difficult to exercise this right to return home however, due to limited availability of commercial flight options. The Government is taking action to manage the number of flights coming in to New Zealand, by capping the number of inbound tickets airlines are able to sell. This helps to ensure that the number of people arriving in to New Zealand does not exceed the number of places available in MIQ facilities, but also impacts the availability and affordability of flights as a result.

MSD's international counterparts are continuing to support their clients who are stranded offshore as a result of COVID-19

36 s 6(b)(i) OIA [redacted]

[17] Note that MSD cannot determine if flights being rebooked or cancelled are original or subsequent flights.

[18] When the NZSOS Programme is due to expire on 20 October, no MSD client who is stranded abroad due to COVID-19 will be receiving payments under the absence provisions. This is because it would have been longer than 26 weeks since the latest possible departure date to be considered stranded, 25 March 2020.

s 6(b)(i) OIA

[redacted]

37 [redacted]

38 [redacted]

We therefore recommend extending the NZSOS Programme to 27 April 2021

39 We have considered the benefits and implications associated with ending the NZSOS Programme on 20 October 2020, and with extending the Programme beyond this planned expiry date. Based on this analysis, which factors in the previously discussed considerations, we recommend extending the NZSOS Programme for a period of just over six months (to 27 April 2021).

40 An overview of the analysis undertaken is provided in Table 2 below.

Table 2: Analysis of options to end the NZSOS Programme on 20 October 2020, or extend it beyond this date

	Option 1: Ending the NZSOS Programme on 20 October 2020	**Option 2: Extending the NZSOS Programme to 27 April 2020**
Alignment with policy intent	Not aligned –intended to support New Zealanders stranded abroad as a result of COVID-19. Ending the programme will mean fewer clients are supported while stranded.	Aligned – an extended Programme would enable continued support for MSD clients stranded abroad.
Impact on MSD clients stranded abroad	Poor – most clients will have their pension or benefit payments ended, and will be unsupported while stranded abroad. Those receiving portable payments (approximately 380 clients) will continue being paid.	Good –clients will receive payments under the NZSOS Programme for longer, with greater certainty of support.
Fiscal Implications	Potential saving –There may be a saving if more clients abroad become ineligible for any support after the NZSOS Programme ends.	Cost neutral – clients are receiving payments they would have received had they not been stranded overseas. The increased cost of paying overseas clients is offset by a

[19] This scheme enables grants (of up to £2,500) to be paid to employers to cover part of their employees' regular wages for any time spent on furlough. The scheme is being scaled down from 1 August 2020, as people are increasingly able to return to work.

	However, pressure would likely be transferred to other forms of support, such as Consular support.	corresponding saving in domestic payments. A fiscally neutral adjustment is required. Cabinet is authorised to make this adjustment.
Impact on public health and border control measures	*Medium impact* – there could be an influx of returnees leading up to 20 October 2020, with more than 1,500 people currently being paid under the Programme. This could potentially place pressure on available flights and MIQ facilities.	*Low impact* –stranded clients will have more time to gradually return home as reasonable travel options become available, mitigating pressure on MIQ facilities. Cross-agency work on prioritisation and allocation of spaces in MIQ facilities can factor this cohort in to their planning.
Operational impact	*High impact* – ending payment requires significant manual effort. Resource-intensive. At least four weeks will be required to operationalise a decision to end the NZSOS Programme on 20 October 2020. This will include additional communication to clients informing them of payments ending.	*Low impact* – while there will still be a lot of communication activity required for an extension, the system will automatically extend most payments. Intensive manual effort to end the Programme deferred to a later date, with fewer inputs likely required as clients have longer to return home.
International comparison	*Not aligned* – most comparable overseas jurisdictions are providing financial assistance to clients stranded abroad, albeit for varying periods of time	*Well aligned* – aligns with the level and duration of support being provided by comparable overseas jurisdictions.

41 Extending the NZSOS Programme aligns with the original policy intent of the programme, to support New Zealanders stranded abroad as a result of COVID-19. Clients currently receiving support under the NZSOS Programme will not need to reapply to continue receiving payments under any extended programme. Their payments will automatically continue if they continue to meet the programme's eligibility criteria (which are outlined in paragraph 20 above).

42 MSD Service Delivery will have more time to plan for the end of the Programme if its expiry is extended, which involves manual system inputs to end payments, as well as communication with clients about the decision to end their payments. Extending the Programme will provide more time to factor this cohort of New Zealanders into isolation prioritisation planning, helping to stagger this cohort's return to New Zealand and reduce any influx of clients placing undue pressure on MIQ facilities.

The proposed extension will be cost neutral

43 Any extension will be cost neutral, as increases in overseas payments are offset by savings in domestic payments. A fiscally neutral adjustment in the *New Zealand Beneficiaries Stranded Overseas* appropriation will be required to support ongoing payments being made under an extended programme. Cabinet is authorised to make this adjustment, which totals $29.989 million. Pending your decision to the recommendations in this paper, officials will prepare a cabinet paper seeking agreement to make this fiscally neutral adjustment.

We recommend a six-month, six-day extension

44 We propose a six-month, six-day extension period to give clients certainty that their payments will continue until they are able to return to New Zealand. A shorter extension (eg three months) would result in the NZSOS Programme ending over the Christmas/New Year period, which is more challenging as there is expected to be higher demand for flights and spaces in MIQ facilities over this period. The additional

six days, resulting in the programme expiring on 27 April rather than 21 April 2021, will ensure alignment with NZS pay periods. This is particularly pertinent, as most of the clients currently receiving support under the NZSOS Programme are seniors (92 percent (or 1,542 people) of clients currently being paid under the programme).

45 During consultation on this paper, Treasury indicated an alternative preference for any extended NZSOS Programme to expire on 31 March 2020. This was to align the end of the programme with the Annual General Adjustment (AGA). A 31 March 2020 expiry date is not practical from an MSD perspective, as our service delivery team is already under a lot of pressure at this time completing AGA-related activities, including manual processing of adjustment exceptions.

46 A longer extension period has not been recommended because of the uncertainty about the profile of clients likely to still be stranded abroad in April 2021. s 9(2)(f)(iv) OIA [redacted]

47 Other than amending the expiry of the NZSOS Programme to 27 April 2021, we are not proposing any other amendments to the programme. Pending your agreement, we envisage the amended programme commencing on 21 October 2020, and expiring on 27 April 2021.

MSD officials are seeking direction on this recommendation by 18 September 2020

48 We are seeking your decision on whether or not to extend the NZSOS Programme, and Cabinet's confirmation of approval to make the fiscally neutral adjustment required to support this extension, by Friday 18 September at the latest.

49 This is to allow sufficient time to operationalise the decision to end or extend the NZSOS Programme. These activities include ending or extending payments, and communicating the decision to impacted clients. Without this decision, activities to end the Programme will need to commence from Monday 21 September.

We have consulted key agencies on this proposal

50 We have consulted the Treasury, the Ministry of Business Innovation and Employment (MBIE) and MFAT on this advice. All agencies are supportive of the proposal, with the exception of Treasury's preference to extend the Programme to 31 March 2021, instead of 27 April 2021 (discussed above in paragraph 44).

Even with an extension to the NZSOS Programme, some MSD clients will not be supported while overseas

51 The existing settings for overseas payment of New Zealand benefits and pensions are complex. With the exception of the NZSOS Programme, they were all introduced prior to the COVID-19 pandemic and did not anticipate the necessary restrictions placed on people's freedom of movement in response to the pandemic. Because of this, there may be gaps in the support able to be extended to MSD clients who are stranded overseas as a result of COVID-19 under currently policy settings.

52 The NZSOS Programme addressed some of this unmet need, but not all of it, and was not intended to be an enduring solution. Through our response to COVID-19, we have identified several examples of clients who would be ineligible to receive support under existing settings. For example, a client who left New Zealand prior to their 65th birthday, who is now 65 years old and is stranded in an agreement country. The client can apply for NZS while overseas, but their eligibility for portable payments while stranded in an agreement country is open to interpretation. Absence provisions would enable payment for 26 weeks, but the client could not receive continued payment beyond those 26 weeks under the NZSOS Programme. This is because they

were not entitled to receive NZS immediately before leaving New Zealand (a requirement of payment, under clause 10(a) of the programme).

53 s 9(2)(f)(iv) OIA [redacted]

54 s 9(2)(f)(iv) OIA [redacted]

Next steps

55 Pending your agreement to extend the NZSOS Programme, officials will:

- Prepare a cabinet paper signalling your intention to extend the NZSOS Programme, and seeking Cabinet's agreement to make a fiscally neutral adjustment in the *New Zealand Beneficiaries Stranded Overseas* appropriation to support this extension.
- provide you with an amended NZSOS Programme for approval and signature, pending Cabinet's decision.

56 With your agreement, officials will commence further work to assess whether the current statutory absence and portability provisions continue to be effective settings to support overseas clients in the context of COVID-19 and similar global crises. MSD officials will report back to you on the effectiveness of the existing provisions, and recommend any further work required to address identified gaps in their service provision.

File ref: REP/20/8/958

Author: s 9(2)(a) OIA [redacted], Senior Policy Analyst, Seniors and International Policy

Responsible manager: s 9(2)(a) OIA [redacted] Policy Manager, Seniors and International Policy

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Report

Date: 4 September 2020 **Security Level:** LEGALLY PRIVILEGED

To: Hon Carmel Sepuloni, Minister for Social Development

Restarting income support settings and processes that were temporarily changed in response to COVID-19

Purpose of the report

1 This report provides you with an update on how we are restarting the income support settings and processes that were temporarily changed due to the impact of COVID-19.

Recommended actions

It is recommended that you:

1 **note** that some of the income support settings and processes that were temporarily changed in response to COVID-19 have already restarted or will be restarting soon, such as the following which are restarting in October 2020:

- 1.1 Temporary Additional Support reapplications
- 1.2 Special Benefit and Emergency Benefit expiries
- 1.3 Disability Allowance written verification processes
- 1.4 Child Disability Allowance reviews

2 **note** that the Ministry of Social Development may reinstate some temporary measures, such as streamlined verification and application processes, to limit face-to-face contact at a regional level should one or more regions move to Alert Levels Three or Four

3 **note** that a number of initiatives have been extended into 2021, including those that received funding through the COVID-19 Response and Recovery Fund and linked initiatives that did not require funding to be extended.

s 9(2)(a) OIA
[redacted]

4/9/2020
Date

Policy Manager
Ministry of Social Development

6/9/20
Date

Hon Carmel Sepuloni
Minister for Social Development

The Aurora Centre, 56 The Terrace, PO Box 1556, Wellington – Telephone 04-916 3300 – Facsimile 04-918 0099

Earlier this year, you agreed to a number of temporary changes to our operating model to respond to the impact of COVID-19

2 In March 2020, you agreed to a range of temporary changes to the Ministry of Social Development's (MSD) operating model to:

2.1 help manage the unprecedented demand for services (including the COVID-19 Wage Subsidy); and

2.2 ensure the health and safety of clients and staff by minimising potential opportunities for COVID-19 community transmission (REP 20/3/286 refers).

3 Most of the changes relied on our existing discretion under the Social Security Act 2018, and Cabinet agreed to the additional funding required of $115.5 million over 2019/20 to 2020/21. At the time, it was unclear how long these measures would be needed, so it was proposed that the temporary settings would be active for an initial period of six months. In practice, business-as-usual processes were able to be restarted earlier in some instances, while other measures have been extended.

4 The report provides an update on the changes made and when we expect business-as-usual settings to resume. The **attached Appendix** provides a general overview.

We have received funding to extend some of these temporary changes until 2021...

5 You previously sought funding to extend the following initiatives until 2021 (REP/20/6/687 refers, see **Part one of the Appendix** for more detail):

5.1 suspension of the 52-week reapplications requirement until 30 March 2021

5.2 suspension of the requirement to provide subsequent work capacity medical certificates until 1 August 2021

5.3 temporary removal of initial income stand-downs until 25 July 2021.

6 The COVID-19 Response and Recovery Fund approved $190.2 million in funding for these initiatives. In July 2020, Cabinet approved new regulatory provisions creating time-limited exemptions for the 52-week benefit reapplication requirement and initial income stand-downs (LEG-20-MIN-0117).[1]

...and other linked temporary changes are being extended as well

7 In addition, we are continuing to defer some reviews that were previously deferred in March 2020 until 2021 where they are:

7.1 operationally linked to those temporary changes that received funding to be extended and/or

7.2 where restarting too soon could have negative impacts on clients later on.

8 **Part two of the Appendix** provides an overview, with further detail on the rationale for the extensions below. These measures do not require Budget funding or Cabinet decisions to be progressed as they do not have a direct fiscal cost in the short term or require any legislative changes (REP 20/6/687 refer).

Supported Living Payment medical reviews will be deferred until 1 August 2021

9 s 9(2)(f)(iv) OIA [redacted]

[1] Extending out the suspension of work capacity medical certificate requirements did not require legislative change.

s 9(2)(f)(iv) OIA [redacted]

10 The original costings for the operating model changes did not include a cost for deferring Supported Living Payment medical reviews, as it was estimated as minimal.

11 Since the operational model changes in March 2020, most clients will have had their original review date pushed out by up to a year. There will be some transitional arrangements for some clients who have a review at the end of the extension period, which will mean that they receive another deferral of up to six months (a deferral of up to a year and a half in total).

Annual reviews of circumstances and annual income assessments

12 We will be continuing to temporarily defer annual review of clients' circumstances. These annual reviews are an important opportunity to check that a client is receiving their full and correct entitlement.

13 This deferral of annual reviews will include due-paid assessments, which are an annual assessment of a client's income that is generally done alongside their annual review of circumstance. It can lead to some clients receiving arrears payments if their benefit was reduced to much at some point throughout the year.

14 Staff who would normally be doing annual reviews are currently being redirected to support other services such as granting hardship assistance. With additional funding for frontline staff, we do have capacity to undertake reviews which do not require face-to-face appointments and are less onerous than 52-week benefit reapplications. However, there are two major constraints that we are working through:

14.1 in the IT system, annual Disability Allowance reviews for beneficiaries are aligned to the annual review or reapplication date of their main benefit, which means for clients with a 52-week benefit reapplication it cannot restart until 30 March 2021

14.2 restarting due-paid assessments before 30 March 2021 could potentially permanently misalign clients' review dates (which will have changed to a different time of year) with their annual income assessment period (which is unchanged).

15 Given these constraints, at this stage we are still considering when to restart annual reviews and what the dependencies are. This could mean some clients have their annual reviews start earlier than others. The latest date for this will be 30 March 2021 (aligned to when 52-week benefit reapplications restart), which means clients will not miss two review points.

16 We will be sending out communications to clients, reminding them to let us know if their circumstances have changed and that, regardless of the temporary changes, they can always request a review earlier.

Other processes have already restarted or will restart soon

17 Not all of the temporary measures were continued indefinitely, and some have already been restarted or will restart this year. These are outlined in the **part three** and **part four of the Appendix.**

18 In addition, while not an existing process that was stopped, the emergency housing contribution was due to be implemented on 30 March 2020. This was delayed as part of the urgent response to COVID-19 to free up operational capacity. From 19 October 2020, clients in emergency housing will be required to contribute 25 percent of their income towards the cost of their accommodation.

We propose to restart Disability Allowance (DA) verification on 22 October 2020

19 s 9(2)(h) OIA [redacted]

s 9(2)(h) OIA [redacted]

20 Given this, we propose that DA written verification requirements restart on 22 October 2020 for regions in Alert Levels One and Two. s 9(2)(h) OIA [redacted] s 9(2)(h) OIA [redacted]

21 For regions in Alert Levels Three or Four, however, we propose to continue suspending written verification requirements. This ensures that clients do not have to travel or have face-to-face contact with others unnecessarily, which is particularly important given the vulnerability of some of this group to COVID-19.

22 This discretion may also be used for an individual client in Alert Level One or Two who is physically distancing due to their health condition or disability putting them at heightened risk if they contract COVID-19.

New minimum processing standards will be introduced from 22 October 2020

23 Temporary minimum processing standards enabled applications and changes to be processed electronically or over the phone. This minimised face-to-face service provision during the COVID-19 response. For example, rather than providing proof of identify in person at a service centre, a client could send a photo over email.

24 We are updating the "business-as-usual" minimum processing standards to be easier for clients and staff to use, while balancing integrity risks. We expect that this will be introduced from 22 October 2020. The temporary minimum processing standards will be reinstated for regions at Alert Levels Three or Four.

Transitional arrangements for restarting Temporary Additional Support (TAS) reapplications on 1 October 2020

25 We are resuming TAS reapplications from 1 October 2020 as scheduled. This means reapplication requirements for TAS will return to normal and clients will need to reapply for TAS at least every 13 weeks.

26 We have identified that up to 9,000 clients require transitional arrangements when the system resumes TAS reapplications from 1 October 2020 to ensure they do not have their TAS payments unintentionally stopped without an opportunity to reapply.

27 The usual reapplication process for TAS begins with clients receiving a reminder letter four weeks prior to when their TAS payment is due to end. If they do not respond within the four-week period, the clients are noted as 'expiry/cancel' in the IT system and their payments will stop at the end date. Currently, there are up to 9,000 clients who are noted in the system as 'expiry/cancel', which means when the system resumes the normal TAS reapplication process on 1 October, TAS payments for these clients will stop without them having an opportunity to reapply.

28 We have designed a work around in the system that replaces the 'expiry/cancel' notification with a 'reminder letter' notification. This means that instead of their TAS payment stopping immediately, these clients will receive a letter reminding them to reapply for TAS within four weeks. MSD has capacity to meet this demand of processing TAS reapplications.

29 s 9(2)(h) OIA [redacted]

If there are regional lockdowns, we can make use of some temporary measures to reduce face-to-face activity

30 New Zealand is still dealing with COVID-19, and there is ongoing potential for community transmission that requires one or multiple regions to be put into Alert Levels Three or Four. At these Alert Levels, service centres are closed, and MSD aims to provide the majority of our services electronically or by phone.

31 We will reinstate temporary measures that enable MSD to reduce face-to-face contact, such as minimum processing standards for application and verification. **Part four of the Appendix** provides further detail on these measures.

32 There are some changes that we do not recommend using in a regional response at this stage. For example, we have operational capacity to continue to deliver proactive employment support. As such, we do not expect to need to suspend this service in regions at Alert Levels Three or Four.

33 Likewise, we do not propose deferring reviews, expiries or reapplications again, even for regions in Alert Levels Three or Four. When these reviews were originally deferred, MSD was facing significant operational pressure which could have caused delays for clients trying to access assistance. This operational pressure has since eased. As discussed earlier in this paper, bringing them back has a number of interdependencies that makes the process less flexible compared to other temporary measures. These reviews are also an important check on full and correct entitlement that can lead to an increase in payment rates for clients.

s 9(2)(f)(iv) OIA [redacted]

File ref: A12737338 | REP/20/9/966

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Responsible manager: s 9(2)(a) OIA [redacted] Policy Manager, Welfare Systems and Income Support

Appendix: Overview of when COVID-19 temporary changes to MSD's operating model are restarting

Temporary measure	Rationale	Date started	Date returning to normal process	Potential to be used in a regional response	Decision-making authority	Other constraints on extending measure
Part one: Extended initiatives funded through the COVID-19 Response and Recovery Fund						
Removed initial income stand-downs Initial stand-down periods for benefit payments for all clients applying for a main benefit (including Youth payments) have been removed.	Initial income stand-downs are administratively burdensome for staff and cause delays in accessing support from the income support system for the people anticipated to lose their employment due to COVID-19.	23 March 2020	25 July 2021	[redacted] s 9(2)(f)(iv) OIA	**Cabinet**	Requires approval for additional funding and legislative change. Takes time to implement IT solution.
Clear 52-week benefit reapplications Any reapplications for Jobseeker Support and Sole Parent Support due when this measure is in place are cleared, meaning the client has a reapplication at 104 weeks instead.	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays.	30 March 2020	30 March 2021		**Cabinet**	Requires approval for additional funding and legislative change.
Temporarily remove the requirement to provide subsequent work capacity medical certificates This applies to clients receiving Jobseeker Support on the grounds of health condition, injury or disability (JS-HCD).	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays. Originally, we also considered that it could reduce pressure on the health sector.	30 March 2020	1 August 2021, with transitional arrangements		**Cabinet**	[redacted] s9(2)(f)(iv) OIA
Part two: Initiatives likely to restart in 2021 which are not recommended for use in a regional response at this stage						
Deferring medical reviews for Supported Living Payment (SLP) Medical reviews for SLP, which happen every two years for clients who are reassessed, have had their deferral extended alongside JS-HCD medical reviews.	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays. Originally, we also considered that it could reduce pressure on the health sector.	30 March 2020	1 August 2021, with transitional arrangements	No	**MSD**	[redacted] s9(2)(f)(iv) OIA
Deferring annual reviews, including of: – client circumstances – Disability Allowance (DA) medical eligibility – housing – life certificates.	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays.	30 March 2020	To be confirmed, but by 30 March 2021 at the latest	No	**MSD**	Annual reviews are generally paired with the main benefit, so if a client is receiving Jobseeker Support or Sole Parent Support, their reviews will be deferred alongside their 52-week reapplication.
Deferring annual income assessments (due paid assessments) Clients receiving some main benefits (e.g. Sole Parent Support, SLP) can have their income assessed annually if they received income at some point during the year. While this can lead to a debt being created for clients, more clients receive arrears.	Free up staff capacity to meet demand.	30 March 2020	To be confirmed, but by 30 March 2021 at the latest	No	**MSD**	[redacted] s9(2)(h) OIA
Part three: Initiatives restarting in 2020 which are not recommended for use in a regional response at this stage						
Cease proactive engagement with clients for employment Most proactive employment-focused case management was suspended during Alert Level 4, though job placements continued.	Free up staff capacity to meet demand and also to reduce face-to-face processes.	30 March 2020	From 13 May 2020 onwards	Not at this stage, services can be offered over the phone.	**MSD**	Could lead to growth in benefit numbers if employment support offered was limited over a long period.
Suspension of Warrants to Arrest processes The information sharing between MSD and the Ministry of Justice (MOJ) was stopped temporarily.	To ensure clients continued to access financial assistance as they could not address their warrants when courts closed. A temporary process (three-way call between MSD, MOJ and the client) introduced in 20 April 2020 enabling clients to clear their warrant over their phone.	30 March 2020	14 May 2020	No, the Ministry of Justice has adjusted their process to ensure that clients can clear their warrants during Alert Level Three and Four.	**MSD and Ministry of Justice**	[redacted] s9(2)(h) OIA

Temporary measure	Rationale	Date started	Date returning to normal process	Potential to be used in a regional response	Decision-making authority	Other constraints on extending measure
Child Support MSD temporary stopped proactively supporting clients to apply for Child Support, and instead advised clients that IRD would contact them to complete their application.	Free up staff capacity to meet demand. The previous form was also paper-based.	2 April 2020	7 July 2020	Not at this stage, MSD is working on an interim form with IRD.	**MSD and IRD**	Short-term response only, as long-term could impact on the amount of Child Support retained by the Crown.
Food grants Operationally increased each food grant limit category by $400 in a 26-week period on MyMSD.	Ensured that those who had an immediate and essential need for food were able to access financial assistance without delay, particularly during the Alert Level Four lockdown period. Also diverted some clients away from contact centres and the frontline to MyMSD for food grants, allowing MSD to manage unprecedented demand.	1 April 2020	10 August 2020	No, not at this stage. MSD continues to monitor the usage of food grants and other Special Needs Grants. There are existing mechanisms that are likely to be more appropriate and there are avenues such as funding for food banks to consider.	**Cabinet (NB:** While the initial decision was made by MSD, reinstating the change would require Cabinet agreement).	Requires approval for additional funding and legislative change.
Ceasing proactive engagement for hardship assistance Proactively referring and engaging with clients with high hardship counts through a dedicated case management service was temporarily suspended for most clients, though some continued to receive this support over lockdown.	Free up staff capacity to meet demand and also to reduce the need for face-to-face processes.	30 March 2020	From 24 August 2020	Not at this stage, services can be offered over the phone.	**MSD**	
Deferring Child Disability Allowance (CDA) medical reviews Medical reviews were pushed out by six months.	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays. Originally, we also considered that it could reduce pressure on the health sector.	30 March 2020	1 October 2020	No	**MSD**	
Deferred Temporary Additional Support (TAS) reapplications All TAS reapplications were extended out by six months.	Free up staff capacity to meet demand and ensure clients can continue to receive hardship assistance without delays.	30 March 2020	1 October 2020	No	**Cabinet**	[redacted] s9(2)(h) OIA
Defer Emergency Benefit and Special Benefit expiries Expiries were extended out by six months.	Free up staff capacity to meet demand and ensure clients can continue to receive assistance without delays.	30 March 2020	1 October 2020	No	**MSD**	May require approval for additional funding if significant extension proposed. Integrity risk.
Part four: Restarting initiatives that can be used in a regional response						
Childcare assistance Suspended payments during nation-wide lockdown, as MSD had no legal authority to pay where services are not provided.	MSD had no legal authority to pay where services are not provided. Officials will be providing further advice on legally remedying a small amount of unavoidable unappropriated expenditure that occurred.	6 April 2020	From 28 April 2020 payments were manually resumed	Yes, as legislative change has enabled MSD to continue paying Childcare Assistance during Alert Level Three and Four	**MSD**	Could have more significant fiscal or legislative risks if continued long-term or over the school holidays.
Stopping all employment-related obligation failures During lockdown proactive employment engagement ceased and clients were likely to have a good and sufficient reason for not meeting their obligations, so no obligation failures were to be initiated (this included temporary IT changes to remove the ability to initiative new employment-related obligation failures).	Ensure that clients can continue to receive assistance without delays.	23 March 2020	27 May 2020	Partially, staff have been reminded that in Alert Levels Three and Four clients will generally have a good and sufficient reason for not meeting their obligations. Staff can still initiate an obligations	**MSD**	May be fiscal implications long-term, but the regional approach does not represent a policy change.

Temporary measure	Rationale	Date started	Date returning to normal process	Potential to be used in a regional response	Decision-making authority	Other constraints on extending measure
				failure however if they decide its reasonable		
Granting CDA and DA without medical certificates If clients were unable to provide a medical certificate, DA or CDA could be still be granted, or new costs added for DA, without this verification.	To ensure clients can continue to receive assistance without delays. Reduce non-essential pressure on the health sector	20 April 2020 (for DA, CDA not covered by original response)	14 June 2020 (for DA, CDA not covered by original response)	Yes, these measures will be activated in Alert Levels Three and Four where clients cannot get a medical certificate. This includes in the Auckland region currently.	MSD	Integrity risk. Under the current Ministerial Direction granting DA without a medical certificate is only legally supported when an epidemic notice is in force.
Granting benefits without medical certificates Emergency Benefit (EB) can be granted in place of JS-HCD and SLP without an initial medical certificate.	To ensure clients can continue to receive assistance without delays. Reduce non-essential pressure on the health sector.	20 April 2020	14 June 2020		MSD	Integrity risk, however guidance for staff has been updated to be clear that EB should only be granted for eight weeks at a time, with a specific flag so that clients granted EB under this interim process can be identified.
Suspending new debt collection Proactive engagement with clients to negotiate the collection of debt was temporarily suspended. This affected "new" debt collection (for those not on a benefit) and clients with existing debt repayments, either on or off benefit. If clients advised they were not in a position to repay, their debt recovery was placed on hold. In addition, the information sharing between IR and MSD (IRIS) to data match PAYE income information for clients receiving a benefit has been paused which will have reduced the number of new debts created.	Free up staff capacity to meet demand. New debt collection could have increased hardship and stress for clients	25 March 2020 for IRIS 30 March 2020 for other changes	By 30 September 2020 for proactive engagement, with more flexibility about when to start their debt repayments. 31 March 2021 at the latest for IRIS[2]	Partially, during Alert Levels Three and Four individuals will be informed if they have a debt via letter, but staff can put debts on hold for three months to reduce stress on the client.	MSD	Debt management teams are involved in processing the COVID-19 Wage Subsidy refunds. Extending long-term could mean that MSD is failing to establish debt for clients and correct entitlement based on actual income earned.
Streamlined verification and processing standards, including: – Applications for benefit payments – DA (receipts, invoices and medical certificates) – Funeral Grants – Appointment of Agent Redirection of Benefit requests – Self-assessments for clients with a health condition or disability.	Ensure clients can continue to receive assistance without delays by reducing the need for face-to-face assistance so more applications could be processed over the phone. Processing standards also took into account that not all clients would have access to the internet. MSD has been undertaking a review of its "business as usual" processing standards, so that improvements can be made before this process restarts.	25 March 2020 – 29 April 2020	22 October 2020, including new processing standards	Yes, particularly during Alert Levels Three and Four as these measures can reduce face-to-face processes. s9(2)(f)(iv) OIA [redacted]	MSD	s9(2)(h) OIA [redacted]

[2] Broader cross agency work is underway to look at options to help reduce the debt we establish for clients through this IRIS process.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

TE TAI ŌHANGA
THE TREASURY

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Inland Revenue
Te Tari Taake

Joint Report: Options for an Enduring Wage Subsidy Scheme or Replacement

Date:	10 September 2020	Report Numbers:	T2020/2929 IR2020/418 MSD REP/20/9/986 MBIE 2021-0855
		File Number:	SH-3-0-6

Action sought

	Action sought	Deadline
Hon Grant Robertson **Minister of Finance** Hon Andrew Little **Minister for Workplace Relations and Safety** Hon Carmel Sepuloni **Minister for Social Development** Hon Stuart Nash **Minister of Revenue and for Small Business**	**Provide feedback** on high level alternatives for an enduring wage subsidy scheme or replacement. **Direct** officials to develop detailed design options. **Agree** that officials will engage with business, unions and other relevant groups in this design process.	None

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
[redacted] s 9(2)(a) OIA	Principal Advisor, Welfare and Oranga Tamariki	027 [redacted] (wk)	✓
[redacted] s 9(2)(a) OIA	Acting Manager, Welfare and Oranga Tamariki	021 [redacted] (wk)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Enclosure: No

Joint Report: Options for an Enduring Wage Subsidy Scheme or Replacement

Executive Summary

Since the start of the pandemic, the wage subsidy has been the centrepiece of your economic response, as a major complement to your elimination-based public health strategy. The three iterations of the wage subsidy (WSS, WSX and WSR, collectively "the COVID-19 wage subsidy") have successfully 'cushioned the blow' of the pandemic on wellbeing by protecting jobs, incomes and viable employers (including firms, NGOs, councils, and the self-employed) during periods at higher Alert Levels.

However, the wage subsidy in its current form may not be suitable as an enduring centrepiece over the full course of the pandemic. As the pandemic progresses, you may wish to shift more fiscal firepower to other supports such as the Transition Support Grant. As the Treasury has previously advised, decisions on the future of the wage subsidy would ideally be taken simultaneously with decisions on the Transition Support Grant. Any changes to the broader landscape of economic supports, such as the Leave Support Scheme, income support, and sector support, also need to be considered in an integrated way.

This report includes options to reduce expenditure on the wage subsidy over time to allow a shift to other supports, but it primarily focuses on improving the subsidy's value-for-money and ability to endure across several resurgences if necessary. To improve value-for-money and endurance, several features of the wage subsidy merit reconsideration.

s 9(2)(k) OIA, s 9(2)(g)(i) OIA

[redacted]

At a high level, there are two options. You could either retain the wage subsidy and seek to refine its design or replace it with an alternative called a short-time work scheme. New Zealand is one of only 7 countries in the OECD to use a wage subsidy; 23 have used a pre-existing and 3 have introduced a short-time work scheme. Short-time work schemes tend to be used in all manner of economic downturn, such as the GFC. Under these schemes, government and employers share the cost of paying employees for hours they would normally work but are unable to due to an economic downturn.

We ask you to indicate if you would like further advice on a short time work scheme, or if officials should focus on refining the design of the wage subsidy, or both.

In either case, there is a general trade-off between tighter targeting and administrative complexity. Either replacement or redesign will need to be weighed up against operational feasibility, the associated costs of changing systems, and how well the changes can be communicated and understood. Clear understanding by firms is important given the high-trust model and the reliance this places on self-assessment.

Given this, the case for improving targeting through redevelopment or redesign depends on how often the wage subsidy will be needed in future – both during this crisis, and in future crises. The future need for a wage subsidy depends in turn on how often Government determines that we need to escalate to Alert Level 3 or 4 to maintain the elimination strategy, which will be affected by:

a. the effectiveness of the public health strategy at preventing reintroduction of the virus across the border, and catching any new reintroductions early

b. how long the pandemic lasts.

In the best case scenario, the wage subsidy will not be needed again because Alert Levels 3 and 4 will not be needed again. However, given the significant uncertainty about the future course of the pandemic, a precautionary approach would suggest undertaking the detailed design work for a more complex scheme, and quickly, in case it is needed several times more.

This design work would ideally be undertaken as an integrated package, simultaneously looking at the overall landscape of economic support. An integrated package would consider the balance between:

a. support to maintain existing jobs and employers, vs support to encourage transition to new jobs and employers, particularly in the most-affected sectors such as tourism

b. the responsibility of government to share the burden of public health restrictions fairly across employers and employees, vs the responsibility of firms to modify their business models to endure through different Alert Levels

c. supporting the income of those still in jobs but at risk of losing them, vs supporting the incomes of those who have already lost their jobs, particularly disproportionately affected groups such as young people, and groups with pre-existing vulnerability such as low-income Māori whānau.

Each of these balances is likely to shift over time. For example, the longer the pandemic continues, the more important firm adjustment and new job creation will become to support employment and incomes, particularly if swift containment of any new resurgences proves difficult. Both between-firm transition (from tourism to other sectors) and within-firm transition (to improve business model resilience) will be needed. For this reason, you may want to consider features such as a declining payment rate or firm-level caps on support, to incentivise firms' adaptation to the pandemic, and free up fiscal space for alternative supports over time.

While officials can attempt to create an enduring design, there is a tension between flexibility and predictability that will need to be carefully managed. Six-monthly reviews would be one way to provide a degree of certainty to business, while maintaining the flexibility to change your economic response if necessary.

Recommended Action

We recommend that you:

a. **note** that the three iterations of the wage subsidy scheme to date have been effective at protecting jobs, incomes, and viable employers but can be expected to become steadily less effective if there are repeated resurgences in the future, as employers downsize or fold

b. **note** that the longer the pandemic continues, the more important that firm adjustment and new job creation will become to support jobs and incomes, particularly if swift containment of any new resurgences proves difficult

c. **note** that key features of the wage subsidy such as the revenue drop test are likely to become steadily less useful to target support where it is most needed over time, as firms adjust their cost structures and scope of operations to restore profitability

d. **indicate** your preferred ranking of objectives and criteria for design of a revised or replacement scheme

Type	Objective/Criteria	Rank priority from 1 (highest priority) to 7 (lowest priority)			
		Hon Robertson	Hon Little	Hon Sepuloni	Hon Nash
Discussed in this paper	Protect jobs and income				
	Protect viable employers				
	Maintain public support and social capital				
	Simplicity				
	Integrity				
	Intra-generational equity				
	Fiscal sustainability				
Other (please specify)					

e. **note** that if more restrictive or tightly targeted options are to not result in excessive job loss, they would need to be counterbalanced by other schemes to support job creation and job accession, such as Flexi-Wage, and schemes to provide adequate fiscal stimulus

f. **direct** the Treasury, with support from MBIE, MSD and IR, to prepare detailed design options for a revised wage subsidy scheme, short-time work scheme, or both

Hon Robertson	Revised wage subsidy/ Short-time work/ Both
Hon Little	Revised wage subsidy/ Short-time work/ Both
Hon Sepuloni	Revised wage subsidy/ Short-time work/ Both
Hon Nash	Revised wage subsidy/ Short-time work/ Both

g. **agree** that to support the development of this advice, officials will undertake engagement with business, unions and other relevant groups on the details of a revised or replacement scheme

Hon Robertson	Agree/Disagree
Hon Little	Agree/Disagree
Hon Sepuloni	Agree/Disagree
Hon Nash	Agree/Disagree

h. **note** that decisions on a revised or replacement scheme will need to be taken in the context of the overall landscape of economic supports, and the interaction between them all

i. s 9(2)(f)(iv) OIA [redacted]

j. **agree in principle** that, if a return to Alert Level 3 or 4 is needed in the short-term, the resurgence wage subsidy (WSR) will be reintroduced, and administered by MSD

Hon Robertson	Agree in principle/disagree
Hon Little	Agree in principle/disagree
Hon Sepuloni	Agree in principle/disagree
Hon Nash	Agree in principle/disagree

s 9(2)(a) OIA

Acting Manager,
Welfare and Oranga Tamariki
The Treasury

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Policy Lead
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Hayley Hamilton
General Manager
Employment and Housing Policy
Ministry of Social Development

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Manager, Investment Policy
Ministry of Business, Innovation and Employment

Hon Grant Robertson
Minister of Finance

Hon Carmel Sepuloni
Minister for Social Development

Hon Stuart Nash
Minister of Revenue and for Small Business

Hon Andrew Little
Minister for Workplace Relations and Safety