

The Treasury

COVID-19 Information Release

April 2020

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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Cabinet Business Committee

Minute of Decision

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Establishing an Essential Workers Leave Support Scheme

Portfolios Finance / Social Development / Workplace Relations and Safety

On 1 April 2020, the Cabinet Business Committee, having been authorised by Cabinet to have Power to Act [CAB-20-MIN-0145]:

- 1 **noted** that on 16 March 2020, Cabinet agreed to the COVID-19 Business and Worker Support package, which included subsidies of \$585.80 per week for full time workers (20 or more hours per week) and \$350 for part time workers (less than 20 hours per week) across two schemes:
 - 1.1 a COVID-19 Leave Scheme to compensate workers for a period of 14 days (or for the full duration of recovery for infected workers), and to incentivise workers to self-isolate to help manage the spread of the COVID-19 virus in New Zealand, with eligibility open to all firms, the self employed, contractors, and for workers unable to work from home [CAB-20-MIN-0105];
 - 1.2 a 12-week wage subsidy scheme to provide financial support to businesses adversely affected by COVID-19 [CAB-20-MIN-0109];
- 2 **noted** that on 27 March 2020, Ministers with Power to Act agreed to simplify worker-related financial assistance by collapsing the COVID-19 Leave Scheme into the Wage Subsidy Scheme and making administrative modifications to:
 - 2.1 support employers and workers to maintain a connection, and to ensure workers receive a wage during the COVID-19 Alert Level 4 shutdown;
 - 2.2 prevent employers from accessing the initial wage subsidy and COVID-19 leave schemes simultaneously (i.e. preventing double dipping);
 - 2.3 limit eligibility to businesses that have experienced a minimum 30 per cent decline in actual or predicted revenue over the period of a month, when compared with the same month last year, and that decline is related to COVID-19;
- 3 **noted** that on 27 March 2020, Ministers with Power to Act agreed that further work be undertaken to support the situation of workers in essential businesses who need to self-isolate or take sick leave as a result of COVID 19, and that Ministers of Finance and Social Development would report to COVID-19 Ministers as soon as possible;

An Essential Worker Leave Support Scheme

- 4 **noted** that an essential worker leave support scheme will address the following emerging issues:
- 4.1 the Wage Subsidy scheme as modified does not ensure eligibility of essential businesses to receive subsidies in relation to workers taking leave in accordance with public health advice;
 - 4.2 some essential business workers are being placed at high risk of infection and transmission due to their close and repeated interactions with members of the public;
 - 4.3 the key objective of providing financial assistance to workers in essential businesses is to reduce disincentives for essential businesses workers to self-isolate when they need to do so and support those who are unable to work to have an income; and
 - 4.4 there is some uncertainty about the duration of self-isolation required for essential business workers;
- 5 **agreed** to create a COVID-19 essential worker leave support scheme for essential businesses workers only, with the payments to be four-weekly (rather than fortnightly as per the original scheme), with the option for organisations to re-apply for those same workers after four-weeks, or make further applications for additional workers who are eligible at any time, while the scheme remains open;
- 6 **agreed** that the scheme will be available for at least the period while the nation is at Alert Level 4 public health restrictions, that Ministers will need to consider how long the scheme should be available after this period (some employees are likely to need to remain on leave even after the Level 4 restrictions are lifted) and as part of this, the scheme will be reviewed after 8 weeks of being open to ascertain levels of uptake and future need;
- 7 **agreed** that there are three groups of essential businesses workers that employers will be eligible to apply for under the scheme, who may otherwise feel pressured to work against public health advice and are unable to work from home, and that these include workers in essential businesses who:
- 7.1 are deemed at higher risk if they contract COVID-19, in accordance with public health guidance from the Ministry of Health, and as such should self-isolate for the duration of the lockdown (and potentially longer);
 - 7.2 come into contact with someone who has contracted the virus (or have contracted the virus themselves) and, in accordance with Public Health guidance, are required to self-isolate;
 - 7.3 have household members who are deemed at higher risk if they contract COVID-19, in accordance with public health guidance from the Ministry of Health and need to stay away from work for the duration of the lockdown (and potentially longer) to reduce the risk of transmitting the virus to that household member;

- 8 **invited** the Minister of Health and Minister for Workplace Relations and Safety to develop processes for determining the groups “at higher risk if they contract COVID-19” referred to in paragraphs 7.1 and 7.3 above and how eligibility will be established for the purposes of the leave scheme, and report back to COVID-19 Ministers on this;
- 9 **noted** that it is preferable that Ministers avoid making frequent changes to the definition of eligible, at higher risk employees;
- 10 **noted** that it is preferable that Ministers try to keep the definition of at higher risk employees as closely aligned to public health guidance as possible;
- 11 **noted** that this policy does not provide leave for essential business workers who have to care for dependants, unless the dependants are considered at higher risk if they contract COVID-19 under public health advice from the Ministry of Health, and there is a risk that some workers may not be able to access care for those dependents;
- 12 **agreed** that essential business organisations (or self-employed essential businesses) should only be eligible to receive this support for paying employees to take leave where:
- 12.1 the organisation has experienced a 30 percent revenue loss attributable to COVID-19, or
 - 12.2 have had their ability to support employees who are at higher risk if they contract COVID-19 that need to take leave negatively impacted by the COVID-19 public health restrictions;
- 13 **noted** that the revenue loss assessment will be aligned with the revenue loss assessment in the Wage Subsidy;
- 14 **agreed** that employers will be entitled to a flat rate of:
- 14.1 \$585.80 per week (gross, before tax) for each full-time worker (where they usually worked greater than or equal to 20 hours before COVID-19 impacted);
 - 14.2 \$350.00 per week (gross, before tax) for each part time worker (where they usually worked fewer than 20 hours before COVID-19 impacted);
- 15 **agreed** that employers accessing the scheme should pay workers at either:
- 15.1 their usual income before COVID-19, if this is less than the relevant subsidy provided; or
 - 15.2 minimum of the full subsidy, if the workers’ usual income before COVID-19 exceeds the relevant subsidy rate, and in that case also make best endeavours to pay at least 80 percent of the workers’ usual income before COVID-19;
- 16 **agreed** that employers must retain workers for the 4-week duration of the subsidy, unless the worker voluntarily ends the employment relationship;
- 17 **agreed** that if the employment relationship ends, the employer will not be entitled to further subsidies in relation to the specified worker;

- 18 **noted** that there may be some cases arising from the decision on paragraph 15 above where the employer may retain some of the subsidy that may have ordinarily been passed on to the worker in the case of an employment relationship ending;
- 19 **agreed** that employers must use any surplus funding from the leave payments provided, in respect of decisions in paragraphs 14 or 16, to fund essential business workers' wages where possible;
- 20 **noted** that nothing in the scheme overrides an employer's legal obligations, including to pay for any work completed at the wage rate agreed between employer and worker; the obligation to pay at least the minimum wage for any actual hours of work completed; and that no employer may unlawfully compel workers to take annual leave;
- 21 **agreed** that employers should not be able to claim this leave subsidy at the same time as receiving the wage subsidy or original leave subsidy for the same employee, or where they are simultaneously receiving any other government funding to cover any of the situations in this leave payment scheme;
- 22 **agreed** that if an essential business does experience a 30 percent reduction in revenue, then they should apply for the Wage Subsidy rather than the COVID-19 essential worker leave support;
- 23 ³⁴
- 24
- 25 **agreed** that any further decisions required to implement these modifications will be reported to COVID-19 Ministers as soon as possible, including updated changes to appropriations;

Fiscal implications

- 26 **noted** that there is a very high level of uncertainty in fiscal estimates due to uncertainty in the number of staff continuing to work on the premises of essential businesses, the proportion of these in high-risk groups for COVID-19, and the financial position of essential businesses;
- 27 **noted** that Treasury has prepared cost models for two scenarios: a full uptake model (\$280 million for 12 weeks) and a less than full uptake model (\$100 million for 12 weeks);
- 28 **noted** that in the full uptake model no Essential Business meet eligibility criteria for the wage subsidy and all Essential Businesses apply to the Essential Workers Leave Support Scheme for affected staff;
- 29 **noted** that in the less than full uptake model 50 percent of Essential Businesses experience a 30 percent drop in revenue and are therefore eligible for the wage subsidy and ineligible for the leave scheme, and only 80 percent of businesses which eligible to apply for the Essential Workers Leave Support Scheme do apply for the scheme;

30 **noted** that in the absence of being able to accurately forecast the level of transmission of the virus in the coming weeks, and the proportion of Essential Workers who are at higher risk if they contract COVID-19, officials have instead applied the following assumptions to both of the cost models:

30.1 of the 370,000 staff currently working in Essential Services outside of the public sector:

30.1.1 25 percent will be able to work from home, leaving 278,000 employees on work premises during this period; and

30.1.2 15 percent of the workforce have to stay away from work, because they are in a high-risk group or have a high-risk person in their household;

30.2 Essential Business workers who are sick or exposed to COVID-19, or caring for a sick dependent, form only a fraction of the workforce in this period (based on an assumption of only a few thousand cases in New Zealand);

31 **agreed** to establish the following new appropriation:

Vote	Social Development
Minister	Minister for Social Development
Title	Essential Workers Leave Support Scheme
Type	Non-Departmental Other Expense
Scope	This appropriation is limited to supporting workers through the Essential Workers Leave Support Scheme, (approved by Cabinet) in response to the COVID-19 virus, with criteria established by Cabinet.

32 **agreed** to a performance exemption under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative at this appropriation is solely for payments related to the COVID-19 response;

33 **approved** the following change to appropriations to fund the Essential Workers Leave Support scheme with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Other Expenses: Essential Workers Leave Support Scheme	100.000	-	-	-	-
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support					
Departmental Output Expenses: Improving Employment Outcomes (funded by Revenue Crown)	0.200	-	-	-	-
Total Operating	100.200	-	-	-	-

- 34 **agreed** that the expenses occurred under paragraph 33 above [REDACTED]
33 [REDACTED]
- 35 **agreed** that the changes to appropriations for 2019/20 in paragraph 33 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 36 **approved** the following fiscally neutral adjustment(s) to provide for the Essential Workers Leave Support Scheme, with no impact on the operating balance and/or net core Crown debt:

Vote Social Development Minister for Social Development	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Other Expenses:					
Financial Assistance to Support Worker Self-Isolation	(19.500)	-	-	-	-
Essential Workers Leave Support Scheme	19.500	-	-	-	-
Total Operating	-	-	-	-	-

- 37 **agreed** that the changes to appropriations for 2019/20 in paragraph 36 above be included in the 2019/20 Supplementary Estimates and that in the interim, the increase be met from Imprest Supply;
- 38 **noted** that this takes the total amount appropriated to support workers taking leave for COVID-19 to \$226.5 million;
- 39 **agreed** that any underspends with the implementation and the costs of COVID-19 essential worker leave support scheme as at 30 June 2020 be transferred to the 2020/21 financial year to ensure that funding is available for this purpose;
- 40 **noted** that MSD may need additional funding to create, administer and/or pay the scheme and to audit the scheme retrospectively, and the Minister for Social Development will report back if more funds are required;
- 41 **authorised** the Minister of Finance and Minister for Social Development jointly to agree the final amount to be transferred, following completion of the 2019/20 audited financial statements of MSD (or beforehand if necessary), with no impact on the operating balance and/or net core Crown debt across the forecast period;
- 42 **authorised** the Minister of Finance and Minister for Social Development to increase/decrease funding for the COVID-19 essential worker leave if required;
- 43 **agreed** that any further decisions required to implement the scheme will be reported to COVID-19 Ministers as soon as possible, including updated changes to appropriations.

Vivien Meek
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Andrew Little
Hon Carmel Sepuloni
Hon Dr David Clark
Hon David Parker
Hon Nanaia Mahuta
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Damien O'Connor
Hon Kris Faafoi
Hon Peeni Henare
Hon Ron Mark
Hon Tracey Martin
Hon James Shaw

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Treasury
Ministry of Business, Innovation and Employment
Ministry of Social Development
Ministry of Health
New Zealand Police
Ministry for Primary Industries

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