



17 December 2021

Dear [Name Redacted]

On 22 November 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *All minutes/agendas of the wage subsidy scheme evaluation steering group from September 13 to today's date*

Please find the following documentation enclosed:

- *Agenda - Wage Subsidy Scheme Evaluation - Steering Group Meeting, dated 16 September 2021*
- *Minutes - Wage Subsidy Scheme Evaluation - Steering Group Meeting, dated 16 September 2021*
- *Agenda - Wage Subsidy Scheme Evaluation - Steering Group Meeting, dated 16 November 2021*
- *Minutes - Wage Subsidy Scheme Evaluation - Steering Group Meeting, dated 16 November 2021*

The names of some individuals are withheld under section 9(2)(a) of the Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

Names of Ministry staff below tier 4 are withheld as they are out of scope.

The principles and purposes of the Act under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government
- to increase the ability of the public to participate in the making and administration of our laws and policies
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'R. Skeates'.

Rachel Skeates-Millar
General Manager
Research and Evaluation



Agenda

Wage Subsidy Scheme Evaluation – Steering Group Meeting

Date: 16 September 2021 **Time:** 10:00am – 11:00am

Venue: Teams or 56 The Terrace, Level 3, Room 3.6

Attendees: Murray Shadbolt, IRD; Richard Owen, IRD; Dean Ford, MBIE; Ruth Isaac, MBIE; Megan Beecroft, MSD; Rob Hodgson, MSD; Amy Richardson, MSD; Keiran Kennedy, Treasury; s9(2)(a)

Apologies: Jayne Russell, MSD

Update on Working Group Progress

- Item 1.1 Potential suppliers for the process evaluation and outcome evaluation shortlisted and given advance notice by MSD procurement team (17 suppliers)
- Item 2.1 Procurement plan and requirements documents (RFPs) approved by Procurement Team
- Item 3.1 Requirements documents released 31 August; process evaluation responses due 20 August and outcome evaluation responses due 27 August

Outcome Evaluation Data Limitations

- Item 4.1 Paper for consideration on data limitations and reporting implications

Wage Subsidy August 2021 #1 and #2

- Item 5.1 Inclusion within process evaluation but not the outcome evaluation
- Item 6.1 Implications for process evaluation

Next Meeting

- Item 7.1 Update on chosen evaluation suppliers and rationale for selection
- Item 8.1 Update on what process and outcome evaluation suppliers can feasibly report within evaluation timeframe

DATE	16 September 2021
TO	Wage Subsidy Scheme Evaluation Steering Group
PREPARED BY	Wage Subsidy Scheme Evaluation Working Group
SUBJECT	Wage Subsidy Scheme Outcome Evaluation: data limitations and reporting implications

PURPOSE

This paper focuses on the Wage Subsidy Scheme outcome evaluation. The purpose of the paper is to provide information to the Steering Group about data limitations which create challenges for evaluating outcomes. The paper describes options for reporting that will meet the outcome evaluation deadline without compromising the quality of the results. These options are tabled to the Steering Group for noting and discussion, before negotiations with a preferred provider begin.

BACKGROUND

MSD is working with IR, Treasury and MBIE on a cross-agency evaluation of the Wage Subsidy Scheme. The evaluation responds to agency interests, and recommendations made by the Office of the Auditor General in 2021.

The Wage Subsidy Evaluation Steering Group has agreed the evaluation be conducted in two parts, with the process evaluation reporting in July 2022, and an outcome evaluation reporting by December 2022.

Seven key evaluation questions (KEQ) have been agreed by the Steering Group (see Table 1).

Table 1: Wage Subsidy Scheme Key Evaluation Questions

Evaluation Phase	Key Evaluation Question
Process evaluation	<ol style="list-style-type: none"> 1. How well did the Wage Subsidy Scheme (WSS) policy development process work given the crisis context, time, and resource constraints? 2. How well was the WSS implemented over time, and how well were risks managed during implementation?
Outcome evaluation	<ol style="list-style-type: none"> 3. To what extent did the WSS reach the intended people and businesses? <ol style="list-style-type: none"> a. To what extent did the WSS support employment attachment, business survival/resilience, employee income and other key outcomes in the short and medium term? b. How were these outcomes distributed across different population groups, firms, sectors, industries, and regions? 4. What was the value for money of the WSS? 5. What (if any) were the unintended outcomes/consequences/risks of the WSS? eg unfair or illegal treatment of employees by employers, support for non-viable firms, potential misuse of funds

Synthesis questions	<ol style="list-style-type: none"> 6. To what extent were the scheme eligibility criteria and rules “about right” in the context of the high-pressure policy development process and existing infrastructure? 7. What are the lessons for the policy design and delivery of future schemes like the WSS?
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Both parts of the evaluation are to be delivered by external providers; procurement processes are currently underway and we anticipate the parameters of the evaluation will need to be negotiated with the outcome evaluation provider in October 2021. We are tabling this paper in advance of those negotiations, to clarify some of the limitations in what providers will be able to deliver within agreed timeframes.

THE CURRENT LOCKDOWN IS A POTENTIAL CONFOUND FOR SHORT- AND MEDIUM-TERM OUTCOMES

Outcome evaluation suppliers have been asked to consider short and medium outcomes of the **first four Wage Subsidy iterations** implemented between March 2020 – March 2021¹. Short-term refers to approximately six months after each WSS iteration and medium-term refers to approximately 12 months after each WSS iteration.

The nationwide move to Alert Level 4 on 17 August 2021, and the extended duration of Level 4 for Auckland, will have a confounding influence on outcomes we are examining as part of the Wage Subsidy Scheme (WSS) evaluation e.g. employment attachment, business survival, employee income. Suppliers will need to interpret their findings in light of the move to Alert Level 4 and, to the extent possible, the implications of current alert level settings on the outcomes from the first four waves of the WSS.

Investigation of short and medium-term outcomes will not be impacted by the most recent lockdown for the first two iterations of the scheme (the original Wage Subsidy and the Wage Subsidy extension). However, suppliers will need to consider how the lockdown might affect medium-term outcomes of the Resurgence Wage Subsidy (RWS, August 2020) and the short- and medium-term outcomes of the Wage Subsidy March 2021 (WSM21). Specifically, the current lockdown is occurring approximately 12 months after the RWS and six months after the WSM21. This is likely to impact the outcomes that are examined during these periods.

RANGE OF DATA REQUIRED TO UNDERSTAND OUTCOMES

As part of the Working Group’s preparation for discussions with the preferred outcome evaluation provider, we have spoken to data experts across involved agencies and taken stock of the datasets available for answering the KEQs. We have considered what data will be available in time for the December 2022 reporting deadline, and breadth of coverage against each of the **first four iterations** of the WSS. We have also considered data quality and the trade-offs of using alternative sources (Appendix 1). While there are a broad range of data that providers can and should draw on to

¹ MSD has agreed the current iterations of the scheme (August/September 2021) are outside of the scope of the outcome evaluation, given complexities around data collection.

investigate specific (sub) questions, we would expect use of 'big data' to provide high level insights on certain KEQ.

Questions about reach, firm level outcomes, and distributional impacts best framed by big data

Our analysis suggests that while some of the KEQs can be answered using alternative data sources, KEQ three and four (addressing the reach of the WSS to workers and firms, distributional impacts, and impacts on firm resilience) ideally require analysis of data within the Integrated Data Infrastructure (IDI) and Longitudinal Business Database (LBD). Alternative datasets may not be as complete or reliable, and as such, less able to withstand scrutiny and/or the loss of data quality that can arise from analysis.

IDI and LBD data about employees more timely than data about firms and self-employed

The most comprehensive data available about worker outcomes (e.g. number of jobs protected, distributional impacts according to gender, ethnicity etc.) is contained within the IDI. MSD currently uploads wage subsidy data to the IDI very regularly.

The IDI also includes information about self-employed people; this data is available approximately six months after the end of the financial year in which it is submitted.

The best data about firms and firm resilience is contained in the LBD. The data required to enable analysis of firm resilience is not available until 18 months after the end of the financial year in which balance sheet information is submitted.²

Partial analysis of outcomes possible using IDI

Given the data availability described above, we anticipate that by December 2022, evaluation providers will be able to use the LBD and IDI to comment on:

- the uptake and distribution of schemes to workers, self-employed and firms for WSSs 1-4
- potential analysis of labour market and income dynamics (employee focused)

We don't believe it will be possible to use the IDI or LBD to draw conclusions about the difference wage subsidies made to firm resilience or survival within the agreed timeframe for the outcomes evaluation. Consequently, there may be challenges in drawing conclusions about scheme eligibility criteria, and lessons learned for policy design (KEQ 6&7).

In addition, there are a number of data challenges within the IDI and LBD that providers would need to address (eg accounting for refunds made by firms, analysis of outcomes for Māori and Pasifika firms) which may create time pressures.³

² This means data pertaining to the 2020 financial year will become available in the LBD from early 2022, data for 2021FY available in early 2023, and so on.

³ There are known issues with the quality of some of the required data sources. It will be important for providers to acknowledge, investigate, and make clear any limitations caused by these data issues

TIMELY REPORTING IN 2022 WITH FOLLOW-UP ANALYSIS

The working group understands the importance of timely reporting to enable real-time use of lessons learned. We are hopeful that providers will be able to deliver an outcomes evaluation design that provides robust answers to all of the KEQ within the agreed timeframe. In light of the data issues described above however, we think there is value in considering follow-up reporting that makes use of IDI and LBD data when it becomes available. We outline two reporting options for the Steering Group to consider:

Option 1: Report on employee outcomes in 2022; other outcomes in 2024/25

This option would focus the December 2022 report on outcomes at the employee level (eg employment attachment, worker income) across all four iterations of the WSS. It would *not* report on scheme uptake by, or outcomes for firms. Indicative findings regarding scheme eligibility criteria and lessons learned (KEQ 6&7) could be reported, using an employee lens. A subsequent report in 2024/25⁴ could be delivered, reporting on self-employed and firm level outcomes, and reviewing the conclusions reached in the 2022 report regarding eligibility criteria and lessons learned (KEQ 6&7).

Option 2: Examine all outcomes to the extent possible; with a follow up report in 2024/25.

This option would report on outcomes at the employee level (eg employment attachment, worker income) across all four iterations of the WSS, as for option 1. It would also report on uptake of the scheme by firms, disaggregating by firm characteristics where possible and using alternative data sources (eg qualitative information) to consider implications for firms and unintended outcomes. A subsequent report in 2024/25 could be commissioned, using LBD and IDI data to explore outcomes for firms and the self-employed (particularly examining firm survival and resilience), and to review the conclusions reached in the 2022 report regarding eligibility criteria and lessons learned (KEQ 6&7). This could also provide an opportunity to update previous analysis and/or consider the collective impacts of all of the Wage Subsidy Schemes up to September 2021.

NEXT STEPS

Once we have selected our preferred outcome evaluation supplier, we will work with them to determine what they can and cannot reasonably report within agreed timeframes. We will advise the Steering Group on the proposed outcomes evaluation design, outlining any data limitations/constraints that may impact full responses to KEQ. From there, we will consult with the Steering Group on whether and how best to proceed with regard to the options described above.

Discuss / Noted

Name

Position

16/09/21

⁴ By this time, data on first four iterations of the Wage Subsidy Scheme would be available in the IDI and LBD.

Appendix 1: Wage subsidy evaluation: potential datasets and their limitations

The table below summarises potential datasets for use for the purposes of the wage subsidy evaluation, describing limitations including (un)availability of data. All six iterations of the wage subsidy scheme are within scope of the process evaluation; only the first four iterations are within scope of the outcome evaluation.

1. The original Wage Subsidy (March 2020)
2. The Wage Subsidy Extension (May 2020)
3. The Resurgence Wage Subsidy (August 2020)
4. The Wage Subsidy March 2021
5. The Wage Subsidy August 2021-1
6. The Wage Subsidy August 2021-2.

Dataset	Data availability	Data quality / challenges	Relevant to which Key Evaluation Questions?						
			KEQ1	KEQ2	KEQ3	KEQ4	KEQ5	KEQ6	KEQ7
Longitudinal Business Database (LBD)	<ul style="list-style-type: none"> • 2020FY returns data available early 2022 (WSS 1 & 2) • 2021FY returns data available early 2023 (WSS 3 & 4) • 2022FY returns data available early 2024 (WSS5) • 2020 FY GST data (and to September 2020) available (WSS 1,2,3) 	<ul style="list-style-type: none"> • LBD has most comprehensive data for exploring firm level uptake & distributional analysis • Annual returns data is lagged - available 18 months after the end of the reference year. Required for firm survival/resilience analysis. • There are known issues with the quality of some of the required data sources. It will be important for providers to acknowledge, investigate, and identify limitations. 			x	x	?	x	
IDI	MSD has some existing analysis & code (Treasury also may)	<ul style="list-style-type: none"> • Can be used to analyse unique jobs supported, and distributional analysis by employee characteristics. Also proportion of unique jobs by industry & regional councils • IDI doesn't yet account for funds that were paid back by firms. 			x		?	x	

		<ul style="list-style-type: none"> • Work underway to distinguish between Aug 2021 payments • Cannot distinguish owners who applied for wage subsidy, as an employee of firm, from other employees. Not captured as sole traders. • Self-employment data is lagged: available 6 months after the end of the references year (include shareholders, trustees etc). Some issues with missing data. 							
StatsNZ Payroll data	New system for filing PAYE income tax returns – payday filing rather than monthly return. This is the same data used for calculating job counts (EMS).	Data not yet fully linked to the Stats identifiers. Less of an issue for individuals but more of an issue for firms. Identifiers in this data are IRD numbers, and a firm can have many ‘enterprises’ (e.g. what we would consider separate businesses) but one IRD number.			x		x		
StatsNZ Annual enterprise data	Availability TBC	Data from an annual StatsNZ survey of approximately 10,000 firms. Sample based. Data lag as for other annual returns data.			x	x	x		
Māori firms data	<ul style="list-style-type: none"> • Potential to construct a dataset in the LBD. • Nicholson Consulting has developed a dataset of Māori firms for TPK. TPK to clarify whether dataset can be shared. • MBIE recently developed a Māori business identifier. 	<p>TPK dataset will be available by the end of year but will only include firms up to March 2020.</p> <p>Māori business register: not enough firms registered yet for this to provide useful analysis of Māori firms.</p>			x	x	x	x	
IR dataset	IR has developed two datasets that match to MSD data – built to assess risk and non-	Matches employer and employee. Includes DOB, NZBN, IR no. Needs cleaning - many applications where names & IR number don’t match.			x	x	x		x

	compliance. Not clear this dataset can be used for evaluation purposes.								
Wage Subsidy Survey (2020) - MSD	May 2020 online survey of businesses who received the original WSS. Captured information on the impact of COVID-19 on businesses, the efficacy of the WSS, staffing intentions, expectations and confidence, awareness and uptake of supports, future support needs.	<ul style="list-style-type: none"> Only captured first iteration of scheme. 25% response rate - findings may not be representative/generalisable. Opt-in survey so potential for response bias. Results are heavily weighted towards experiences of small businesses. 		x		x			
Employment Intentions survey (MBIE)	Survey of firms with questions about post lockdown employment intentions.	May not be relevant – for further exploration							
Companies office data	Potential use to explore firm liquidations	Won't be able to attribute changes to liquidation rates to WSSs.			x?		x?		
Admin data sources (MBIE)	Employment services data (complaints, mediation) – coverage TBC	Useful to explore unintended consequences					x		
Admin data sources (MSD)	TBC	Does MSD hold admin data on application decisions? Query admin data on firms identifiers?					x		
Other existing research	Motu work ⁵ Internal MBIE work.		x	x	x	x			

⁵ http://motu-www.motu.org.nz/wpapers/21_02.pdf

Consideration of Wage Subsidy August 2021 #1 and #2 in the Process Evaluation

Purpose

The purpose of this document is to outline some of the implications of the addition of the Wage Subsidy August 2021 to the scope of the process evaluation.

Background

When the process component of the Wage Subsidy Scheme (WSS) evaluation was being scoped and costed, agencies agreed to include the four iterations of the WSS up to March 2021.

1. The original Wage Subsidy.
2. The Wage Subsidy extension.
3. The Resurgence Wage Subsidy.
4. The Wage Subsidy March 2021.

Shortly before the procurement document was released, MSD recommended that the most recent iteration of the scheme (Wage Subsidy August 2021 #1 and #2) be included.

In brief, the process evaluation supplier will examine the experience of WSS recipients (employers, self-employed, other entities) in applying for and receiving (or being declined) the WSS; the experience of employees who did, and did not, receive the WSS from their employer; and the MSD, IR and MBIE systems and resourcing that supported the WSS application process (including communications, inter-agency working, employee complaints, WSS misuse).

The procurement document specifies the entities/categories that should be included and examined in the evaluation sample, as follows:

- A range of firm/NGO sizes
- The self-employed
- A range of industry sectors, with a particular focus on low pay sectors
- Māori-owned businesses
- Pacific-owned businesses
- All employment arrangements – permanent, contract, casual, full-time, part-time
- Vulnerable/low-income employees eg casual, part-time, women, Māori, Pasifika, migrants, employees with a disability.

Key Implications

Key implications of including the Wage Subsidy August 2021 within scope are:

- Methodological challenges – Examining five individual iterations (with different eligibility criteria), using a sample which accounts for seven key categories is methodologically problematic in the timeframe available (final report due July 2022). Consequently, some trade-offs will be required, for example, identifying and focusing on which of the five iterations are of most significance for agencies or making compromises with the sampling frame.
- Extended timeframe – There is potential for the final reporting deadline to be pushed out given the additional planning and scoping that will be required, and the number of participants (i.e. from each iteration) who will need to be involved in the evaluation.
- Increased complexity – The context within which the Wage Subsidy August 2021 has been implemented is significantly different to that of earlier iterations, increasing the complexity of the evaluation. For example, businesses are facing their third or more cashflow disruption. Income streams for employees and their households are similarly disrupted with potentially more substantive and longer-term implications for household wellbeing. Furthermore, the context is continuing to change and is not yet fully understood.
- Increased cost – The cost of the process evaluation (\$300,000) was estimated based on an investigation of the first four iterations of the WSS and therefore suppliers may have difficulty expanding the scope without additional funding.
- Increased demand – The above issues all contribute to a significant demand on prospective suppliers.

Process evaluation supplier responses are due on 20 September 2021. These responses are likely to include suppliers' recommendations on the scope of what they can reasonably deliver within the reporting deadline and budget that we will feed back to the Steering Group for consideration.



Minutes

Wage Subsidy Scheme Evaluation – Steering Group Meeting

Date: 16 September 2021 **Time:** 10:00am till 11:00am

Venue: Microsoft Teams / Room 3.6, 56 The Terrace

Attendees: Murray Shadbolt, IRD; Richard Owen, IRD; Dean Ford, MBIE; Ruth Isaac, MBIE; Megan Beecroft, MSD; Rob Hodgson, MSD; Amy Richardson, MSD; Keiran Kennedy, Treasury; s9(2)(a)

Apologies: Jayne Russell, MSD

Item 1: Potential suppliers for the process evaluation and outcome evaluation shortlisted

- The procurement process is underway, with 17 potential suppliers for the process and outcome evaluation shortlisted. We received 7 responses that indicated interest in submitting a proposal for at least one of the evaluation components.
- A procurement plan and requirements documents have been approved by the MSD procurement team. Requirements documents were released on 31 August. Responses from potential suppliers of the process evaluation are due on 20 September and responses for the outcome evaluation are due on 27 September. The procurement team has noted that we can negotiate requirements with the chosen supplier(s).
- The Wage Subsidy August 2021 has been specified as within scope of the process evaluation but not the outcome evaluation. The outcome evaluation is restricted to the first four iterations of the scheme.

Item 2: Outcome evaluation data limitations

- Discussions with data experts have revealed there are limitations and challenges in terms of available data.
- The Longitudinal Business Database (LBD) is a large research database that holds de-identified microdata about businesses. The LBD will be a key data source for the outcome evaluation. The LBD data is lagged by approximately 18 months. This may present problems for understanding outcomes relating to firm resilience and survival within the evaluation timeframe. As a result, there may also be challenges with answering key evaluation questions focused on scheme criteria and lessons learnt. The Working Group is expecting potential suppliers to outline how they will overcome the challenges associated with lagged LBD data.

- It will be important for the outcome evaluation supplier to consider the confounding influence of the most recent national lockdown (and continued lockdown in Auckland) on conclusions about outcomes and lessons learnt. Suppliers will need to have an analysis plan that addresses this. Another confounder is the cumulative effect of multiple lockdowns on businesses and employees.
- The Working Group believe there will be value in following up on the outcome evaluation findings at a later date (between 2024-2025 when more complete business and tax data will be available). A follow-up evaluation could verify the conclusions that are drawn in the initial outcome evaluation report, due December 2022.
- The Steering Group noted the importance of providing timely insights based on the data that is available for suppliers to work with.
- Planning of an evaluation to understand Treasury's COVID-19 policy response is underway. There may be some overlap with the Wage Subsidy Scheme (WSS) evaluation.

Action points:

- Steering Group to consider whether to put aside money from the current evaluation for future analysis that can verify firm-level outcomes of the scheme.
- Treasury to arrange a meeting between members of the WSS evaluation Working Group and those involved in the Treasury policy response evaluation.

Item 3: Wage Subsidy August 2021

- There are implications of including the Wage Subsidy August 2021 within scope of the process evaluation. A final report for this evaluation component is due in July 2022.
- A trade-off of including the August scheme is that earlier iterations of the scheme may not be possible to examine in the same level of detail. However, the Working Group is waiting for potential suppliers to identify how they will investigate each iteration of the scheme within the evaluation timeframe.
- The Steering Group were asked which iterations of the scheme are of greatest importance to focus on for the process evaluation.
- The August 2021 scheme is a priority for the Steering Group. This is very different to the original Wage Subsidy, and it will be valuable to understand how the scheme has evolved over time. The context in which the August 2021 scheme has been implemented is also different. It would be a missed opportunity not to examine the August 2021 scheme.
- One Steering Group member noted that key trade-offs with any evaluation or project are time, scope, and cost. If cost and time are fixed, the only factor left to adjust is evaluation scope.
- Important to note that there may be further iterations of the scheme before findings are due next July, and that we will need to specify to suppliers which iterations are going to be the focus of the evaluation.
- The Steering Group indicated that focusing on the initial Wage Subsidy and the August 2021 scheme in detail is important, while iterations in between can be touched on more lightly.
- Another opportunity to reduce scope is to limit the range of people/groups that we are asking suppliers to engage with for the evaluation (this currently includes self-employed, a broad range of sectors, Maori and Pacific-owned businesses, and vulnerable/low income employees).

- Outcomes of the Wage Subsidy August 2021 may be examined in subsequent years, particularly if money from the current evaluation is set aside for this.

Actions:

- Working Group to document different opportunities for spending the total evaluation funding over time, and to make recommendations regarding how funding can best be used.

Item 4: Next meeting and any other business

- Scoring of process and outcome evaluation proposals and decision-making regarding preferred external suppliers will take place before the next meeting. A decision will be made by the scoring panel that has been assigned for each evaluation component.
- Steering Group will be asked to approve each supplier's approach to managing evaluation scope.

Actions:

- Out of to send through calendar invite for next Steering Group meeting.
- Working Group to inform Steering Group of chosen supplier(s) and the rationale for selection.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT



Agenda

Wage Subsidy Scheme Evaluation – Steering Group Meeting

Date: 16 November 2021 **Time:** 1:00pm – 2:00pm

Venue: Teams

Attendees: Murray Shadbolt, IRD; Richard Owen, IRD; Dean Ford, MBIE; Ruth Isaac, MBIE; Megan Beecroft, MSD; Rob Hodgson, MSD; Jayne Russell, MSD; Amy Richardson, MSD; Keiran Kennedy, Treasury; s9(2)(a)

Procurement update

- Item 1.1 Rationale for chosen process evaluation supplier
- Item 2.1 Rationale for chosen outcome evaluation supplier
- Item 3.1 Memo to MSD Procurement Board

Overview of proposed methods

- Item 4.1 Process evaluation methods
- Item 5.1 Decision on cut-off date for process evaluation given that the Wage Subsidy Scheme is ongoing
- Item 6.1 Outcome evaluation methods

International discussion

- Item 7.1 Meeting with officials in the Australian Treasury and the United Kingdom Treasury to share evaluation approaches

Next meeting

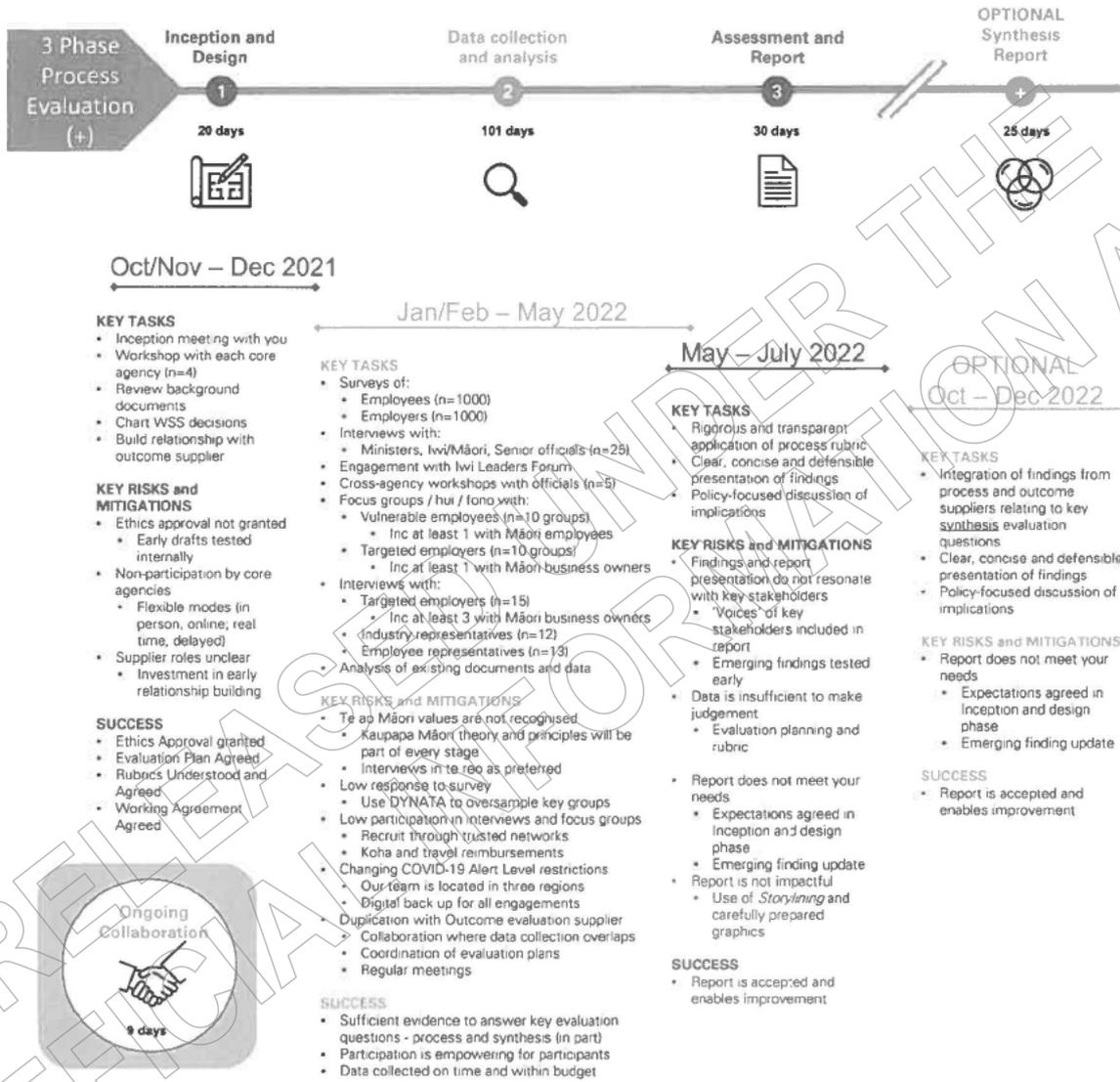
- Item 8.1 Availability of members in February
- Item 9.1 Update on early deliverables

RESPONSE TO THE REQUIREMENTS

1 Proposed evaluation approach: fit for purpose	Total Weight: 500 points					
1.1 Demonstrate a good understanding of the requirements in your proposed approach to providing process evaluation services that will enable the evaluation questions (in Section 3.4 of the Requirements Document) to be answered with robust evidence.	Weighting: 300 points					
<h2>OVERVIEW OF OUR PROPOSAL FOR A PROCESS EVALUATION</h2>						
<p>The Wage Subsidy Scheme is a significant intervention – you need two rigorous evaluations for:</p>						
<p>Accountability</p>	<p>Improvement</p>	<p>Learning</p>				
<p>At its height the scheme reached 1.8m, it had a major impact on employers, business viability and the lives of individual workers and their families - the public needs to be confident it was designed and delivered well, within the circumstances, and in line with Te Tiriti and Te Pae Patata</p>	<p>The WSS was developed in haste, and you need to ensure it remains fit for purpose both for continued and future use; you need to identify and address any issues that are impacting equity</p>	<p>It is a unique opportunity to evaluate something of this scale - legacy - collaborative at risk, its your duty to future policy makers</p>				
<p>Why choose MartinJenkins to deliver your process evaluation?</p>						
<ul style="list-style-type: none"> ✓ We understand the WSS and the context in which it was developed - having supported you with an initial COVID response narrative, and IR with their COVID-19 response evaluation ✓ We are skilled in engaging with iwi/Māori – Our team includes senior practitioners who kōrero Māori, and who have extensive experience applying Kaupapa Māori theory and principles in policy design and evaluation projects ✓ We work well in collaboration 	<ul style="list-style-type: none"> ✓ We have the capacity to deliver the process evaluation on time and within budget – our firm has a strong track record and additional consultants we can draw on if needed ✓ Our rubrics will be clear; our assessment will be fair - We understand policy ‘best practice’ – processes and principles and we also understand that context matters – processes can’t always be followed, but principles should be 	<ul style="list-style-type: none"> ✓ We have a track-record of delivering rigorous evaluations of complex policy issues 				
		<p>Our multi-method approach will answer your key evaluation questions</p>				
<p>Point of view of government and officials</p>		<p>Voices of employers and employees</p>				
						
<p>Detailed review of existing documentation and data Detailing ‘what happened’</p>	<p>5 cross-agency workshops Those involved in design and delivery</p>	<p>25 Interviews with Ministers, iwi and senior officials Including those involved in design and delivery, and those consulted</p>	<p>Engagement with iwi Leaders’ forum (If possible) As te Tiriti partners, as voice of Maori</p>	<p>2 surveys To quantify the range of employee (n=1000+) and employer (n=1000+) experiences. Using Dynata to source and sample for representation.</p>	<p>20 hui, fono and focus groups To capture insights from employees (n=10), employers (n=10). Across key regions, industries, communities and employment groups:</p>	<p>40 Interviews To capture and to end experiences of employers (n=15) that have been more significantly impacted and insights from key representatives of employers and employees (n=25)</p>
<ul style="list-style-type: none"> ✓ Te Tiriti upheld at every stage – who Māori individuals, organisations and representatives: how – te reo as preferred, tikanga, kanohi ki te kanohi, what: rubrics and IVL expressions of te ao Māori. We estimate reaching 40-50 individual Māori workers/employers through interviews and hui; and x3-4 sector representatives 	<ul style="list-style-type: none"> ✓ Sampling to achieve breadth – of industries and regions, employment arrangements, employer and employee contexts, exposure to impacts of COVID restrictions, WSS behaviour (take up, not). We estimate gathering new feedback from 2200 workers, employers and representatives overall 	<ul style="list-style-type: none"> ✓ Adapting methods to enable participation – we know that some groups respond better to different types of engagement. We will make our survey ‘mobile friendly’ to access young respondents. At least 2 of our focus groups will specifically focus on Pasifika workers and employers in South Auckland 	<ul style="list-style-type: none"> ✓ Targeting interviews for rich content and context – interviews selected to understand context, drivers and journey of individuals 			

Figure 1: An overview of our approach

THREE PHASE APPROACH (PLUS)



TARGET STAKEHOLDERS / INDICATIVE PARTICIPANTS



- Government**
- Ministers
 - Senior officials of MSD, IR, MBIE, Treasury
 - Business units that engage with Māori
 - Head of the Public Policy Profession,
 - DPNC, TPK, MPP, Public Service Commission
 - NZTE, Callaghan Innovation



- Iwi/Māori - as Treaty partners**
- Iwi/Māori involved in design / implementation
 - Iwi Leaders Forum (if possible)
- Voice of Māori employers and employees**
- Māori-owned business
 - Māori employees
 - Business networks (Poutama Trust, Amotai)



- Employers**
- Applicants / non applicants
 - Duration of take up
 - Large / medium / small
 - More / less impacted industries
 - More / less impacted regions
 - Pasifika-owned businesses



- Employees**
- Received / didn't receive WSS
 - Employment arrangements
 - More / less impacted industries
 - More / less impacted regions
 - Pasifika employees
 - Newer migrants
 - Youth



- Sector Representatives**
- Industry Associations
 - Unions
 - Chartered Accountants
 - Pacific Business Trust
 - NZ Law Society
 - EDAs

Outcome evaluation component of the COVID-19 Wage Subsidy Scheme (WSS)

s9(2)(a) and s9(2)(a)

Senior Fellows, Motu Economic and Public Policy Research

20 October 2021

Responses to panel member questions (received 18 October)

The panel has requested additional information from Motu in relation to our proposal for the outcome evaluation component of the COVID-19 Wage Subsidy Scheme. We provide responses to the following questions in turn.

- 1) The panel noted that Motu has presented one approach (outlined on p8 -10) to address key evaluation question three. The panel would like Motu to explain:
 - a. why they chose the proposed approach;
 - b. what they will do if the proposed approach does not work to provide the required findings; and
 - c. were any alternative approaches considered and if so, why were they ruled out?
- 2) The panel would like Motu to explain how they will deal with the multiple iterations of the Wage Subsidy and the possibility of getting multiple subsidies?
- 3) The table of risks fails to capture the risks associated with data availability and data quality. The panel would like Motu to describe these risks and outline mitigation strategies.
- 4) The Panel would like Motu to describe how they will collaborate with an alternative process evaluation provider?
- 5) The Panel would like Motu to confirm what budget implications there would be if the outcome supplier was no longer responsible for producing the synthesis report?

1. The panel noted that Motu has presented one approach (outlined on p8 -10) to address key evaluation question three. The panel would like Motu to explain:
 - a) why they chose the proposed approach;
 - b) what they will do if the proposed approach does not work to provide the required findings; and
 - c) were any alternative approaches considered and if so, why were they ruled out?

We think the proposed approach has several components. As we are not sure exactly which component of the approach is being questioned, in our discussion below, we address the questions under 3 headings: (i) IDI/LBD-based analysis; (ii) Selectivity - identifying cashflow constrained firms; and (iii) Counterfactual analysis.

Our criteria for choosing an appropriate research design to answer the key evaluation questions included:

- 1) Data coverage: We have chosen an empirical approach that we consider to have the best chance of providing reliable estimates of the possibly heterogeneous impacts of WSS. This



requires relevant data on a large number of firms and individuals – to support disaggregation and increase the precision of our estimates

- 2) Ability to construct a credible comparison: In order to identify how WSS affected outcomes, our research design relies on identifying a credible comparison group of firms and workers not assisted by WSS. We therefore need coverage of both assisted and unassisted firms and workers.

(i) IDI/LBD-based analysis:

We believe the IDI/LBD is the most appropriate source of data to analyse the effects of the WSS. In combination it provides a wide breadth of coverage of firm and relevant worker background and outcome information. In addition, our research team is experienced in analysing these data and in the application of relevant research and evaluation methods. We view the combination the most appropriate data and a team with the appropriate skills to analyse the data as a key strength of our proposal.

In our view, the proposed approach is the one most likely to enable us to identify the nature and strength of WSS effects. It thus maximises the likelihood that the work will be able to answer the key evaluation questions and provide the required findings, although we do not know at this stage what those findings will be.

A limitation of using these microdata is that the range of information is limited to what is available in the included administrative and survey data. We have prioritised getting reliable estimates of the nature and magnitude of WSS outcomes and effects. For interpreting and understanding the processes that may have resulted in the patterns we will find, we will draw on insights from existing survey and qualitative studies. This will include insights from the accompanying process evaluation, as well as from firm or individual surveys that have collected information on the WSS experiences of firms and workers (eg: MBIE's 2020 Survey of Employment Intentions; VUW lockdown survey (Prickett, Chapple et al))

There are several possible alternative sources of data and analytical approaches that could be used. One alternative would be a simulation approach using a (possibly macroeconomic) calibrated model – e.g. along the lines of Graham and Ozbilgin (2021). However, we believe such models lack empirical content in the sense that results depend essentially on the structure and calibrated parameters selected: so that, e.g., they could be used to evaluate a WSS-type policy before it was implemented.

A second alternative would be to conduct one or more retrospective surveys of firms and workers. (This is an approach we considered in consultation with Allen + Clarke.) However, to do this well, we expect would be relatively expensive. In addition, there would be substantial issues with developing questionnaires, selecting a suitable sample frame (particularly for workers), and retrospective recall, etc. Furthermore, the coverage of even a large survey would be less than what is possible with the IDI/LBD data.

(ii) Selectivity - identifying cashflow constrained firms in order to test the selectivity of firms and workers who did or didn't receive WSS against the predicted constraint:

Given the primary eligibility criteria of the WSS policies was that businesses expected to experience significant drop in revenue, we believe a focus on changes in cashflow will be crucial in attempting to address whether the WSS reached the businesses it intended to. We will examine other activity or financial indicators of firm fragility, but consider that cashflow is the most promising place to start.

(iii) Counterfactual analysis of firm resilience and survival outcomes of WSS versus non-WSS firms; and similar analysis of workers outcomes for workers who did and didn't receive WSS:

We believe an outcome evaluation exercise fundamentally involves comparing actual outcomes against constructed counterfactual outcomes in the absence of the programme.

Within the scope of our proposed method, we considered a range of approaches to identifying credible comparison groups. In practice, we will refine the way that we identify these during our analysis, as we gain a deeper understanding of what empirically differentiates people and firms who did and did not receive WSS support.

2. The panel would like Motu to explain how they will deal with the multiple iterations of the Wage Subsidy and the possibility of getting multiple subsidies?

The analysis will handle these issues in a sequential manner. We see this as working two ways. First, for firms, one of the effects of receiving (e.g.) the Original WSS payments will be survival and potential eligibility to receive subsequent WSS payments, such as the Extension or Resurgence payments. Similarly, for supported workers, we will condition the estimates of any phase 2 support on the nature and extent of phase 1 WSS support. We will also take actual receipt of phase 2 support into account when examining the outcomes from phase 1 support, to identify the selectivity into and effects of cumulative support.

Second, and potentially more importantly, in analysing the effects of the subsequent WSS-extension or resurgence payments on recipient firms' and workers' outcomes, we will condition on what preceded each of the scheme components. For example, to identify the effect of the WSS-extension, we will match firms and workers that received payments with similar firms and workers (including whether or not they received the original WSS payments) that didn't receive WSS-extension payments.

Our research design will also use the differential coverage and support (eg: coverage and takeup by location and industry) of the different phases of support to help in identifying comparison groups and heterogeneous effects.

3. The table of risks fails to capture the risks associated with data availability and data quality. The panel would like Motu to describe these risks and outline mitigation strategies.

There are three main sources of data required for the analysis: firms' WSS receipt data; worker-firm employment and earnings data; and firms' cashflow and sales data. The WSS receipt data (CWS tables in the IDI adhoc environment), and employment and earnings data (EIE tables in the IDI adhoc environment) have both continued to be updated regularly (e.g. there is currently data through to October 2021 – possibly incomplete for the final few weeks). Assuming this continues to be the case, we consider there is low risk associated with such data availability. If there is a threat to the continued availability of these data, we will work with MSD to negotiate for them to be continued. In the unlikely worst case that some data sources become unavailable, we will still be able to trace impacts credibly at least through until August/September.

Firms' sales and cashflow information data is available in the GST tables in the LBD environment, and is updated less frequently. There is currently some GST information to the present (October 2021), however we expect there to be a 3-6 month lag in approaching complete coverage. Again,

based on current availability, we consider there is relatively low risk associated with timely GST data availability.

In addition to these data sources, our proposal also includes data in the IDI/LBD environment, such as from the Household Labour Force Survey (HLFS) and Business Operations Survey (BOS). As these sources are regularly loaded into the administrative data environment, we don't anticipate any significant data availability risks with these.

Regarding data quality risks, we have substantial experience working with data of variable quality, both in the IDI/LBD and elsewhere. More specifically, based on our previous experience working with the CWS and EIE data, we believe it is adequate albeit not perfect. Moreover, even with imperfect data quality, we believe that using the IDI/LBD has the greatest chance of providing reliable estimates and insights.

4. The Panel would like Motu to describe how they will collaborate with an alternative process evaluation provider?

We are prepared to work collaboratively with any process evaluation provider. Given the requirements outlined in the original RFP, we expect there will be two main stages of collaboration. First, early in the project, to develop intervention logics for the scheme, and to produce evaluation rubrics for the outcome evaluation: for each of the WSS-original and extension, and the WSS-resurgence components. We expect this will occur relatively intensively over the first 1-2 months of the project, and that we will continue to interact periodically as the respective evaluations progress and the intervention logic and evaluation rubrics may need revising.

Second, in synthesising the results from both the process and outcome evaluations towards the end of the project timeline. As outlined in our proposal, we expect this will occur over the final 2-3 months, and involve several iterations between ourselves and the process evaluation provider, as well as with officials to reach a consensus of understanding with regards to the evaluation findings, interpretation and insights. We also anticipate that we will have regular interactions with the process evaluation team in the course of the evaluations to discuss emerging insights and questions.

5. The Panel would like Motu to confirm what budget implications there would be if the outcome supplier was no longer responsible for producing the synthesis report?

The budget implications will depend on the exact details of the changed expectations. But, to give a sense of possible magnitudes, the current outcome evaluation proposal budget included (approximately) \$100K for the combined synthesis component. We expect the involvement in the initial (developing the intervention logic and evaluation rubrics) and synthesis phases, may require budgets on the order of \$10K and \$20K respectively. This would imply a \$70K saving on the proposed budget. However, we emphasise these are rough estimates, which depend on the revised plan and the way that the process and outcome evaluation teams agree to interact.

References

Graham, J., & Ozbilgin, M. (2021). Age, Industry, and Unemployment Risk During a Pandemic Lockdown. Available at SSRN 3772576.



Minutes

Wage Subsidy Scheme Evaluation – Steering Group Meeting

Date: 16 November 2021 **Time:** 1:00pm till 2:00pm

Venue: Microsoft Teams / Room 6.4, 89 The Terrace

Attendees: Murray Shadbolt, IRD; Richard Owen, IRD; Ruth Isaac, MBIE; Rob Hodgson, MSD; Amy Richardson, MSD; Keiran Kennedy, Treasury; s9(2)(a)

Apologies: Dean Ford, MBIE; Megan Beecroft, MSD; Jayne Russell, MSD

Item 1: Selected suppliers – process and outcome evaluation

- The procurement process has been completed. There was representation from Inland Revenue, the Ministry of Business, Innovation and Employment, and the Ministry of Social Development on the procurement evaluation panel.
- MartinJenkins has been selected to complete the process evaluation and Motu has been selected to complete the outcome evaluation. Contracts are being finalised now.
- The Steering Group noted it could be helpful for the Working Group, as part of their regular meetings with evaluation providers, to give clear regular feedback on the progress of the work and whether it is meeting expectations. Other agencies have previously used a number of criteria against which suppliers can be scored. This can highlight areas that suppliers are progressing well and areas where there is room for improvement. An example scoring framework will be shared with the Working Group.
- The Steering Group emphasised the importance of learning about findings as quickly as possible to inform future policy advice. Findings will help with advising Ministers on any economic supports to be provided under the COVID-19 Protection Framework (CPF).

Item 2: Procurement delay and implications

- There was a slight delay in the procurement process. As a result, the final report due date for the process evaluation has been pushed out by one week. There has been no change to when the final reports for the outcome evaluation or the synthesis are due (end of 2022).

Item 3: Overview of proposed methods – process evaluation

- MartinJenkins has proposed a survey of 1000 employers and 1000 employees, as well as focus groups and individual interviews with employers, employees, and officials from each agency. An earlier online survey of businesses that received the Wage Subsidy Scheme (WSS), commissioned by MSD, achieved a response rate of 25% (representing over 90,000 businesses).
- The Steering Group noted that MartinJenkins should track survey responses as they come in to ensure that the survey is achieving appropriate representation of regions, industries, business sizes, those who did and did not repay the subsidy, etc.
- The survey will be going out in March or April, exact timing TBC. This is to allow time for MartinJenkins to develop a comprehensive evaluation plan, complete scoping and review of relevant policy decisions, and confirm intervention logics and evaluation rubrics.
- The Steering Group identified late March or after early April as the best times to distribute the survey in order to optimise response rates. In April, many businesses may be too busy to complete the survey.
- Regarding a cut-off point for the process evaluation, the Steering Group recommended prior to implementation of the CPF as the timeframe for participants to reflect on (given that the WSS is unlikely to be in operation once this transition has been made).
- The Steering Group would like the opportunity to review interview guides/survey questions once these have been developed so that they can check key areas of interest have been addressed.

Action points:

- Working Group to share draft interview guides/survey questions once these have been developed so that Steering Group members have a chance to provide feedback.

Item 4: Overview of proposed methods – outcome evaluation

- Motu will largely be using data in the Integrated Data Infrastructure and Longitudinal Business Database which provide the most comprehensive information on the outcomes of the WSS for businesses and employees. This data will be supplemented with information from other national surveys as well as findings from the process evaluation. Motu will also complete a cost-effectiveness/value for money analysis.
- The Steering Group noted the difficulties Motu will face with constructing a credible counterfactual due to the wide coverage of the WSS. This was raised as the biggest challenge in a recent discussion with those evaluating employment support schemes in Australia and the United Kingdom (UK).

Action points:

- Working Group to update Steering Group as soon as Motu's approach to constructing a credible counterfactual has been identified.
- Working Group to link up Motu with analysts and modellers in Australia and the United Kingdom for information on different approaches to constructing the counterfactual.

Item 5: International discussion

- Representatives from MSD and Treasury recently attended a virtual meeting with officials from Australia and the UK to speak about their respective evaluation approaches.
- Each country intends to conduct a process evaluation to understand how well each employment scheme was designed and implemented, and an outcome evaluation to examine the extent to which each scheme achieved its intended objectives.
- All countries identified construction of a credible counterfactual as the key evaluation challenge.
- Participants in the meeting agreed to meet regularly (approximately every 3 months) to discuss progress and share methodology and findings.
- The Steering Group noted there is a good opportunity for us to compare evaluation findings as they become available, noting the differences in settings and scheme characteristics.

Action points:

- Working Group to ensure MartinJenkins and Motu are made aware of findings from evaluations in Australia and UK as soon as these are available. High-level comparisons may be possible to incorporate into the synthesis component of the WSS evaluation.

Item 6: Next steps

- Contracts with providers will be finalised by early December.
- The providers will be asked to attend the next Steering Group meeting in February to share more detail on their approaches.
- The Steering Group requested that they be kept in the loop regarding updates on the evaluation that are sent to the Minister.

Action Points:

- Working Group to coordinate with MSD Communications Team to develop a Communications Plan and share this with the Steering Group at the next meeting.
- Working Group to develop an outline of the evaluation for the MSD website.