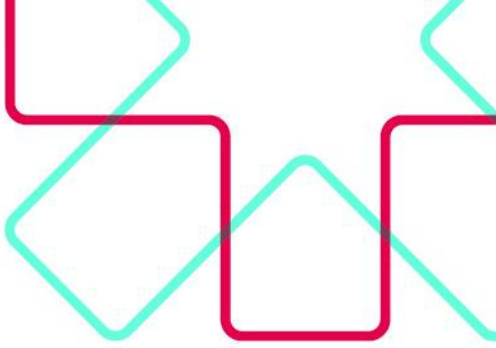


PROCESS EVALUATION OF THE COVID-19 WAGE SUBSIDY

Final Report





CONTENTS

<u>Section 1. Executive summary</u>	9
<u>Executive summary</u>	9
<u>Navigating this report</u>	17
<u>Section 2. Introduction and background</u>	18
<u>About the COVID-19 Wage Subsidy</u>	19
<u>About the evaluation: Purpose, scope, and method</u>	33
<u>Section 3. Findings, discussion, and conclusions</u>	42
<u>The policy design and development process</u>	43
<u>Consistency with the Treaty of Waitangi</u>	62
<u>Implementation and delivery of the Wage Subsidy</u>	70
<u>Workers' interaction with the Wage Subsidy</u>	115
<u>Issues cutting across both design and delivery of the Wage Subsidy</u>	122
<u>Conclusions</u>	134

APPENDICES

Appendices are in a separate file

- Appendix 1: Evaluation method
- Appendix 2: Assessment rubric for the process evaluation
- Appendix 3: Relevant guidelines for Treaty of Waitangi best practice
- Appendix 4: Additional data
- Appendix 5: Intervention logic model
- Appendix 6: Process evaluation crosswalk
- Appendix 7: Record of decisions
- Appendix 8: Documents reviewed



Appendix 9: Changes to Employer Declaration forms

Appendix 10: Workers survey

Appendix 11: Employers survey

TABLES

Table 1:	Our assessment of the Wage Subsidy process criteria	10
Table 2:	Shifting scheme objectives	21
Table 3:	Wage Subsidy core policy settings across Phase 1 and Phase 2	23
Table 4:	Key statistics on the take-up of the Wage Subsidy	27
Table 5:	Process evaluation assessment criteria	38
Table 6:	Generic rating definitions for process rubric	39
Table 7:	Our assessment of policy design and development overall	43
Table 8:	Extracts from relevant Cabinet Papers	64
Table 9:	Our assessment of implementation and delivery overall	70
Table 10:	Number of approved applications paid within five working days	76
Table 11:	Call volumes to IR, by Wage Subsidy iteration	79
Table 12:	Cumulative number of complaints	83
Table 13:	Average FTE supporting verification of applications	88
Table 14:	Examples of ways that employers approached their obligations after receiving the Wage Subsidy payment	114
Table 15:	Our assessment of cross-cutting issues overall	122
Table 16:	Summary of analysis from the outcome evaluation regarding receipt of Wage Subsidy payments (based on analysis undertaken by Motu Research for the outcomes evaluation)	125

FIGURES

Figure 1:	Roles in the Wage Subsidy application process	25
Figure 2:	A simple scheme in a complex system	28
Figure 3:	COVID-19 expenditure by Vote	29
Figure 4:	Timeline of key Wage Subsidy iterations	31
Figure 5:	DPMC Policy Quality Framework	50
Figure 6:	Payment within five working days, employers, sole traders, and overall	77
Figure 7:	Original Wage Subsidy: Calls to IR's dedicated Wage Subsidy	79



Figure 8:	Wage Subsidy Auckland 2021: Calls to IR’s dedicated Wage Subsidy line	80
Figure 9:	Automatic processing of applications by Wage Subsidy Iteration	81
Figure 10:	Employers’ perspectives on the Wage Subsidy application process	82
Figure 11:	Number of MSD staff involved in processing Wage Subsidy and/or Leave Support applications	87
Figure 12:	Workers’ and businesses’ assessments of government communications	91
Figure 13:	Communications at the beginning of the lockdowns on the Wage Subsidy were easy to understand	92
Figure 14:	Communications at the beginning of the subsidy were easy to understand, by ethnic group	93
Figure 15:	Communications at the beginning of the subsidy were easy to understand, by age group of worker	93
Figure 16:	Barriers and enablers of Wage Subsidy take-up	105
Figure 17:	Employers’ assessments of their understanding of the Wage Subsidy	106
Figure 18:	Understanding of the Wage Subsidy: Received the Wage Subsidy and did not receive the Wage Subsidy	107
Figure 19:	Understanding of the Wage Subsidy: Māori organisations and non-Māori, Pacific or migrant organisations	108
Figure 20:	Understanding of the Wage Subsidy: by years in business at time of survey	109
Figure 21:	Actions taken by businesses at the start of the COVID-19 pandemic (Phase 1 of the Wage Subsidy) and in the second period of lockdowns (Phase 2)	113
Figure 22:	Workers’ understanding and knowledge of the Wage Subsidy	116
Figure 23:	I understood the “revenue decline” test my employer had to meet, by ethnicity	116
Figure 24:	I understood the “revenue decline” test my employer had to meet, by age group of worker	117
Figure 25:	Over March to May 2020, did your employer apply for and receive the COVID-19 Wage Subsidy?	119



THIS REPORT HAS BEEN PREPARED BY MARTINJENKINS

This report has been prepared by MartinJenkins (Martin, Jenkins & Associates Limited), with support from Te Paetawhiti and Associates and ConnectEd, for a cross-agency collaboration led by the Ministry of Social Development. OliverShaw also provided advice and reviewed sections of this report on the tax implications of the Wage Subsidy.

For 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the Aotearoa New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned Aotearoa New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of executive directors Kevin Jenkins, Michael Mills, Nick Davis, Allana Coulon, Richard Tait, and Sarah Baddeley, as well as independent director Sophia Gunn and chair David Prentice.



SECTION 1

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

The COVID-19 Wage Subsidy was the Government's single-largest area of spending in response to COVID-19, and indirectly supported about 1.8 million workers.¹ The Wage Subsidy was developed under urgency and delivered from 17 March 2020 to 9 December 2021 by four agencies – the Treasury, the Ministry of Social Development (MSD), Inland Revenue (IR), and the Ministry of Business, Innovation and Employment (MBIE).

This process evaluation assesses how well the Wage Subsidy scheme was developed and delivered

Few significant government initiatives have been developed so quickly, and at such a scale. Opportunities to evaluate these types of initiatives are even less frequent. The core government agencies are eager to, first, understand how well the Wage Subsidy was developed and delivered, and second, to identify the outcomes that the Wage Subsidy achieved.

- This process evaluation addresses the first of those two questions. Separate reports assess outcomes and provide a synthesis of lessons from the Wage Subsidy experience.

We were asked to undertake the evaluation against best practice. Even considering the crisis circumstances, best practice represented a particularly high hurdle for assessment, and any opportunities for improvement identified in this report should be considered within that context.

We assessed the Wage Subsidy in two phases

We assessed the Wage Subsidy in two phases, reflecting the changing circumstances for delivery:

- **“Phase 1” was the Original Wage Subsidy and its Extension, in early to mid-2020.** COVID-19 emerged in this period, with the need for an urgent response and with very high levels of uncertainty. Aotearoa New Zealand implemented COVID-19 Alert Level restrictions for the first time in this period, and the Wage Subsidy was designed and implemented at pace.
- **“Phase 2” was the later versions of the Wage Subsidy, from late 2020 to the end of 2021.** This period saw a “new normal” in which there was an ongoing possibility of Alert Levels changing. Agencies needed to be ready to respond to these changes.

Overall, our findings are positive, with Phase 1 stronger than Phase 2

The COVID-19 Wage Subsidy was designed and implemented rapidly in a time of crisis, and without any widespread failures. Awareness was raised, unprecedented numbers of applications were received, and most successful applicants received payments quickly. The successes of the initial design and delivery should not be understated.

¹ Management of the Wage Subsidy Scheme, Office of the Auditor General, May 2021.



Table 1 presents our assessment of the Wage Subsidy in six domains, and ten subdomains, and through Phase 1 and Phase 2. It shows that while our findings are positive overall, when the scheme is measured against *best practice*, our evaluation noted several shortcomings, which are elaborated below and throughout this report.

Table 1: Our assessment of the Wage Subsidy process criteria

	Phase 1	Phase 2
Policy design and development overall	Good	Good
Policy development process	Good	Good
Quality of policy advice	Good	Good
Implementation and delivery overall	Very good	Good
Infrastructure	Very good	Good
Delivery	Very good	Good
Communications	Good	Fair
Risk management	Good	Good
Take up	Very good	Very good
Consistency with the Treaty of Waitangi	Fair	Fair
Equity considerations within parameters of a broad-based scheme	Good	Fair
Cross-agency working overall	Very good	Good
Governance	Good	Fair
Collaboration	Excellent	Good
Common understanding	Good	Good
Learning and improvement	Very good	Good

Although the design and delivery of the Wage Subsidy did not get weaker in Phase 2 compared to Phase 1, our evaluation gives lower ratings to Phase 2 because the more settled context for that later period meant that our expectations increased.

We expected to see a more significant development of the policy advice and the design and delivery of the Wage Subsidy throughout Phase 2, as the possibility of national or regional Alert Level restrictions became the “new normal”. Instead, we saw that it was difficult to revisit the policy settings and infrastructure that had been established through Phase 1.



The achievement of designing and implementing the Wage Subsidy under urgency and in a crisis should not be understated

The COVID-19 Wage Subsidy scheme was set up quickly and effectively. Within just a matter of days, the key design parameters were decided and systems were established so that government could begin supporting businesses. Public awareness was raised quickly, unprecedented numbers of applications were received, and most successful applicants received their payments quickly.

This all occurred within the context of a crisis, the scale and seriousness of which hadn't been seen in Aotearoa for generations. Staff in the relevant agencies put in long hours and late nights to support the design and delivery of the scheme as well as wider responses to the COVID-19 crisis. They worked in difficult circumstances, in many cases remotely and with inconsistent access to the usual tools to do their jobs.

In Phase 1 and in Phase 2, the policy development process was appropriate and reasonable for the context and constraints, and the resulting policy advice was of good quality

We found that, for the most part, agencies adapted the usual process for policy development appropriately for the context, and consistently with the spirit of Aotearoa New Zealand's constitutional processes. In Phase 1, the policy development process showed several clear strengths, including:

- high levels of collaboration and consultation within a core group of agencies
- regular and responsive engagement with Ministers, and
- targeted engagement with key social partners.

The key weaknesses of policy development that we saw in Phase 1 were:

- gaps in the analysis of Treaty of Waitangi issues, of the impact of the scheme on different groups, and of key risks
- an under-estimation of the complex interactions between the scheme and existing employment law and tax law, and
- limited engagement with wider interested parties, including Māori.

In Phase 2, officials had more time to review settings and consider alternatives in a more deliberate way, and so learn from the challenges in previous iterations of the scheme. Policy processes and advice improved through, for example, wider consultation. However, some key gaps persisted – particularly in the analysis of Treaty issues and the impact of the scheme on different groups.

The priority given to different scheme objectives shifted throughout the life of the Wage Subsidy, which is reasonable and to be expected. However, that evolution presented challenges that could have been better analysed, understood, and communicated. We found:

- cases of officials not being clear about the purpose of the Wage Subsidy (especially in the early stages)



- among many officials that we spoke to, from across the four agencies, there was a lack of appreciation of the extent that the Wage Subsidy functioned as an income support mechanism for workers, even if its core objective was supporting businesses as employers, and
- many cases of confusion among workers and employers about the purpose of the Wage Subsidy, which caused tension between these groups.

Implementation and delivery were very good in Phase 1, but could have improved further in Phase 2 as the Wage Subsidy became more established

Delivery mechanisms were implemented quickly, were easy for businesses to access, and led to payments being made quickly

The chosen infrastructure, IT systems, processes, and platforms did the job, especially in Phase 1.

The application process was simple. Even though demand for the Wage Subsidy surpassed expectations, most applications were processed and paid quickly. Businesses valued the fast payment very highly, and this achievement should not be understated.

Improvements were made to the scheme over time, but the scheme's infrastructure limited how far the policy settings could be modified – to achieve greater targeting, for example.

Communications were effective in raising awareness of the Wage Subsidy. However, more could have been done to create better understanding of the scheme by tailoring messages to different groups and through coordinated use of a wider variety of information channels.

Supporting a good understanding of the Wage Subsidy was critical, as it was a high-trust, voluntary scheme that relied:

- on businesses to make informed decisions about the pros and cons of taking up the Wage Subsidy, to accurately self-assess their eligibility, and to act in the best interests of their workers, and
- on workers to act if they thought their employer was not acting in their best interests and using the Wage Subsidy appropriately in their case.

While the Wage Subsidy was a seemingly simple solution, it was made complicated by its interaction with the existing business environment (including employment law, for example). The design of the scheme had overestimated employers' ability to navigate the complexities of different regulatory systems. Especially in Phase 2 there could have been more communications to help businesses understand these issues better.



Cross-agency working was a key strength of the design and delivery of the Wage Subsidy in Phase 1, but was weaker in Phase 2. In particular, the scheme would have benefited from stronger arrangements for programme governance

Agencies worked together constructively and flexibly to establish the scheme quickly, especially in the early stages

The development of the scheme represented a significant effort by the officials involved, many of whom worked in extraordinary circumstances.

We found that in the early stages, staff worked constructively and flexibly across agencies to design and implement the Wage Subsidy very quickly. Over time, collaboration weakened as staff were diverted to focus on other priorities within their agencies.

While government agencies led the charge, the Wage Subsidy would not have been as successful without the proactive support provided by a vast range of organisations across the economy, including sector and industry organisations, unions, employer groups, and service providers (primarily business advisory, legal, and accounting services). These organisations voluntarily stepped up to:

- promote the Wage Subsidy and translate messages and complex concepts into practical examples that were meaningful to their audiences
- provide feedback from communities that agencies may otherwise not have heard from
- provide a bridge between agencies and specific business communities
- intervene where they saw poor behaviour among their members (for example, unions and industry associations reported having direct conversations with employers who they saw to be underdelivering on their obligations)
- advise on complex issues (for example, how the Wage Subsidy interacted with employment arrangements and agreements), and
- provide tailored advice for individual businesses with unique arrangements (for example, accountants and bookkeepers).

The absence of effective programme governance meant an overly strong focus on the short-term and the status quo rather than on the wider impacts and effects

The Wage Subsidy was widely considered to be successful in Phase 1, which reduced the appetite for significant investment or change in later phases. In the circumstances, that lack of attention to potential improvements to the scheme may have been reasonable, but it was not fully consistent with best practice and resulted in some missed opportunities.

The scheme could have been improved through increasing the level of targeting, simplifying the delivery of the scheme, and addressing and mitigating inequitable access to the subsidy faced by some groups. However,



officials saw such improvements as too resource-intensive, given it wasn't clear the scheme would be needed again.

Initial decisions around policy settings and processes constrained changes and improvements over time, and were not adequately challenged by programme-level governance. Over time, wider demands on agencies reduced the policy and operational resources that were available to support the evolution of the scheme.

Learning was a strength in both phases, but improvements were limited by resource and infrastructure constraints

Overall, we found that the design and delivery of the Wage Subsidy was characterised by a strong mindset for learning and improvement, especially in the early stages. Rather than delaying the implementation of the scheme, officials responded to feedback and quickly improved aspects of the design and delivery, especially in the first days and weeks of Phase 1.

Over time, the initially loose arrangements were replaced by more formal approaches to feedback and review, such as regular reports to track applications, processing, declines, and call centre calls, and external reviews.

Despite these good practices, many of the key themes identified were not explicitly pursued and did not always lead to visible improvements in the design or delivery of the Wage Subsidy, often because of operational constraints or a preference for continuity and simplicity.

There were some missed opportunities to take a more Te Tiriti o Waitangi/Treaty of Waitangi approach to inform policy advice and more structured engagement with Māori

The principles of participation, protection, and partnership within the Treaty of Waitangi (the Treaty) are well established in policy making. More contemporary practice is now also extending to critical thinking through a rights and interests perspective by Article of the Treaty, consistent with guidance set out by Te Arawhiti.²

There was evidence of some good engagement occurring at a high level amongst senior decision makers at an early stage, and some positive examples of local engagement making a difference, particularly in Tāmaki Makaurau/Auckland. There was also some early economic analysis undertaken that identified potential benefit to Māori of taking a broad-based scheme approach.

² We use the terms Te Tiriti o Waitangi and Treaty of Waitangi with an understanding that the two texts are generally accepted as having resulted in two different understandings. Guidance to support officials understanding of these differences is well set out by Te Arawhiti: The Office of Māori Crown relations.



However, we found that Treaty-based engagement and advice could have been substantially strengthened had officials:

- conducted applied Treaty rights and interest analysis to inform Cabinet advice over Phase 1 and Phase 2, and
- taken a more sophisticated and structured approach to engagement with Māori.

The Wage Subsidy was highly valued by employers, workers, and other stakeholders

The lockdowns at the centre of the Government’s response to the COVID-19 pandemic had different economic consequences for businesses and workers in Aotearoa New Zealand. A key concern for businesses was the potential impact on cashflow and the ability to pay workers. The Wage Subsidy was one of the key supports the Government put in place to mitigate the economic impact of the pandemic, and it was highly valued by most people who engaged in the process evaluation.

“From our point of view, it was a lifesaver. We lost income, and then to pay wages on top of that, or the alternative not to pay wages and see our staff suffer or lose them, from our perspective it was a lifeline that we appreciated. It was very well managed and fair.”

– *Large employer*

The design and delivery of the Wage Subsidy made it most accessible for businesses that had:

- simple structures, simple accounting arrangements, and simple employment agreements
- existing relationships with specialist support services that could help (accountants, employment lawyers), and
- existing connections to trusted business networks, industry associations, etc, that provided additional information and support.

Businesses that did not have those advantages generally faced more difficulties in accessing the Wage Subsidy (including self-assessing their eligibility, for example). However, we heard from many businesses that overcame those challenges to successfully access the scheme.

The majority of workers we engaged with through the evaluation were positive about the Wage Subsidy, and about how their employer used the Wage Subsidy to support them. This was particularly true of workers who had:

- secure and straightforward employment agreements – for example, those on permanent employment agreements with regular work hours
- employers who were already committed to looking after their workers, and
- existing connections to support systems, particularly unions.



Workers who were more likely to have a poor experience fell into different categories:³

- workers already in precarious employment or who were not well looked after by their employers, including casual workers⁴
- workers who did not understand their employment arrangements or were in employment arrangements that did not meet minimum standards, including some migrant workers;⁵ self-employed workers who may have only worked in a single workplace or a limited number of workplaces;⁶ and independent and dependent contractors,⁷ and
- workers who were not well connected to support systems, including their own social support systems, that could have helped them to raise a complaint.

Since the primary objective of the Wage Subsidy was job retention, it is not surprising that it worked less well for people with more precarious employment relationships, whose jobs were already less secure. However, given that the Wage Subsidy also served as an income support for many people, it could have been reasonable for more attention to have been given to clarifying expectations about how employers should treat non-permanent employees or those in non-standard employment relationships.

The outcomes evaluation explores whether the Wage Subsidy delivered different outcomes for businesses and workers with different characteristics and circumstances. Regardless, some aspects of the design and delivery could have been improved by paying greater heed to existing vulnerabilities.

Vulnerable workers

We use the term “vulnerable workers” to describe workers (including those who are independent or dependent contractors) who face structural barriers to full participation and protections in the labour market. These barriers may include temporary or casual employment, lack of certain legal protections, non-standard work, lack of agency, or some other form of structural disadvantage. Migrant workers are also often considered vulnerable workers where their visa conditions preclude them from working for alternative employers.

³ The term “workers” is used to include employees (of all types), independent contractors, and dependent contractors

⁴ Casual workers are workers who have no guaranteed hours of work, no regular patterns of work, and no ongoing expectation of employment.

⁵ Migrant workers are typically workers on temporary visas. Some have a visa that requires them to work for a specific employer.

⁶ “Self-employed” people carry out business activity on their own. Self-employment includes contracting, working as a sole trader, and small business owners.

⁷ An “independent contractor” is a self-employed person who is engaged by a business (the other party) to perform services under a contract. Independent contractors pay their own tax and ACC levies and are not covered by most employment-related laws. Independent contractors generally have greater levels of flexibility and control than employees – they can operate their own businesses, work for multiple organisations, and decide how their work is done.

A “dependent contractor” is a worker in the “grey zone” between employee and contractor status; they operate their own businesses and may use their own equipment but depend on one business for most of their income and have little control over their daily work. Like independent contractors, these workers pay their own tax and ACC levies and are not covered by most employment-related laws. However, some may not enjoy the choice and flexibility commonly associated with self-employment



NAVIGATING THIS REPORT

This report has four sections.

Section 1: Executive summary

The executive summary sets out the key conclusions from the evaluation, including our overall assessment of the Wage Subsidy design and delivery in each phase.

The executive summary is also available as a separate document.

Section 2: Introduction and background

The introduction and background describes the Wage Subsidy and the context in which it was designed and delivered, and provides an overview of the evaluation purpose, scope and method.

Readers should familiarise themselves with the generic rating scale that is described in this section (Table 6, page 39), and which we have used to assess the various components of the Wage Subsidy design and delivery in Phase 1 and Phase 2.

Section 3: Findings, discussion, and conclusions

Here we walk readers through the evaluation findings in six parts:

- The policy design and development process
- Consistency with Treaty of Waitangi
- Implementation and delivery of the Wage Subsidy
- Drivers of business take-up
- Workers' interaction with the Wage Subsidy, and
- Issues cutting across both design and delivery of the Wage Subsidy.

Section 4: Appendices

The Appendices elaborate on the evaluation method and also provide full details of key evaluation tools, including online surveys, the intervention logic model, and the process evaluation rubric. Some additional data is also provided, which is referenced in the body of the report.

Appendices are available in a separate file, for ease of download and printing.



SECTION 2

INTRODUCTION AND BACKGROUND



ABOUT THE COVID-19 WAGE SUBSIDY

The COVID-19 Wage Subsidy was a key component of the Government's response to the pandemic

The COVID-19 pandemic and the Government's public health response in the form of lockdowns had significant economic consequences for both businesses and workers in Aotearoa New Zealand. Businesses were affected in different ways, depending on the industry and the size and type of operations.

A key concern for businesses was the potential impacts on cashflow and their ability to pay workers. The Government introduced a range of measures to mitigate the impacts of the pandemic-induced economic shock for business and the potential for an economic downturn. One of the key supports was the COVID-19 Wage Subsidy Scheme.

The Wage Subsidy was first announced on 17 March 2020 as part of the Government's economic response to the COVID-19 pandemic. The Wage Subsidy was a high-trust scheme, set up at pace, and under highly unusual circumstances and working conditions.

The Wage Subsidy provided financial support for businesses to continue to pay workers, and to protect jobs for businesses affected by COVID-19 Alert Level restrictions

Four agencies led the design and delivery of the Wage Subsidy

In particular:

- the Treasury led the development of the core policy settings and the necessary Cabinet papers
- MSD operationalised the application and payment system, including developing declaration forms for applicants and operational guidance for staff; led communications about the Wage Subsidy; processed applications and payments; and continues to undertake audits and lead prosecutions
- MBIE provided advice on labour market outcomes and the connection with employment law and established a complaints process, and
- IR provided extensive support to MSD, to verify applications and support audit processes.

Agencies worked collaboratively and flexibly, all contributing to the policy development process, and quickly identified the roles they could play and where they could offer support. These relationships remained relatively informal, with different agencies responsible for different components, and no formalised cross-agency accountability structures or dedicated governance arrangements.



The Wage Subsidy was initially developed under urgency, building on previous schemes, and was extended and reinstated several times

The COVID-19 Wage Subsidy was largely based on a previous scheme that MSD deployed in other times of crisis, including the Christchurch earthquakes. The Earthquake Subsidy Scheme (ESS) was a business support mechanism in the form of a subsidy paid to businesses "to alleviate immediate financial pressures on firms, maintain employment, and enable them to make more measured decisions regarding their future."⁸ The ESS was on a smaller scale, reaching 8,000 businesses and at a cost of \$185 million, but had many similarities with the Wage Subsidy.

There were five iterations of the Wage Subsidy between March 2020 and December 2021

In early March 2020, a Wage Subsidy was being designed by officials to focus on sectors most affected by the impact of COVID-19, at that stage forestry and tourism. In a matter of days, it became clear that COVID-19 would have an impact beyond those two sectors. The Wage Subsidy was rapidly repositioned as a broad-based scheme and was launched for all Aotearoa New Zealand on 17 March 2020.

A draft Cabinet paper focused on forestry and tourism was submitted to Ministers on Friday 13 March. Over the weekend, urgent changes were made so that it applied to the full economy. A Cabinet decision was issued on Monday 16 March.

Since the original design and implementation there have been four further iterations of the Wage Subsidy, responding to changing circumstances and allowing for evolution of the scheme design and rules.

Figure 4, page 31, shows a timeline for the Wage Subsidy.

The Wage Subsidy sought to maintain employment (or labour-market) attachment and income through the pandemic, though this evolved through time

The Wage Subsidy is widely described as a high-trust, broad-based scheme. It was available to businesses, the self-employed, NGOs, and trusts and charities.

The Wage Subsidy had two core objectives: to maintain employment (or labour-market) attachment, and to support workers' incomes during temporary economic disruption caused by COVID-19. Throughout the iterations, multiple objectives and criteria were referred to (Table 2).

⁸ Fisher-Smith, R. (2013) The Earthquake Support Subsidy for Christchurch's small and medium enterprises: Perspectives from business owners. Small Enterprise Research, Vol 20, Issue 1, 4054.



Table 2: Shifting scheme objectives

Objectives identified in key pieces of advice	
<p>March 2020 Wage Subsidy Cabinet Paper CAB-20-SUB-0108</p>	<p>The purpose of this targeted wage subsidy scheme is to help affected employees and businesses to adjust to the impact of COVID-19, not to support businesses for the duration of that impact.</p> <ul style="list-style-type: none"> • Limited capacity of many employers to plan for significant interruptions of this scale • Widespread layoffs would deepen the economic impacts and increase the wider demand-side shock to the domestic economy • Relying solely on the welfare system to support people through a crisis has the disadvantages of increasing the costs to the Crown directly, and interrupting workforce attachment for employees.
<p>April 2020 Wage Subsidy Scheme next steps (including planning for extension)</p> <p>T2020/864: Treasury Report to the Minister of Finance, 9 April 2020</p>	<ul style="list-style-type: none"> • Maintaining attachment between firms and their employees • Facilitating the efficient reallocation of people made redundant • Supporting incomes to help individuals meet their essential needs • Fiscal sustainability.
<p>July 2020 Wage Subsidy Settings under a Domestic COVID-19 resurgence scenario</p> <p>T2020/2094: Treasury Report to the Minister of Finance, 10 July 2020</p>	<ul style="list-style-type: none"> • Support to firms and workers affected by temporary public health restrictions • Support employment attachments when economic activity is impeded by temporary health restrictions • Enable rapid economic restart • Enhance social licence for public health restrictions • Reduce barriers to a shift to a COVID-19 resilient economy.
<p>September 2020 Options for enduring wage subsidy scheme or replacement</p> <p>T2020/2094: Joint Report to the Ministers of Finance, Workplace Relations and Safety, Social Development, and Revenue and Small Business, 10 September 2020</p>	<p><i>This paper identified a range of criteria to guide development of a revised or replacement scheme, and sought feedback from Ministers on relative priority</i></p> <ul style="list-style-type: none"> • Protect jobs and income • Simplicity • Integrity • Protect viable employers • Fiscal sustainability • Maintain public support and social capital • Intra-generational equity.
<p>December 2020 Objectives for the Wage Subsidy for future resurgences of COVID-19</p> <p>CAB-20-SUB-0531</p>	<ul style="list-style-type: none"> • Temporarily support workers' incomes and employment attachment during periods at Alert Level 3 or above • Provide support for employers to pay wages if they are struggling to do so as a result of an escalation to Alert Level 3 or above • Share the cost associated with a period at Alert Level 3 or above between the Government, employers and employees, and across economic sectors • Balance short-term labour market attachment with long-term labour market reallocation • Encourage the shift to a COVID-19-resilient economy.



Key features of the Wage Subsidy evolved over time

Table 3 (page 23) summarises the key features of the Wage Subsidy throughout five iterations from March 2020 to December 2021.

Throughout the iterations, the Wage Subsidy remained a high-trust, broad-based voluntary scheme. It was available to employers and self-employed workers, and to commercial businesses, NGOs, trusts, and charities. The inclusion of the self-employed widened the benefit of the scheme to all eligible workers.

Iterations of the Wage Subsidy responded to changing Alert Levels, and also allowed for adaptations of the key features and rules

The key changes over time related to:

- more clearly aligning with Alert Level escalations (both in triggering use of the Wage Subsidy, and the application of the “revenue decline” test)
- shifting payments to two-weekly to create flexibility in duration, and
- increasing awareness of integrity efforts (but not a major shift from a high-trust model).

Iterations of the Wage Subsidy are grouped into two phases for the purposes of this evaluation:

- **Phase 1: Original Wage Subsidy and Wage Subsidy Extension** – This period was characterised by urgency and very high levels of uncertainty, as Aotearoa New Zealand experienced COVID-19 Alert Level restrictions for the first time, and the Wage Subsidy was designed and implemented at pace.
- **Phase 2: Resurgence Wage Subsidy, Wage Subsidy March 2021, and Wage Subsidy August 2021** – This period was characterised by a “new normal” in which there was an ongoing possibility of Alert Level changes related to COVID-19.



Table 3: Wage Subsidy core policy settings across Phase 1 and Phase 2

Phase 1 Original Wage Subsidy, Wage Subsidy Extension	Phase 2 Wage Subsidy Resurgence, Wage Subsidy March 2021, Wage Subsidy August 2021
Eligibility	
All sectors and regions. Businesses that operate in Aotearoa New Zealand and pay employees in Aotearoa New Zealand, including self-employed.	All sectors and regions if at Alert Level 3 or higher. Clearer link to Alert Level escalation, and triggers.
Revenue decline test	
30% revenue decline, attributable to COVID-19 against a year ago (40% for Wage Subsidy Extension).	40% revenue decline, must be attributable to the Alert Level escalation, with default comparator period the typical fortnightly revenue in the six weeks prior to the alert level escalation. May include a prospective revenue drop estimate.
Subsidy rate	
\$585.80 / \$350 per full-time worker (greater than 20 hours) / part-time worker (less than 20 hours).	\$585.80 / \$350 per full-time (greater than 20 hours) / part-time (less than 20 hours) worker. Increased to \$600 / \$359 in August 2021.
Structure of payments	
Lump-sum payments (12 weeks for original, 8 weeks for extension).	Two-weekly payments. Must reapply each time.
Obligations on employers	
Best endeavours to pay employees 80% of their normal income, or at least the full subsidy amount. Must retain employees for the duration of the subsidy. Any surplus to be used to pay other employees or returned to MSD.	Best endeavours to pay employees 80% of their normal income, or at least the full subsidy amount. Must retain employees for the duration of the subsidy. Must repay the subsidy if a predicted revenue loss is not realised or if don't meet eligibility criteria and keep records to show that have met eligibility declarations.
Balancing risk and access	
Administered at pace under high-trust model. Changes of time to publish recipients, clarify repayment requirements, strengthen declarations.	Retains high-trust model. Increased visibility of audit, enforcement, and repayment activity.



<p style="text-align: center;">Phase 1</p> <p style="text-align: center;">Original Wage Subsidy, Wage Subsidy Extension</p>	<p style="text-align: center;">Phase 2</p> <p style="text-align: center;">Wage Subsidy Resurgence, Wage Subsidy March 2021, Wage Subsidy August 2021</p>
<p>Changes</p>	
<p>Several changes occurred throughout Phase 1 including:</p> <ul style="list-style-type: none"> • removal of initial \$150k cap (early in Phase 1) • clarify that registered charities, incorporated societies, non-government organisations, post settlement governance entities are eligible. • adapt 30% revenue decline test and acceptable comparator periods to better provide for high growth firms, new firms, or self-employed people • exceptions process for state sector organisations • clarify discrete business units of a single entity cannot apply, and • provide for repayments. 	<p>Largely maintains settings agreed for Wage Subsidy Resurgence for consistency, with some evolution throughout the period.</p> <p>A range of other settings weren't pursued, including:</p> <ul style="list-style-type: none"> • designing a new scheme • creating a legislative framework • introducing a higher-integrity model • more payment tiers and greater targeting • shifting delivery to IR and • requiring repayment for profitable firms.
<p>Key differences Phase 1 to Phase 2</p>	
<ul style="list-style-type: none"> • More clearly aligning with Alert Level escalations (both in triggering the use of the Wage Subsidy, and in the application of the "revenue decline" test) • Shifting payments to two-weekly to create flexibility in duration • Increased awareness of integrity efforts (but not a major shift from a high-trust model). 	

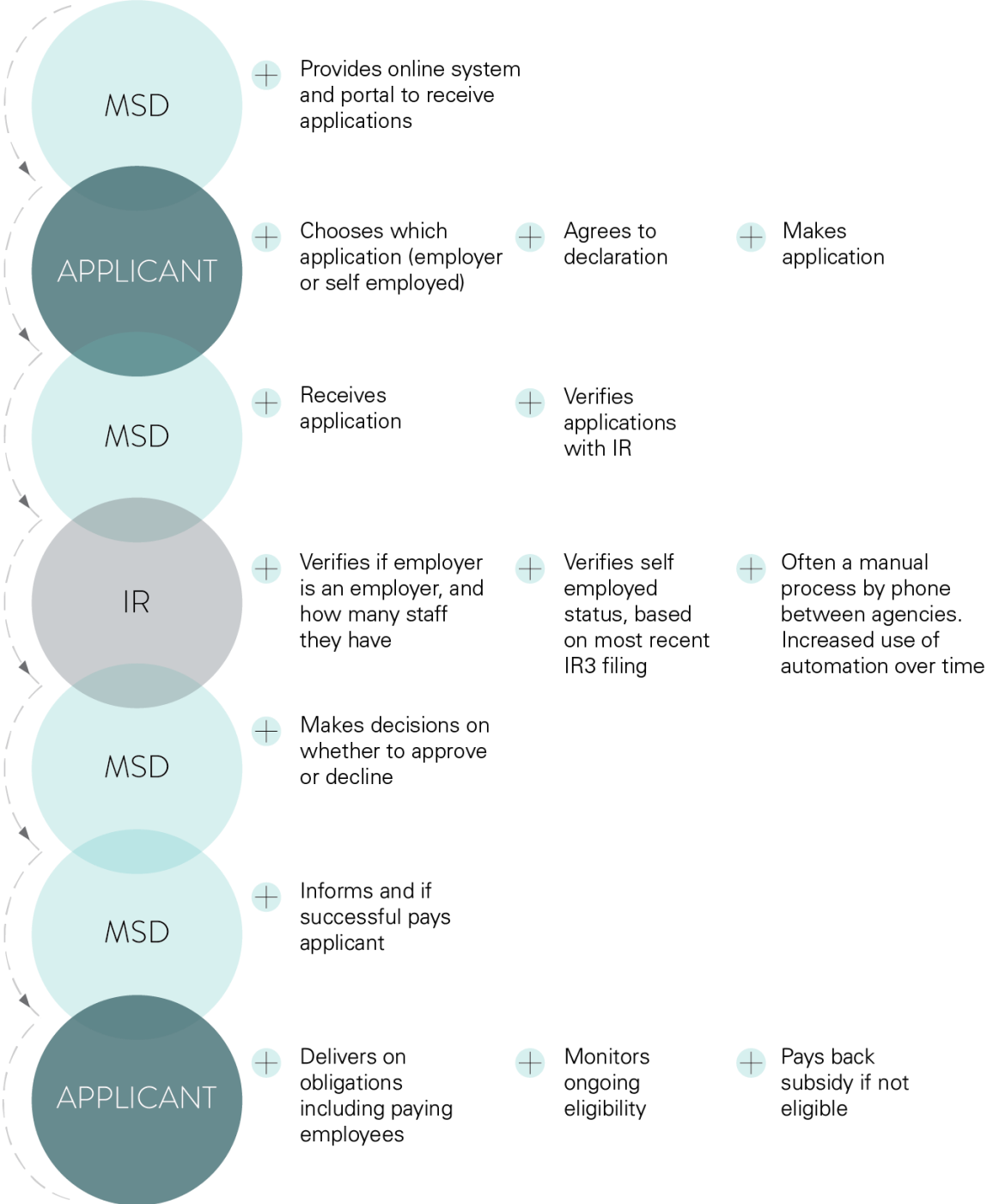
The Wage Subsidy was delivered through a high-trust process that was accessed through an online application and declaration form

Applicants assessed their eligibility and applied for the Wage Subsidy through an online form that included a declaration of eligibility. The declaration form was updated several times throughout the Original Wage Subsidy, and to align with adapted settings in later iterations (See Appendix 9 for details of changes to declarations).

The application, verification, and payment process involved many steps, and required significant collaboration between MSD and IR. Most of the steps and the collaboration happened behind the scenes and were not visible to the businesses that were applying (Figure 1, page 25).



Figure 1: Roles in the Wage Subsidy application process



Demand for the Wage Subsidy exceeded expectations

Table 4, over the page, sets out key statistics for take-up of the Wage Subsidy, which surpassed predictions and remained strong in alignment with Alert Level restrictions. Throughout five iterations:

- Over 2 million Wage Subsidy applications were approved.
 - The number of applications increased in later iterations, reflecting changes to the scheme (a shift to a two-weekly payment with reapplication each time) combined with a longer period of Alert Level restrictions for large areas of Aotearoa New Zealand (Auckland, Northland, and Waikato).
- Nearly \$19 billion was distributed in Wage Subsidy payments.
 - More than half of this amount was paid through the Original Wage Subsidy – which was paid in a 12-week lump sum.
 - One-quarter of this amount was paid through the final iteration, Wage Subsidy August 2021.
- The Original Wage Subsidy was the highest peak – when 55% of businesses and 46% of jobs received the Wage Subsidy.
 - A second significant peak occurred during the final iteration, Wage Subsidy August 2021, when 39% of businesses and 37% of jobs received the Wage Subsidy.



Table 4: Key statistics on the take-up of the Wage Subsidy

	ORIGINAL WAGE SUBSIDY	WAGE SUBSIDY EXTENSION	RESURGENCE WAGE SUBSIDY	WAGE SUBSIDY MARCH 2021	WAGE SUBSIDY AUGUST 2021
Number of applications approved	441,403	208,815	85,069	52,601	1,258,166
Number of applications declined	48,713	65,504	18,076	8,260	199,673
Number of applications closed	68,360	5,917	1,216	111	4,973
Number of firms with paid out applications	396,201	188,406	81,924	51,582	327,174
Value of approvals (\$m)	\$10,949m	\$2,573m	\$318m	\$183m	\$4,790m
Number of jobs approved for	1,660,122	588,532	296,464	170,170	1,314,410
Number of repayments received % voluntary	22,918 71%	3,488 77%	914 85%	1,253 95%	3,734 98%
Value of repayments received \$m % voluntary	\$690.9m 97%	\$35.0m 95%	\$6.7m 95%	\$3.1m 97%	\$30.9m 99%
% of firms that received the subsidy	55%	19%	11%	6%	39%
% of jobs that received the subsidy	46%	16%	8%	5%	37%

Source: MSD Data return tables, and Motu analysis of IDI/LBD data

Note: The bottom two rows are proportions of all jobs or firms observed over 2019-2022, and thus understate the proportions among those eligible for each subsidy wave. For example, while approximately 46% of jobs were covered by Wage Subsidy payments during the Original Wage Subsidy this accounted for approximately 59% of workers in employment.

The Wage Subsidy ended on 9 December 2021, when Aotearoa New Zealand transitioned from Alert Levels to the Covid Protection Framework. This recognised the shifting context, with most businesses expected to be able to operate normally, and as such a broad-based support measure was no longer appropriate. Cabinet papers noted that the Wage Subsidy remained a tool that could be used again in the future, if needed.⁹

The COVID-19 Wage Subsidy was a simple scheme that needed to fit into a complex system, and a complex context

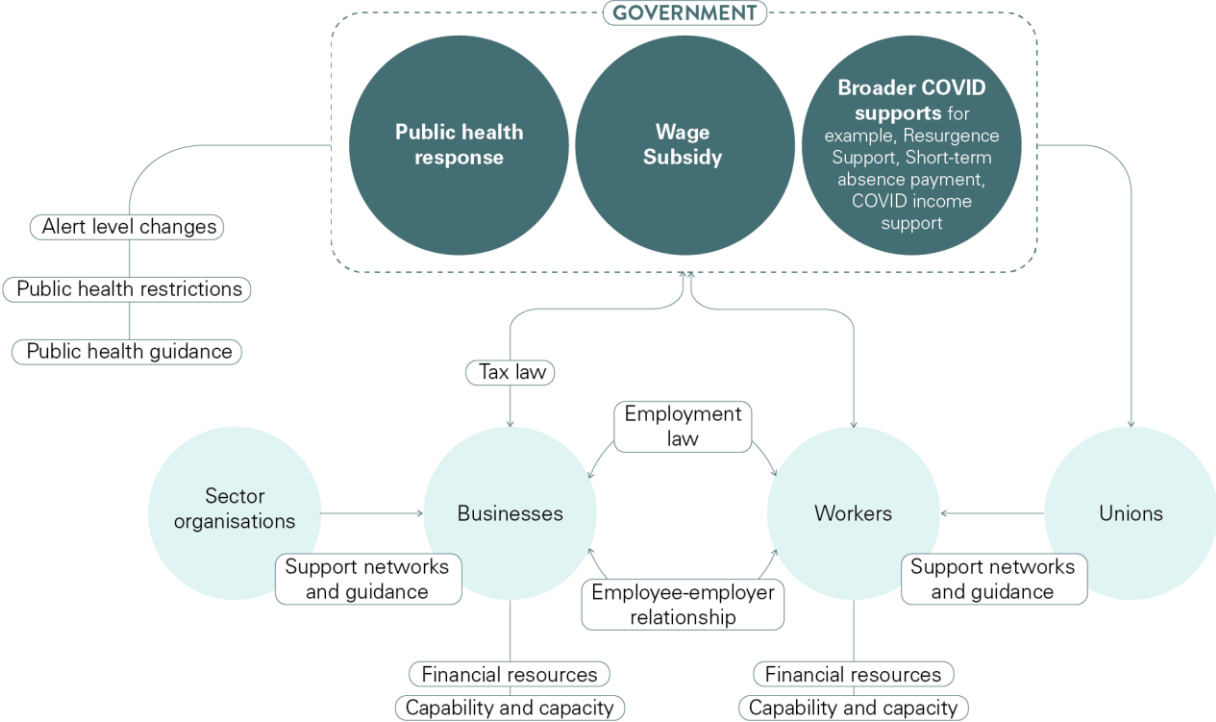
The Wage Subsidy was a relatively simple initiative. But it needed to fit into a very complex system of tax law, employment relations, and business structures; and of people, organisations, and agencies. Businesses were also facing significant disruption and uncertainty (Figure 2). Businesses' ability to access the Wage Subsidy, and

⁹ Cabinet Paper: CAB-21-SUB-0504: "Financial Support under the COVID-19 Protection Framework", November 2021.



their experience with the Wage Subsidy process, depended significantly on how well they understood their existing employment and tax obligations, their engagement with these systems, and on how well they maintained their own information and processes. This is further explored throughout this evaluation.

Figure 2: A simple scheme in a complex system



While the COVID-19 Wage Subsidy was a key component of the Government’s response to the pandemic, it was not the only economic response. The Government established the COVID-19 Response and Recovery Fund (CRRF) in April 2020 following the announcement of a \$12.1 billion package on 17 March that provided an initial response to the immediate impacts of the first COVID-19 outbreak and lockdown.¹⁰ The final size of the CRRF was \$61.6 billion. Combined, the \$12.1 billion package and the CRRF funded the Wage Subsidy and other initiatives across a range of health, social, and economic domains.

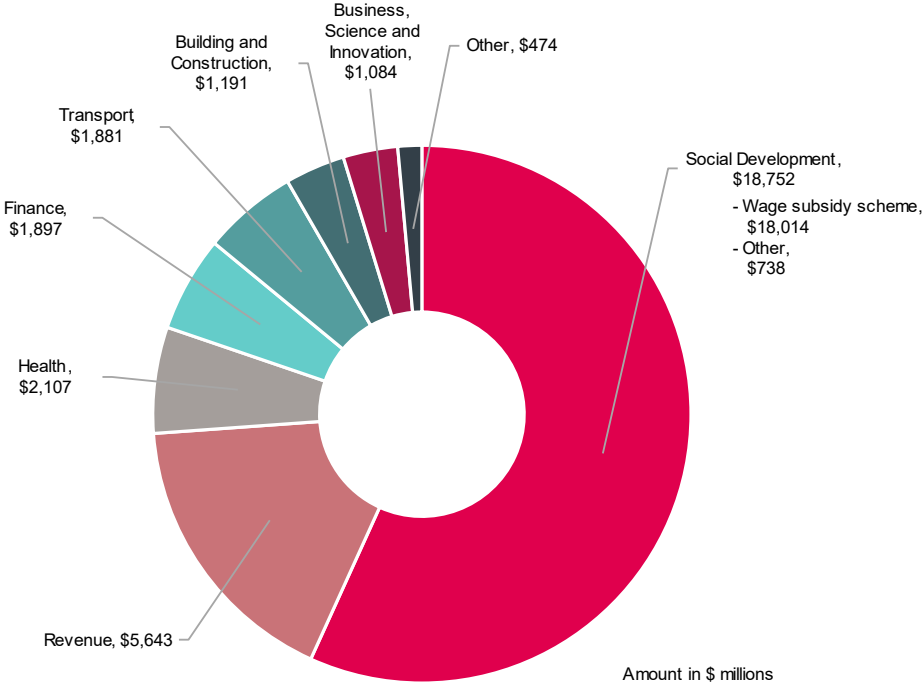
As of 31 December 2021, cumulative expenditure against funding allocated from the \$12.1 billion package and the CRRF totals \$33 billion, of which the Wage Subsidy makes up over half of the total investment (Figure 3). Complementary financial assistance for businesses and workers also included the COVID-19 Income Relief Payment, the Leave Support Scheme, and the Short-term Absence Payment. Sector-focused and regional

¹⁰ <https://www.treasury.govt.nz/publications/budgets/covid-19-funding-allocation-expenditure>



economic development supports were also developed, including support packages for railways, infrastructure, tourism, arts and music, and media, with a strong focus on job-creation and job-saving.

Figure 3: COVID-19 expenditure by Vote



Source: <https://www.treasury.govt.nz/publications/budgets/covid-19-funding-allocation-expenditure>

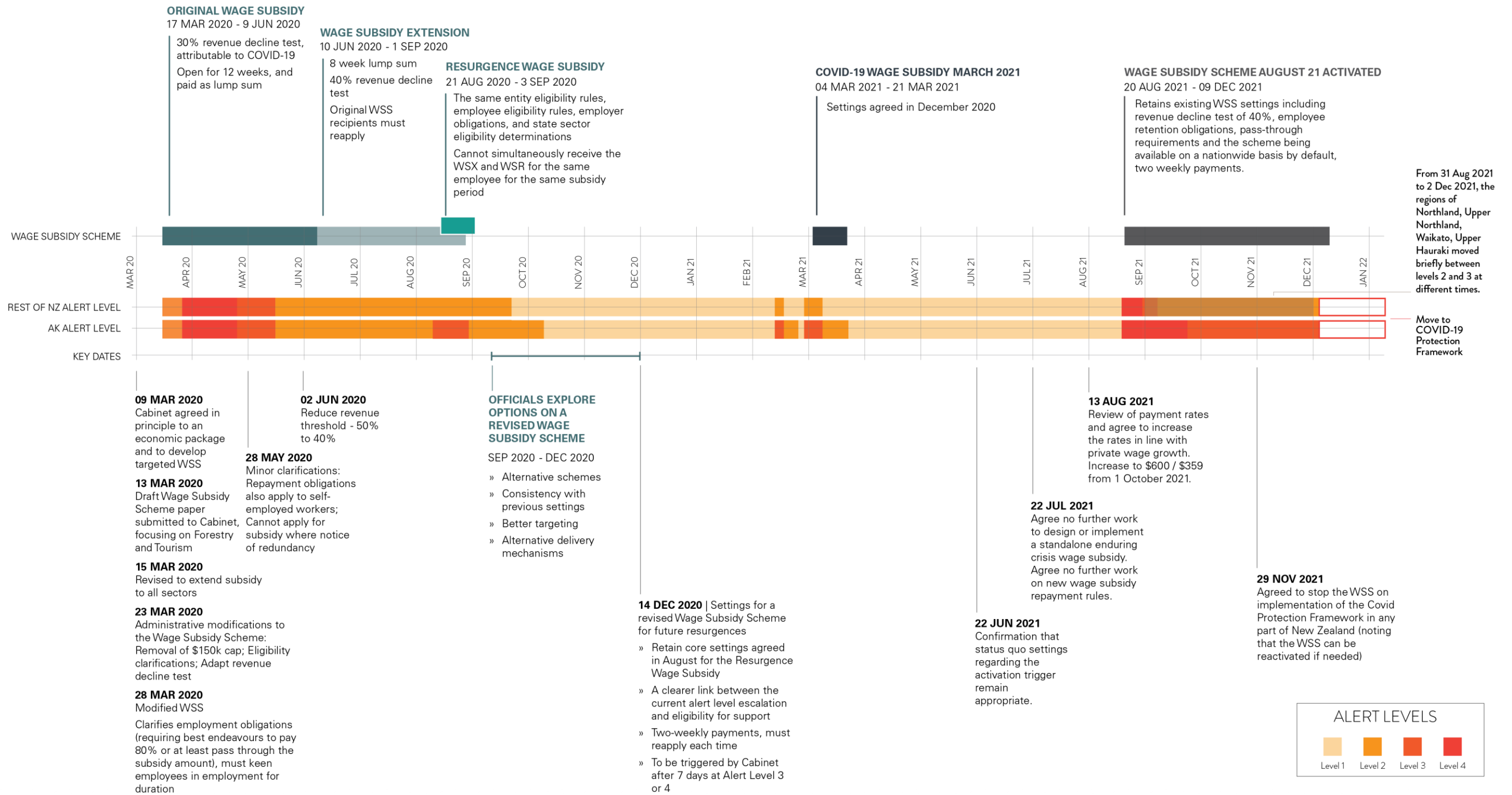
The context for the Wage Subsidy changed over time

The Wage Subsidy was initially designed and implemented through a period of urgency and uncertainty that had impacts across Aotearoa New Zealand and government agencies. As well as preparing a range of other economic responses, the Government was also mobilising cross-agency public health and welfare responses.

At times, Alert Levels were reduced and restrictions were lifted, and although the possibility of a return to Alert Level 3 or 4 restrictions continued, in some ways Aotearoa New Zealand returned to a degree of “business as usual”. During this time, agencies that were responsible for the Wage Subsidy were also addressing a backlog of non-urgent core work that had built up during the initial crisis, and leading or supporting delivery of other significant reforms or wider responses to the impact of COVID-19 being progressed by the Government. This context meant there was strong demand for agency resources across a range of priorities beyond the Wage Subsidy.



Figure 4: Timeline of key Wage Subsidy iterations



ABOUT THE EVALUATION: PURPOSE, SCOPE, AND METHOD

In May 2021, the Office of the Auditor General (OAG) released an audit of the management of the Wage Subsidy.¹¹ The audit recommended that the Ministry of Social Development (MSD), Inland Revenue (IR), the Ministry of Business, Innovation and Employment (MBIE), and the Treasury “carry out timely evaluation of the development, operation, and impact of the Wage Subsidy Scheme and use the findings to inform preparation for future crisis-support schemes”.

An evaluation of the Wage Subsidy was commissioned in late 2021. The evaluation is being coordinated by MSD in partnership with IR, MBIE, and the Treasury through cross-agency working and steering groups. The full Wage Subsidy evaluation has three parts:

- a process evaluation by MartinJenkins (with support from Te Paetawhiti, ConnectEd, and OliverShaw), which is the subject of this report
- an outcomes evaluation by Motu Research, and
- a synthesis report based on findings from the first and second parts above.

The overall purpose of the full Wage Subsidy evaluation is to understand the development, delivery, and wider effects of the Wage Subsidy

The objectives of the full Wage Subsidy evaluation are to:

- understand how well the Wage Subsidy was developed and implemented (the process evaluation), and
- identify the extent to which the Wage Subsidy achieved its intended outcomes, within the context of the COVID-19 pandemic and other government supports (the outcomes evaluation).

The findings will be used to help prepare for future crisis events.

This report focuses on the process for designing and delivering the Wage Subsidy, initially and over time

This process evaluation provides a unique opportunity to learn from the policy design and delivery of the Wage Subsidy so that those lessons can be applied to future crises.

¹¹ <https://oag.parliament.nz/2021/wage-subsidy/overview.htm>



There are two key questions for the process evaluation:

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

Throughout the process evaluation, we also developed insights on two synthesis questions (below), which are reported in the synthesis report:

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

The process evaluation had a limited scope

A fuller discussion of the scope of the evaluation is included in Appendix 1. Here are the key things that readers should know:

- The process evaluation focused on the development, implementation, and delivery of the five iterations of the Wage Subsidy. Take-up is touched on briefly, but will be explored in more detail in the outcomes evaluation. The August 2021 iteration of the Wage Subsidy is out of scope for the outcomes evaluation.
- Topics covered in the Wage Subsidy management audit by the OAG were out of scope for the process evaluation,¹² as were consideration of alternative responses to the Wage Subsidy and comparisons of findings with job retention schemes implemented internationally.

In addition, the process evaluation was expected to incorporate Māori interests and the concepts of Te Pae Tata (MSD’s Māori strategy), and pay particular attention to accessing perspectives of Māori and Pacific stakeholders, stakeholders who can articulate the voice of workers (including all employment arrangements – permanent, contract, casual, full-time, and part-time) and vulnerable and low-income workers (for example, casual, part-time, women, Māori, Pacific peoples, migrants, and workers with a disability).

The multi-method approach drew insights from five core data sources

A fuller discussion of the evaluation method and data sources is included in Appendix 1. Here are the key things that readers should know:

- The evaluation was carried out from December 2021 to March 2023. This was shortly after the Wage Subsidy had been discontinued. At this time, Aotearoa New Zealand was navigating a new strategy for living with COVID-19 in the community. More than two years had passed since agency officials had begun the initial Wage Subsidy design and delivery.

¹² Given the breadth of that report, in discussion with the working group we interpreted this to mean the work programme focusing on integrity and compliance arising from that report, and supported by separate consultants.



- Our team included experienced evaluators, kaupapa Māori and Pacific engagement experts, and labour market, tax, and policy specialists. We brought our professional expertise to our assessments of the Wage Subsidy, and tested these assessments across data sources and with each other.
- A comprehensive design stage was undertaken in collaboration with agency officials, and with input from MSD's Ethics Panel. It resulted in an evaluation design underpinned by an Intervention Logic Model (Appendix 5) and Assessment Rubrics (Appendix 2) that were reviewed and approved by the cross-agency working group.¹³
- The evaluation used a mixed-method approach to draw on five core sources of new and existing information:
 - **Existing policy and operational documents** – more than 120 documents, including: key policy papers, Cabinet papers, examples of regular reporting to Ministers and internal reporting, internal guidance, communications plans and stakeholder engagement plans, and materials published on websites including user-facing guidance, communications, and declaration forms. We also reviewed dozens of other items, such as emails between officials, and agendas and minutes of meetings with iwi and Māori leaders.
 - **Existing administrative data** – administrative data on scheme take-up, complaints, and processing, particularly call logs, resourcing and headcount data, application numbers, and time to payment.
 - **1–1 and small-group interviews with employers, workers, and their representatives** – 144 interviews with external stakeholders, including: 56 workers (including 10 Māori and 8 Pacific workers), 70 employers (including 20 Māori-led business, 15 Pacific-led business), and 18 sector representatives. Most interviews were by phone, and with individuals rather than in groups. Interviewees were sourced through our extensive networks, established databases and research panels (such as Katalyst Business Database, MSD register of Wage Subsidy applicants, and Dynata research panels), and through referrals from sector representatives.
 - **Online workshops, interviews, and a targeted survey of agency officials** – 44 agency officials participated in workshops and interviews for the evaluation proper (from the Treasury, MBIE, MSD, IR, Te Puni Kōkiri, and Te Arawhiti). A targeted survey of agency officials gathered 40 responses.
 - **Online surveys of employers and workers** – Two related but separate surveys were undertaken:
 - First, a survey of employers and self-employed workers, who a) had applied for the Wage Subsidy at some point during Phase 1 and Phase 2 (n = 1,388) (they may have received the Wage Subsidy, or been assessed and declined), or b) were eligible for the Wage Subsidy but did not apply or receive it (n = 147)

¹³ In the course of undertaking the evaluation, we made two variations to our planned approach: 1) most focus groups and hui were replaced by 1-1 interviews, to boost participation rates, and minimise risks of confidentiality being broken, 2) we did not interview iwi leaders, as we found they had not participated in the design and delivery of the Wage Subsidy and we concluded it would have been inappropriate to interview them for the evaluation. Instead, we focused on Māori businesses and employees. These variations were discussed and agreed with the cross-agency working group as they arose.



Second, a survey of workers, including contractors, who may or may not have received the Wage Subsidy through their employer (n = 1,014).

- Data was analysed within each data set, using techniques appropriate to the data source (such as coding qualitative comments, and significance testing survey results for subgroups) and insights were triangulated across data sources to build a picture of evidence and to determine an assessment rating for each component of the assessment rubric.

Triangulation is an established analysis technique commonly used in qualitative evaluation and research to test convergence, complementarity, and divergence of insights. In this study we triangulated across data sources, data collection methods, and evaluators.

We focused our sampling to ensure a wide range of experiences were covered

2,550 stakeholders took part in the evaluation through completing online surveys, and a further 188 individuals took part in individual or small-group interviews (including agency officials). Because the Wage Subsidy had such wide reach, there are a multitude of ways that stakeholders could have been stratified to create a sampling frame.

A fuller discussion of our sampling approach is included in Appendix 1. The key thing that readers should know is that the evaluation balanced two considerations to develop a rationalised sampling approach: sampling for representation of key characteristics, and sampling for equity.

- The evaluation design sought distribution of respondents across a rationalised set of dimensions:
 - **Characteristics of the businesses/employers** (including self-employed) who were eligible for the subsidy, in terms of number of employees.
 - **Industries** – Some industries were more impacted by border closures and Alert Level restrictions than others.
 - **Regions** – Regions had different labour markets and economic climates at the start of the pandemic, and different industry make-up. Alert Level restrictions were applied at regional level later in the pandemic.
 - **Interaction with the Wage Subsidy** – in terms of take-up and receipt, and patterns of receipt.
 - **Worker characteristics** – in terms of ethnicity, age, gender, profession, salary/income, and disability status; considering the experience of workers who may have been more impacted by COVID-19 restrictions; design stage interviews also signalled that the Wage Subsidy design and delivery was potentially weaker for one or more of these groups.
 - **Different types of employment relationship** – Design stage interviews and document reviews signalled that some workers may have been more vulnerable to impacts on their incomes (such as casual and part-time workers, and those who were unsure of their employment status such as dependent contractors).
- The evaluation design oversampled to ensure populations that are structurally vulnerable were reached – that is, those more at risk of poor labour market outcomes, in particular, Māori and Pacific peoples. We



dedicated a proportion of data collection to hearing from priority populations directly, and indirectly through their representatives.

Including Māori voices and Pacific voices

MartinJenkins partnered with Te Paetawhiti Ltd and ConnectEd to ensure our evaluation of the Wage Subsidy included the experiences of Māori businesses and Māori workers and was informed by kaupapa Māori theory and principles; and to ensure effective and appropriate engagement with Pacific participants.

Our approach to ensure that concepts of significance to Māori were present in the process evaluation was threefold:

- The assessment rubric for the process evaluation includes dedicated criteria and integrated criteria:
 - The Treaty of Waitangi is embedded as a cross-cutting criterion, as are agencies' own commitments to Māori and a commitment to equity.
 - Specific focus is given to commitments to Māori as a group throughout the rubric – for example, cultural appropriateness of communications products.
- Our report includes a chapter focused on Māori experiences of the Wage Subsidy, to ensure their experience is not lost in the detail of other sections.
- Data collection tools were tailored to each audience, providing space for them to express how the Wage Subsidy responded to concepts of significance to them.

Pacific peoples in Aotearoa New Zealand are diverse. Within the constraints of the evaluation (both in resources and timing) it was important to gain views from Pacific peoples. It was not feasible within the evaluation resources to reach people from all Pacific nations. We focused instead on meaningful engagement with Samoan and South Auckland-based subgroups.

Judgements are guided by an assessment framework

Two assessment rubrics guide our evaluation of the Wage Subsidy: a process rubric and an outcome rubric. The rubrics were workshopped with agency officials and co-designed with the cross-agency working group during the evaluation design stage, to reflect agency perspectives of what success would look like. The rubric sets out the dimensions for assessing the Wage Subsidy design and implementation, and the indicators of quality.

Table 5 shows the 12 criteria that make up the process evaluation rubric, which are organised in three groups:

- Policy development process and design
- Implementation and delivery, and



- Cross-cutting components.¹⁴

Table 5: Process evaluation assessment criteria

Policy design and development	Implementation and delivery	Cross-cutting components
<ul style="list-style-type: none"> • Policy development process • Quality of policy advice • <i>Appropriateness of policy settings (assessed in the synthesis report).</i> 	<ul style="list-style-type: none"> • Infrastructure • Delivery (Tools and guidance, processing and complaints) • Communications • Risk management • Take-up 	<ul style="list-style-type: none"> • Consistency with the Treaty of Waitangi • Equity considerations within the parameters of a broad-based scheme • Cross-agency working (Governance, Collaboration, Common understanding) • Learning and improvement.

The dimensions of each criterion, and what we would have expected to see if performance was “Excellent”, are further elaborated in the relevant sections of this report – for example, the policy development process criteria includes: consultation; meaningful engagement with Māori; and adherence to constitutional processes. The full process rubric is included in Appendix 2.

Each criterion is rated separately for Phase 1 and for Phase 2, using the generic rating scale in Table 6 (page 39). Ratings also take into account what we expected to see given the different context of Phase 1 and Phase 2.

¹⁴ Note that the criteria appear in a different order from the evaluation plan. The purpose of reordering is to ensure a clear and fair assessment. Reordering of criteria does not create a more positive or more negative assessment of the Wage Subsidy. The key divergence from the rubric developed for the evaluation plan relates to “clarity of purpose and objectives”. During the evaluation-proper we found this to be more fundamental and cross-cutting than had been suggested in the original rubric (which only referred to a shared understanding between agencies) and so we have elevated it in this report.



Table 6: Generic rating definitions for process rubric

Rating	Rating definition / description	Phase 1 – context considerations	Phase 2 – context considerations
EXCELLENT (Always)	Exemplary performance – within the context of the phase. All components met or exceeded. No weaknesses.	Phase 1 was characterised by urgency and uncertainty. Aotearoa New Zealand, and the world, was facing a crisis that had unprecedented reach and impact. No one knew how the crisis would impact Aotearoa New Zealand, how it would evolve, or when the crisis would end.	Phase 2 was characterised by periods in and out of Alert Level restrictions, with restrictions impacting regions differently.
VERY GOOD (Almost always)	Strong but not exemplary performance in virtually all aspects – within the context of the phase. All (or nearly all) components met. Few weaknesses, and none of real consequence.	The crisis was expected to impact public health, and measures to protect public health were impacting the economy.	The first return to restrictions was generally not expected, however throughout Phase 2, the possibility of Alert Level restrictions became the “new normal”.
GOOD (Mostly, with some exceptions)	Reasonably good performance overall – within the context of the phase. All core components met or somewhat met. Some weaknesses but nothing serious – showing good prioritisation of effort.	In Phase 1 we expected to see: <ul style="list-style-type: none"> urgency taking priority over completeness (for example, implement minimum viable product, with good prioritisation and plans to fill gaps over time) 	Government continued to manage the wider COVID-19 response, and to progress Business As Usual and other priority initiatives and reforms. Throughout Phase 2 we expected to see:
FAIR (Barely)	Fair performance – within the context of the phase. Few core components met; Weaknesses on several components – showing poor prioritisation of effort.	<ul style="list-style-type: none"> flexibility taking priority over specificity (for example, settings that can be adjusted, processes to gain feedback) 	<ul style="list-style-type: none"> urgency giving way to completeness flexibility giving way to specificity (more granular rules, definitions, and details) Immediacy giving way to long-term
POOR (Never, occasionally, evident weaknesses)	Clear evidence of unsatisfactory performance/results – within the context of the phase. No or limited evidence of components being met; serious weaknesses on several components – showing very poor prioritisation of effort.	<ul style="list-style-type: none"> immediacy taking priority over long-term (for example, reflecting uncertainty about the duration of the problem that the Wage Subsidy was responded to) high-trust/accessibility taking priority over system integrity, and balance of responsibility for business resilience weighted more towards government than individual employers/businesses. 	<ul style="list-style-type: none"> High-trust/accessibility giving way to system integrity, and balance of responsibility for business resilience increasingly shared between government and individual employers/ businesses.



Strengths and drawbacks of our approach

The full method is described in Appendix 1. Key things for readers to know:

- **The evaluation findings are drawn from robust methodology**, and provide fair assessment of the Wage Subsidy, and rich insights to inform the design and delivery of future schemes. The methodology was developed following a comprehensive design stage, and was agreed by the cross-agency working group.
- **There are limitations to the Employers survey results, but they can be generalised to the Wage Subsidy-eligible population** – The sample is biased towards those who wish to engage with the government on a survey about the Wage Subsidy, and those who are still in operation. The profile of the employer/sole trader survey respondents differs from the general Aotearoa New Zealand business profile, but this was to be expected. On balance, we believe that the employer/sole trader survey results are generalisable. The response rate for the employer/sole trader survey was 15%, which is a relatively good response rate for an online business-focused survey.
- **The workers survey sample results can be generalised to the working population** – The sample is biased towards those who wish to engage with research in general, and specifically with the government on a survey about the Wage Subsidy. With small exceptions, the profile of respondents generally matches the demographic profile of New Zealand’s working population. We deliberately over-sampled for Māori and Pacific peoples. We are comfortable that the Wage Subsidy survey respondents are representative of the working population and that the results can be generalised to the Aotearoa New Zealand working population.
- **Interviewees’ feedback provides rich insight about the range of experiences of the Wage Subsidy and the drivers of those experiences; they are not intended to be generalised across the population** – As with most qualitative research, the aim of our interviews was to gain a deep understanding of individuals’ perceptions and experiences of the Wage Subsidy. This would help us to understand the strengths and weaknesses of the scheme design and delivery from the perspectives of people with different characteristics and in different contexts. Where the survey explored whether individuals were satisfied with the Wage Subsidy application process, for example, interviews explored the reasons for their being satisfied or dissatisfied. We have taken care to ensure the evaluation does not overstate the extent of engagement and the representativeness of interview samples.
- **We have taken care to provide sufficient detail when discussing areas of weakness to enable future improvement; at times, this may result in a more lengthy discussion of weaknesses than strengths, and readers should keep in mind that overall our findings are positive** – We specifically over-sampled workers and businesses that are structurally vulnerable, and who we could reasonably have expected to have been less well-served by the Wage Subsidy. This was to provide richer insights that would enable learning for future crises (as directed by the synthesis question, “What the lessons are for the policy design and delivery of future schemes like the Wage Subsidy”).
- **Reporting on process separately from outcomes, creates challenges for interpretation** – Throughout the evaluation we were mindful that the final judgement of the success or failure of the Wage Subsidy will be driven by the outcomes that it achieved. For this reason, at each stage in our work we have considered the materiality of our findings in a range of possible outcome scenarios – that is, to what extent will this



finding “matter” if outcomes are positive, negative, or mixed? – and we have provided greater detail where findings transverse outcome scenarios, or provide greater opportunity to inform decisions in future crises. Consistency with Treaty of Waitangi commitments, for example, is important regardless of the outcomes that the Wage Subsidy achieves for Māori.

- **Additional information was provided late in the evaluation, that changed our assessment in some key areas.** This specifically related to the Crown’s efforts to engage with Māori. In the time provided, we took the information that was provided on face value and were not able to confirm the impact of the engagements that did occur with the iwi leaders who were party to them.



SECTION 3

FINDINGS, DISCUSSION AND CONCLUSIONS



THE POLICY DESIGN AND DEVELOPMENT PROCESS

Key evaluation question:

“How well did the policy development process work given the crisis context and time and resource constraints?”

Overall, we found that the policy design and development was good in Phase 1 and in Phase 2, in terms of process and the quality of policy advice

In this section, we look in turn at each of the two domains – the policy development process and the quality of policy advice – and set out what we would have expected to see, what we saw, and the evidence to support our assessment. A third domain, the appropriateness of policy settings, is assessed in the synthesis report where we draw together findings from this evaluation with the outcomes evaluation to reach conclusions about the appropriateness of the eligibility criteria and rules.

Table 7: Our assessment of policy design and development overall

The area or issue assessed	Phase 1	Phase 2
Policy design and development overall	Good	Good
Policy development process	Good	Good
Quality of policy advice	Good	Good



The policy development process was good in Phase 1 and Phase 2, with gaps that reflected the context

	Our assessment of the policy development process	
What we looked for	Phase 1: Good	Phase 2: Good
<p>Appropriate involvement of and consultation with key stakeholders.</p> <p>Meaningful Treaty of Waitangi analysis including engagement with Māori (see Treaty section).</p> <p>Adherence to constitutional processes.</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> Moved at pace and within significant ambiguity Strong engagement across key agencies and with Ministers Gaps largely returned to and filled Constitutional processes were appropriately adapted. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> Consistency of access to Ministers across agencies Greater opportunity for Treaty-based analysis. 	<p>Key strengths:</p> <ul style="list-style-type: none"> Tested objectives and priorities with Ministers Consulted more widely with a range of affected parties. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> Role clarity Maintaining shared emphasis on objectives.
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> Cabinet papers and key policy papers Emails between officials and internal workshop notes Engagement plans and notes Workshops and interviews with agency officials. Interviews with business representatives and worker representatives. 	

In the initial stages, the design of the Wage Subsidy moved at pace, reflecting the crisis context and the need to act urgently

The policy development process for the Wage Subsidy was mainly led by Treasury, with input from MSD, MBIE, and IR. During Phase 1, the policy development context shifted quickly. Like other people across the country, officials worked long hours under tight deadlines to develop and refine the scheme, test it with Ministers, and respond to their input.

Reflecting the fast pace of this process, policy development and advice happened mainly through the drafting of Cabinet papers, with multiple iterations provided throughout this period. This is not untypical of policy processes and decision making under crisis or urgency. Orthodox policy processes and timeframes would probably have led to undue delays in introducing financial assistance to businesses.



“We do not have perfect information on the impact of COVID-19 on regions and sectors, but we cannot wait until we get better information.”
– *Cabinet paper, March 2020*¹⁵

Officials drew on the design and policy approach from a previous wage subsidy used after the Canterbury earthquakes. They also sought feedback from Ministers on how to tailor key design parameters to the emerging context, including options for targeting sectors or regions, for the scale of the subsidy, and for how to determine which businesses should be eligible.¹⁶

Drawing on a previous scheme

The COVID-19 Wage Subsidy was largely based on a previous scheme that MSD has deployed in other times of crisis, including the Christchurch earthquakes.

The “Earthquake Subsidy Scheme” was a business support measure in the form of a subsidy paid to businesses “to alleviate immediate financial pressures on firms, maintain employment, and enable them to make more measured decisions regarding their future.”¹⁷ It had many similarities with the COVID-19 Wage Subsidy, including these features:

- It was paid on a high-trust basis, at a rate of \$500 for each full-time workers and \$350 for each part-time worker.
- While it was business-focused, MSD delivered the scheme supported by an on-the-ground presence. IR supported MSD with verifying applications.
- The Earthquake Subsidy was initially available for six weeks, and extended twice. The criteria became more targeted each time.¹⁸

The Earthquake Subsidy was on a smaller scale, however, reaching 8,000 businesses and for a cost of \$185 million.¹⁹

¹⁵ Draft Cabinet paper, Paper A: Business Continuity Package: Targeted Wage Subsidy Scheme” (CAB-20-SUB-0108).

¹⁶ A3 prepared to support discussion by Cabinet COVID committee, “CVD Committee discussion: Targeted wage subsidy scheme for workers in the most adversely affected sectors”, March 2020.

¹⁷ Fisher-Smith, R. (2013) “The Earthquake Support Subsidy for Christchurch’s small and medium enterprises: Perspectives from business owners”, *Small enterprise research*, Vol 20, Issue 1, 4,054.

¹⁸ Hedlund, Kerren (5 January 2017), “Learning from the Ministry of Social Development’s contribution to the Canterbury Earthquake Recovery Efforts”, retrieved from [UC QuakeStudies](#).

¹⁹ Fisher-Smith, R. (2013) “The Earthquake Support Subsidy for Christchurch’s small and medium enterprises: Perspectives from business owners”, *Small enterprise research*, Vol 20, Issue 1, 4,054.



The wider context of the pandemic and its impact on the economy changed during policy development. Officials provided amended recommendations urgently by email, fundamentally shifting the scale and scope of the scheme – in particular, making the scheme available to all sectors. This reflected the urgency of the situation.

The policy development process was characterised by:

- high levels of collaboration and consultation within a core group of agencies, with relatively clear roles, especially in the earliest period, with Treasury taking the lead in developing the Cabinet papers, and other agencies agreeing to be responsible for input on certain sections
- regular and responsive engagement with Ministers – papers were developed and refined iteratively and urgent advice was provided, operating outside typical Cabinet timeframes and processes, and joint papers were provided to identified decision-making Ministers
- targeted engagement with key social partners such as business representatives and unions – both to inform initial design decisions and to support subsequent deployment and clarification
- limited time available to undertake consultation with wider interested parties, including Māori, and
- some gaps in advice that would need to be revisited and addressed – but this was appropriate in the context.

“Lots of policy decision making via Cabinet papers – there wasn’t time to brief sufficiently. We had to put aside policy tools that we liked to follow” – *Agency official*

Throughout this period, the spirit of constitutional processes was upheld, with adaptations appropriate to the context

Here are examples of how government and officials adapted to the context.

- Ministers were given power to act to enable government to respond rapidly to emerging issues with the scheme.
- Time-bound amendments to legislation were passed to support increased information sharing between IR and MSD.²⁰
- Officials provided updated Cabinet paper recommendations by email in response to urgent developments.
- Officials identified financial implications, including the need to create new appropriations to support the scheme.²¹

²⁰ The COVID-19 Response Omnibus Bill amended the Tax Administration Act to enable information sharing.

²¹ We have not analysed the assumptions around take-up or the estimated fiscal impact in detail, as we have focused on the process-related decisions.



- Although there were gaps in the initial policy advice, driven by the urgent context, most of these were followed up and addressed over the following weeks.

Officials also turned quickly to thinking about the role and design of the scheme beyond the immediate crisis, including any potential extension: they prepared options and advice in April 2020 for an extension when the original scheme expired in early June.

In Phase 2, officials had more time to review settings and consider alternatives more deliberately, learning from challenges in previous iterations

During the latter part of 2020, officials began exploring options to replace or revise the Wage Subsidy. This included:

- holding cross-agency workshops to identify key problems with the current design and operation of the scheme, and what they would like to improve
- considering and updating the objectives and criteria for the scheme, which included testing
- exploring alternative schemes, including shifting away from a wage subsidy entirely
- considering available data, and evidence on the take-up of the scheme so far, and
- engaging and consulting with a wider range of stakeholders and scheme participants, in a deliberate and targeted way. This included: business and worker representatives; tax and business advisers; and representatives of Māori and Pacific businesses.

While some engagement was undertaken with Māori and Pacific businesses, officials noted that they had limited ability to respond, or to adjust the process to adapt to the feedback they received.

Ultimately, the policy development process in Phase 2 focused on refining the approach in a shifting context rather than re-examining the settings or revisiting the choice of scheme, including to address concerns for those who may not have access to the full benefits of the scheme.

Overall, the policy process was good given the context, but it could have been strengthened, in both Phase 1 and Phase 2

The policy development process could have been made better through the following three key improvements.

Greater clarity of roles across agencies

While at a high level the policy responsibilities were understood and the policy process was led by Treasury, boundaries were not always clear, especially between core policy and operational policy. We heard that this led to double resourcing for some policy issues, and a lack of clarity between agencies on what was a policy issue or an operational issue.

Greater consistency of access to decision-making Ministers across agencies

Having Ministers supported by officials in specific agencies is consistent with constitutional norms, but in the crisis context this meant that nuances in advice or in the intent of decisions may have been lost – for example,



the more complex interactions of the Wage Subsidy policy with tax or employment law, or how system constraints informed policy design. It may have been appropriate, given the scale and importance of the scheme and its cross-agency nature, to consider alternative approaches that would provide for joined-up access to Ministers so that Ministers were well supported to understand broader system connections.

Maintaining shared emphasis and clarity of objectives beyond the initial crisis

We heard that agencies began to diverge in their interpretation of objectives for future schemes, as well as coming under resourcing constraints due to competing demands. These tensions at times meant policy resource was spent on developing ideas that other agencies did not all agree with or believe to be implementable.

Cross-agency working is discussed further in this report in the section “Issues cutting across both design and delivery of the Wage Subsidy”, from page 125.



The quality of the policy advice in each phase was good, given the context

	Our assessment of policy advice	
What we looked for	Phase 1: Good	Phase 2: Good
<p>Quality of policy advice underpinning the Wage Subsidy including consistency with DPMC’s Policy Quality Framework</p> <p>Evidence of learning from research, overseas experience, and previous similar schemes in Aotearoa New Zealand</p> <p>Makes best use of existing legislation</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Made good use of existing scheme and systems • Made good use of existing legislation • Identified and assessed options • Drew on available evidence and acknowledged the unknown. • Acknowledged the constraints and trade-offs in prioritising high-speed delivery. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Identifying and acknowledge gaps in advice, especially related to Treaty and equity. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Explored alternative approaches • Tested objectives with Ministers • Prioritised options for short-term changes, and identified potential long-term changes. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Clearer trade-offs between operating within the status quo and investing in new systems or schemes • Some disconnect between agencies in level of aspiration for change • Returning to fill gaps in early advice (Treaty and equity) and later advice (identified issues not pursued).
<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Cabinet papers and key policy papers • Emails between officials and internal workshop notes • Engagement plans and notes <p>Workshops and interviews with agency officials</p> <p>Interviews with business representatives and worker representatives.</p>		



We applied the DPMC Policy Quality Framework

We considered the policy advice against DPMC’s Policy Quality Framework, but taking into account the shifting crisis context across Phase 1 and Phase 2.

Figure 5: DPMC Policy Quality Framework

CONTEXT	ANALYSIS	ADVICE	ACTION
Purpose, context, priorities, and connections are clear, including previous advice.	Is clear, logical and informed by evidence. Incorporates Treaty and Te Ao Māori analysis, uses relevant frameworks, and assess options.	Enables clear and informed decisions, outlines risks and mitigations, is clear and concise, reflects diverse perspectives, is free and frank, clear next steps.	Identifies who is doing what, and how solution will be monitored and evaluated.

Source: Adapted from DPMC’s Policy Quality Framework

Policy advice in Phase 1 was good quality given the context, but could have been improved by acknowledging the gaps caused by time constraints

Given the context in Phase 1 of urgency, uncertainty, and large impact, it would not have been reasonable to expect exemplary policy analysis. However, we would have expected to see the gaps acknowledged, and for them to be appropriately prioritised and addressed later on.

The strengths of the policy advice included the following:

- advice was grounded in the economic and public health context, and it recognised the uncertain and rapidly developing situation, globally and locally
- the advice identified and defined the problem that the scheme was looking to address
- the advice set priorities to guide Government’s investment decisions
- the advice drew on available evidence, including from the international context (such as the emerging approaches being taken by comparator economies), and on previous experience with using wage subsidies to respond to crises
- the advice set out the key options, including choices for the key settings for any Wage Subsidy scheme, and the approaches to delivery
- the advice made recommendations on key settings, or provided choices for Ministers, and
- the advice set out the constraints, including on delivery, and the trade-offs involved in prioritising high-speed delivery.

However, there were a few key weaknesses that could have been more directly addressed, and that endured through subsequent iterations:



- early advice could have considered implications of the Treaty of Waitangi, or alternatively acknowledged that the usual process for considering Treaty related issues had been impacted by the urgency of policy decision-making
- officials modelled the fiscal impact of shifting from a targeted to a broad-based scheme, but beyond that did not analyse the implications of this shift for what were appropriate settings for the scheme settings and for planning the implementation of the scheme. This reflected the urgency with which this change occurred and the limited time available for analysis²²
- in early drafts of Cabinet papers, risks relating to the design of the scheme were identified clearly and in some detail, but in final versions this risk analysis was summarised. As a result, that risk analysis may have been less effective and Ministers may not have had a full understanding of those risks and how best to manage them,²³ and
- some risks associated with high-trust and rapid delivery were identified, as the OAG report noted, but this early advice to Ministers did not explore Ministers' level of risk appetite so that this could inform final detailed design decisions and ensure that appropriate integrity measures were in place.

Policy advice in Phase 2 improved and continued to be good-quality given the changed context – but it would have been further improved by revisiting gaps in early analysis and further exploring the trade-offs involved in changing direction

Although the advice in Phase 2 was more comprehensive than in Phase 1, it continued to have several core omissions that we would have expected to be resolved after the initial crisis period.

The advice in Phase 2 was focused mainly on clarifying and confirming the objectives of the Wage Subsidy scheme and when it should be used, and on refining the key scheme criteria and settings.

²² Treasury Memo to Minister of Finance, "Covid-19 financial support – Updated design settings", 15 March 2020.

²³ For example, we noted that risks relating to the high-trust model were discussed in the body of the paper, but not in the "Risks" section.



Example: Exploring an alternative scheme design in Phase 2

Officials explored whether an alternative scheme would have been appropriate, including advising Ministers on an alternative – a “short time work” scheme used in several other countries including Germany, where subsidy payments were based on the number of non-worked hours. However, much of this advice consisted of a comparison of a known scheme with known weaknesses (the Wage Subsidy) with an unknown scheme with unknown weaknesses (the short time work scheme).

Officials asked Ministers to choose which option to further explore. However, without greater clarity on relative costs, benefits, and risks, a decision to move away from the Wage Subsidy was unlikely.

In Phase 2, the strengths of the policy advice included the following:

- the advice identified the main shortcomings of the current scheme design and the options for improving it
- it recommended and prioritised objectives for the Wage Subsidy, and the role it should play in future outbreaks
- the advice drew on and referred to feedback from stakeholders and partners on the performance of the scheme, including the pain points
- it identified what could be done in the short-term and what might need longer-term work – this included identifying a programme of advice to further refine the scheme (although much of this longer-term work was not progressed), and
- the advice identified options and analysed them against criteria. This included obtaining feedback from Ministers at several points to inform design decisions.

However, there were a few significant weaknesses of the policy advice in Phase 2, discussed below.

Treaty of Waitangi considerations were not substantively revisited during Phase 2

The question of consistency with the Treaty of Waitangi is discussed further in the next chapter of this report.

There was limited advice on how to address inequitable access and receipt for more vulnerable groups

We saw limited analysis and advice on the drivers of different levels of take-up, and in particular on options to address barriers or inequitable access for specific groups of workers or vulnerable groups. For example, although officials heard that problems such as the digital divide or mistrust in government resulted in lower take-up by Māori and Pacific people and other groups, there was no substantial policy advice during Phase 2 on options to address this within the parameters of a broad-based scheme. Similarly, officials heard that some employers of casual workers may not be applying for the Wage Subsidy. We understand that an alternative approach was briefly explored, but not pursued due to system constraints, concerns around scheme integrity, and concerns that removing the employer connection would negate the labour market attachment objective.



Officials commonly referred to the Wage Subsidy being a broad-based scheme as an explanation for the lack of focus on these types of equity concerns. However, as a voluntary scheme, the Wage Subsidy exacerbated existing inequities in the employment relations framework, with casual and other non-standard workers being more dependent on their employer to make choices that were in those workers’ best interests. Within the parameters of a broad-based scheme, more focus could have been given to enabling more equitable access, especially as the scheme had a secondary function of providing income support for many people.



Non-standard workers, including those on casual contracts

We heard that the Wage did not work well for workers on casual employment agreements. This was in part due to mixed incentives.

- Some employers were uncertain whether casual workers were eligible – for example, a casual worker who wasn't rostered for any shifts.

“The definition of ordinary working day doesn't apply. So that some of the most vulnerable didn't get the money.” – *Agency official*

- Different employers had different approaches to their responsibilities towards their casual workers and whether or not to include them in their applications.

“... the attitude that [they] didn't have to look after them. ‘That is why we have casuals’” – *Agency official*

“Some have the impression that didn't have to [apply] for Casuals – true but very little reason not to” – *Worker representative*

- Some businesses that did not meet the “revenue decline” test may have chosen to reduce casual workers' hours instead, or in the case of temping agencies, to not pay casual workers who were unable to work.²⁴

“[Temp agency] said they didn't qualify for second round of subsidy. Thought that was harsh ... But my circumstances were all the same. [Host company] qualified for it and their immediate staff were paid” – *Temporary worker, Auckland region*

- Overhead costs related to applying for and administering the Wage Subsidy, as well as related costs such as holiday pay, may also have been a disincentive for employers.

“Some couldn't afford additional obligations. Annual Leave 8%, throw in Kiwisaver, ACC – even passing on the money, still accruing liabilities” – *Worker representative*

Since the primary objective of the Wage Subsidy was job retention, it is not surprising that it worked less well for people with precarious employment relationships. However, given that the Wage Subsidy also served as an income support for many people, it would have been reasonable for more attention to have been given to clarifying expectations about how employers should treat non-permanent staff.

²⁴ See for example the news article [“Concerns temp workers slipping through gaps in wage subsidy scheme”](#) (Stuff, 5 September 2021). This was reported as happening for temp agency staff, where the agency had not suffered sufficient revenue downturn because it was supplying the essential workforce; individual casual workers who were not able to pick up essential work had reduced hours and income.



Equity and the Wage Subsidy

In considering equity within the context of this process evaluation, we considered the degree to which the design and delivery: 1) anticipated that different groups might experience the scheme in different ways, and 2) sought to address those differences.²⁵ This was particularly important because the benefit of the scheme to workers depended completely on their employer's ability, and choice, to access it.

The Government has an existing framework for considering vulnerable workers

The poorer labour market outcomes experienced by certain groups of the population are well known.

The Government's Employment Strategy,²⁶ released in 2019, emphasises the poorer labour market outcomes and the more tenuous labour-market attachment experienced by key groups.

The Strategy is supported by a series of action plans that focus on improving outcomes for groups that consistently experience poor employment outcomes: youth; disabled people; Māori; Pacific peoples; older workers; former refugees, recent migrants, and ethnic communities; and women.

- These groups tend to be over-represented at the lower-skilled, lower-wage end of the labour market. They also face barriers to accessing support mechanisms such as advocacy, mediation, and specialist expertise (legal and accounting).
- People working for low pay often have more tenuous labour market links, and precarious work is more likely to be low-skilled.

Precarious work is concentrated in some industries and among younger and older workers, women, Māori, and Pacific peoples. For example, Statistics New Zealand data shows that Māori, Pacific, and Asian workers are more likely to be temporary workers.²⁷ Māori and Pacific peoples also experience significant structural disadvantage as a result of ethnic and gender-based wage gaps.

It is beyond scope for this evaluation to consider whether a broad-based, voluntary Wage Subsidy delivered through employers was the most appropriate approach for supporting vulnerable workers. We are also aware that different forms of direct Government support (such as food parcels) were made available to people experiencing hardship, some of whom may also be vulnerable workers.

We looked at how well these known challenges were considered and assessed

Even as a broad-based scheme, there could have been further analysis of the intersection between different vulnerabilities – for example, the overrepresentation of Māori, Pacific people, and women in casual work. Assumptions that workers who did not get the Wage Subsidy would be able to access other

²⁵ Issues related to the impact of the scheme on different population groups will be examined in the outcomes evaluation and synthesis report.

²⁶ MBIE (2019), *Employment Strategy*. Retrieved from <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-strategy/>. The strategy identified the groups to be supported by individual action plans in 2019, specific action plans were developed over 2019-2022

²⁷ See for example: Stats NZ (2017). *Employment Relationships – permanent and temporary workers: December 2016 quarter*. Retrieved from www.stats.govt.nz



Equity and the Wage Subsidy

supports may have rested on an inadequate understanding of the structural challenges these workers face. For example:

- policy advice did not fully consider the correlation between casual work and visa status, nor other factors that may prevent these individuals from accessing state support, and
- the complaints process depended on individuals to contact a government agency and complain and didn't adequately take account of the barriers that might prevent some groups of workers complaining.

Advice did at times explore and identify barriers to access and other inequities,²⁸ but these insights do not appear to have led to advice or action to substantially mitigate those problems.

“Where we probably fell down when we spoke to stakeholders – iwi / Māori engagement – [we heard about] Issues of digital divide, mistrust in government, for lower uptake for Māori. But we didn't come up with any substantive things to address those... not sure that the excuse of 'one size fits all' was good enough”

– *Agency official*

“One recurring theme: vulnerable workers on part-time or fluid employment relationships ... [the] distributional impact on that particular cohort [was] a recognised issue over time, but [it was] difficult to solve without changing fundamentals of scheme” – *Agency official*

There was an uncertain connection between the final weighting of the objectives for longer-term scheme design, and how this should inform the criteria and settings

While the Wage Subsidy was designed as a support for businesses, and built from a previously used business support scheme, the exact balance of priority between business and income support remained unclear.

During Phase 2 we observed a shift in relative emphasis from supporting businesses to supporting incomes (see the box below). However, the advice did not explore what that meant for the design of the scheme and the necessary support systems; had it done so, Ministers would have been able to make more informed decisions about trade-offs relating to priorities.

²⁸ Some retrospective analysis of Wage Subsidy take-up included population breakdowns (for example, in July 2020, September 2020, and May 2022). See <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/who-received-the-covid-19-wage-subsidies-may-2022.html>. However, we did not see further analysis exploring what was behind variations in take-up, or advice on options to address these variations.



Shifting scheme objectives and the balance between business support and income support

Five objectives were implicit, and at times explicit, in the policy documentation and delivery of the Wage Subsidy.

- **Protect the health system and individual health**, by removing one of the barriers to compliance with public-health measures.
- **Protect the economy**, by avoiding excessive business closures and enabling rapid business restart; maintaining incomes and spending.
- **Protect businesses**, by maintaining connection with their workers and avoiding excessive debt to meet wage obligations.
- **Protect workers**, by ensuring income and labour market connection.
- **Protect the welfare system**, by avoiding excessive redundancies.

It is common for policy to have multiple objectives. However, in the available policy documents for the Wage Subsidy scheme, the relative balance of objectives was not clear (a challenge which was acknowledged), especially in the early stages, and in particular the relative balance between supporting businesses or supporting workers.

The purpose of the Wage Subsidy evolved with the changing context, which is to be expected. Officials appropriately sought clarity from Ministers about the relative priority of different objectives, to inform their work on the design of the scheme (see Table 2, in the Introduction section, on page 21).

Over the various iterations of the scheme, we observed a shift in the relative emphasis placed on objectives relating to workers and income support compared to objectives on business support. For example, over Phase 2 it appears that the objective of supporting worker incomes was given greater priority. However, the significance of this shift was not certain, and the implications on the scheme's design were not well explored.

The lack of absolute clarity in the key purpose and objectives of the scheme contributed to confusion among employers and workers. It may also explain why officials sometimes had different views of the scheme. Officials were sometimes guided by the culture and function of their home agency when making rapid decisions about design and delivery (for example, welfare support vs tax integrity).



Policy advice could have been better informed by an understanding of the complexity of the interactions between the Wage Subsidy and existing systems

Many of the challenges associated with the Wage Subsidy arose from the scheme’s complex interactions with the wider system and with the uncertain context.

“Lockdown and how businesses operated or not was unique to every business. Not one size fits all. The wage subsidy was implemented as a one size fits all with vague terminology.” – *Agency official*

Advice focused on addressing concerns through improving the guidance given to businesses and through pointing to existing obligations under existing systems – for example, reminding applicants that the Wage Subsidy did not change their obligations under employment law, or the expectations on businesses to know how to account for revenue for tax purposes. We found that the policy advice would have benefited from greater exploration of these system-level complexities.

For example, the initial decision that legislation was not needed was appropriate to the crisis context of Phase 1. In Phase 2, while advice on whether legislation would be beneficial for a longer-term scheme was planned, it was not pursued.

Legislation would usually define key terms and provide a common source from which officials and other stakeholders can seek clarity. We heard from parties both inside and outside government that the lack of legislative backing made it harder for agencies and businesses to understand the scheme and how it intersected with wider systems. In the absence of legislative certainty, different agencies presented different interpretations of the scheme to the public.²⁹ The lack of legislative backing also meant less certainty about and access to tools for delivery (for example, legislation could have provided a statutory mechanism for recouping funds).

The scheme design seems to have made ambitious assumptions about the ability of businesses, especially small businesses, to understand and respond to changing obligations and expectations during a crisis.

²⁹ This was identified as a theme arising through stakeholder engagement in late 2020 and captured in internal notes provided to inform the evaluation.



A complex interaction with employment law

We heard consistently from interviewees in a range of positions (employers, agency officials, and business sector representatives) of the complex interaction between the Wage Subsidy and employment law. Employers had difficulties understanding the following issues:

- employers' obligations to consult and agree with employees on changes to terms and conditions, and the fact that paying 80% would be a change of terms and conditions
- how to calculate 80% of usual wages
- what "best endeavours" meant and how to apply that obligation alongside their employment obligations
- different forms of employment, including confusion around whether someone is an employee or self-employed, and
- rights to annual and sick leave, and how these could be taken while an employer was receiving the Wage Subsidy for those employees.

Many of these challenges reflected employers' already poor understanding of employment law, and the complexity involved in applying the Wage Subsidy in specific situations.

A complex interaction with tax law and accounting

We heard that businesses had difficulties with the complex interaction between the Wage Subsidy and tax law and tax accounting methods, given a range of company structures and different iterations of the Wage Subsidy. These were some of the common issues:

- definitions of self-employed or sole trader, and whether the person in question had interacted previously with IR (for example, self-employed people who were not registered for GST would only need to provide an annual IR3)
- whether working shareholders should be considered to be employers or self-employed, and how applicants should know which form to use
- impacts on accounting, with impacts spread over multiple financial years, especially when lump-sum payments were made near the end of a tax year
- understanding revenue and how to calculate it, including whether it meant invoicing or received payments, and
- misunderstanding of tax implications for self-employed. For employers, a Wage Subsidy was classified as "excluded income" for income tax purposes, but for self-employed the subsidy was taxable as replacement for loss of income.

Businesses' ability to access the Wage Subsidy depended a lot on how well they already understood and engaged with the employment-law, and tax systems

The experiences that different businesses had with the Wage Subsidy depended significantly on how well they understood their existing employment and tax obligations and on how well they maintained their own information and processes.

For example, if a business's information was out of date because they had been late in filing tax documents, or if they hadn't maintained a full, up-to-date set of employment agreements, they found it harder to access and calculate entitlements under the scheme.



Policy options were focused on what could be achieved with the existing delivery system, rather than on substantive change

Although advice explored a range of options for improving the targeting or operating of the scheme, the final recommended changes were modest and focused mainly on improving settings within the existing scheme parameters.³⁰

“The whole thing had a lot of inertia once set up ... It’s easier to argue for the status quo – the evidence bar is generally lower” – *Agency official*

We heard that there were several reasons for limiting change.

- It was difficult to model the impact of various setting changes and so create an evidence base for change.

“[T]hat probably contributed to the status quo bias. We couldn’t say for sure what the impact of moving the threshold from 40% to 50% would have been” – *Agency official*

- There were concerns about changing a scheme that was seen as successful and that was now well understood by key parties.

“It was difficult to have good creative policy thinking....” – *Agency official*

- Limited appetite to explore significant policy changes given the uncertainty about whether the scheme would be needed again.

“These [potential] changes were to a scheme that might never be used again.” – *Agency official*

- Policy options were significantly constrained by what was seen as possible within MSD’s delivery system. Advice would have been stronger had there been more critical examination of the trade-offs involved in either changing the system or maintaining the status quo.³¹
- A change in priorities across agencies, and a shift in focus to “catching up” on business-as-usual tasks that had been put on hold because of the Wage Subsidy (and other COVID-19 responses initiatives), and on progressing other priorities.

³⁰ For example, “The need to deliver support at pace during a resurgence and the limitations of MSD’s delivery systems means that the scheme will always need to be relatively high-trust, but minor changes can be made in the short term to improve its integrity.” [Cabinet Paper: CAB-20-SUB-0531: Economic Response to Future Resurgences of COVID-19 \(treasury.govt.nz\)](#), December 2020.

³¹ We did not see further critical analysis of the trade-offs. The December 2020 Cabinet paper, setting out the policy settings for future resurgences, focused on minor changes within the broad parameters that can be delivered in the short-term, meaning policy settings were being determined by current systems. That paper also set out a range of areas to be followed up on, including: introducing a higher-integrity model; establishing a legal framework for the scheme; introducing more payment tiers to reduce windfalls; examining the benefits of having IR deliver the scheme; and the feasibility of a repayment rule. However, we heard most of these areas weren’t explored further because of capacity constraints resulting from the March 2021 resurgence, and because of a growing sense that the tools for responding to further resurgences were now set.



This meant that the core scheme criteria, that were decided quickly in a crisis context, remained in use throughout successive iterations of the scheme.

Example: Policy changes were modest

A final scheme design for future resurgences was agreed in December 2020. The design was largely based on settings used for the Wage Subsidy Resurgence scheme, and these settings continued to form the broad basis of the March 2021 and August 2021 schemes.

A broad range of options had been identified and explored at various stages, including:

- changing the design of the scheme entirely
- increasing the degree of targeting – to specified sectors or regions
- paying different amounts based on the size of the business, hours of work, the alert level, or the scale of impact (both duration and impact on revenue)
- reducing payment amounts over time, and
- changing the “revenue decline” test to be less of a “cliff edge” threshold.

Final policy changes were limited to:

- defining trigger points, and confirming that the Wage Subsidy would be triggered by a shift to Alert Level 3 or 4 for at least two weeks anywhere in the country
- more clearly linking the Wage Subsidy to an escalation of alert levels, by setting the “revenue decline” test to include a comparison with the six-week period before the escalation, and
- shifting payments to two-weekly, with businesses having to reapply each time. This allowed flexibility for lockdowns of uncertain duration and reduced the risk of overpaying applicants.



CONSISTENCY WITH TE TIRITI O WAITANGI / TREATY OF WAITANGI

This analysis has been completed by MartinJenkins working in partnership with Te Paetawhiti Ltd and Associates.

Engagement at a senior level occurred in the context of the wider COVID-19 response, however advice could have been strengthened through applied Treaty analysis and by a more sophisticated approach to engagement

In this section, we look at consistency with the Te Tiriti o Waitangi / Treaty of Waitangi (the Treaty) through two different areas of focus – policy development, and communication and engagement. When looking at the extent to which the policy process and delivery reasonably met the expectations of an authentic Treaty partnership, we applied:

- the generally accepted Treaty of Waitangi principles of partnership, protection, and participation
- design principles for high-quality policy (best practice is to use a Treaty rights and interests approach aligned to a more contemporary practice of examining the articles of the Treaty), and
- government agencies' various statements of commitment to Māori, to equity for Māori, and to meaningful Treaty partnership and engagement.³²

See Appendix 3 for a full list of guidelines that we referenced for best practice.

We found that improved Treaty-based engagement and advice could have been substantially strengthened had officials:

- conducted applied Treaty rights and interest analysis to inform Cabinet advice over Phase 1 and Phase 2, and
- taken a more sophisticated and structured approach to engagement with Māori.

³² See <https://www.tearawhiti.govt.nz/tools-and-resources/contemporary-treaty-of-waitangi-issues/> and also section 14, Public Service Act 2020, although the latter came into effect part-way through the period under review.



	Our assessment of consistency with the Treaty of Waitangi	
What we looked for	Phase 1: Fair	Phase 2: Fair
<p>Adherence to Treaty principles across design and delivery</p> <p>Consideration of Treaty, te ao Māori perspectives and Māori experiences in analysis in policy process</p> <p>Engagement with iwi and Māori reflects good practice</p> <p>Communication products and dissemination channels showed a good understanding of how to reach Māori and different groups of Māori</p> <p>Differentiation in levels of applications, receipts, or declines by eligible subgroups</p>	<p>Key strengths:</p> <p>Issues impacting Māori were identified at a high level</p> <p>Strategic engagement occurred with the National Iwi Chairs Forum in the context of the broader COVID-19 response.</p> <p>Some good examples of using networks to provide information to Māori business or sectors with high concentration of Māori workers</p> <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Preliminary analysis of the likely Treaty rights and interests of Māori • Opportunity to review Treaty related policy settings at the conclusion of the phase 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Data used to inform understanding of Māori take-up <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • More targeted engagement with Māori who were more directly impacted by the scheme (Māori business/worker interests) to inform any analysis of barriers to access and to inform further analysis of any rights and interests • More structured engagement/communication with Māori businesses, Māori workers, and those other organisations who support Māori businesses and workers (no Māori engagement plan)
	<p>Evidence sources</p> <ul style="list-style-type: none"> • Existing documents • Agendas and minutes from relevant engagement meetings • Cabinet papers • Engagement plans <p>Targeted qualitative interviews with stakeholders and key agencies</p> <p>Interviews with Māori business representatives and Māori workers (30)</p>	

In the early stage, officials did not undertake specific Treaty analysis to inform advice to Ministers, though potential impacts on Māori were considered.

The pace of the early policy phase of the scheme has been addressed elsewhere in the evaluation. Through the early-stage policy phase, officials focused on the merits of a broad-based scheme delivered at pace. There was some evidence that this analysis was informed by the specific needs of Māori.

Advice from Te Puni Kōkiri focused on the wider economic impact of COVID-19 on Māori.

“We did some modelling based on [previous economic crises] looking at Māori unemployment rates and saw that Māori fell out of the workforce faster than other groups, and it takes them a lot longer to come back.” – *Agency official*

There was also some evidence this may have influenced the overall design of the scheme.



“We pointed to a bunch of industry areas, we talked about the level of Māori employment and the exposed nature of it, and we think we helped point the Government to the fact it should be a broad-based scheme” – *Agency official*

However, there was limited specific policy work undertaken on the Treaty implications of the scheme in Phase 1, and this did not get picked up again in Phase 2

DPMC best practice policy guidance and the Cabinet Office guidelines developed by Te Arawhiti (CO (19) 5 refers). Subsequent papers included brief, reactive sections on the impact for Māori, but these did not inform the design of the scheme, refinement of the scheme, or the approach to delivery.

A better approach might have been to first identify the potential interests of Māori, and then revisit those interests and any relevant rights once the initial urgency had passed. This judgement is at the heart of the Crown considering its approach under Article 1 of the Treaty (kāwanatanga), and how this sits against the rights and interests of Māori under Article 2 (tino rangatiratanga) and Article 3 of the Treaty (broader equity considerations). In undertaking this evaluation, we were mindful that these are also issues that have been examined appropriately as part of submissions to Haumarū: The COVID-19 Priority Inquiry by the Waitangi Tribunal.

Te Arawhiti was not involved in developing the policy advice.

Table 8: Extracts from relevant Cabinet Papers

Reference	Analysis provided by officials
16 March 2020 Cabinet Paper ³³	There are no population impacts.
26 March 2020 Cabinet Paper ³⁴	The package is likely to be positively received by the Māori businesses and employees that it will support. However, a key issue will be ensuring that Māori are aware of what support is available under the package, who is covered by it and how it relates to the “Supporting Māori communities and businesses” package announced by Māori Ministers on 22 March 2020. A bespoke approach to communicating with Māori businesses about the support available to them is recommended.

³³ Draft Cabinet paper: “Paper A: Business Continuity Package: Targeted Wage Subsidy Scheme (CAB-20-SUB-0108).

³⁴ CAB-20-SUB-0130 <https://covid19.govt.nz/assets/Proactive-Releases/proactive-release/Transitioning-to-an-Enhanced-Wage-Subsidy-Scheme-Paper-and-Minute.pdf>



Reference	Analysis provided by officials
December 2020 Cabinet Paper ³⁵	Take-up of the Small Business Cashflow Scheme and previous iterations of the Wage Subsidy Scheme has been broad across sectors, ethnicities, and regions, benefiting a wide cross-section of society, including women, Māori and Pasifika, who make up a significant proportion of some of the most affected sectors. The proposed approach to communications set out below will seek to ensure government works and communicates with Māori and Pasifika groups and partners in order to maximise the effectiveness of the measures in these communities.
September 2021 Cabinet Paper ³⁶	We expect the WSSAUG21 to be of benefit to a broad cross-section of society, including women, Māori and Pacific communities, who make up a significant proportion of some of the most affected sectors. The Treasury has been engaging with Māori and Pacific representative groups and have been hearing about accessibility issues for these communities due to factors such as financial and digital literacy, and general mistrust of Government institutions. MSD and IR are working on proactive outreach to these communities to support them in applying for the WSSAUG21. The Treasury, MSD, and IR are working together to consider other options to improve WSSAUG21 accessibility for Māori and Pacific communities.

³⁵ CAB-20-SUB-0531 [Cabinet Paper: CAB-20-SUB-0531: Economic Response to Future Resurgences of COVID-19 \(treasury.govt.nz\)](https://www.treasury.govt.nz/publications/cabinet-papers/cab-20-sub-0531-economic-response-to-future-resurgences-of-covid-19)

³⁶ CAB-21-SUB-0458 [Cabinet Paper CAB-21-SUB-0458: Wage Subsidy August 2021 scheme: Second six-week review - 4 November 2021 \(treasury.govt.nz\)](https://www.treasury.govt.nz/publications/cabinet-papers/cab-21-sub-0458-wage-subsidy-august-2021-scheme-second-six-week-review-4-november-2021)



Early engagement occurred with iwi leaders within wider Ministerial led COVID-19 hui, however there was no structured approach to engagement including wider communication with other Māori groups

The Wage Subsidy was included as a regular agenda item in structured discussions that occurred with the National Iwi Leaders Forum. The availability and take-up of the Wage Subsidy was raised by officials and some iwi leaders through this period; however, it is unsurprising, in the context of the overall response, that most of the focus was on the wider health and welfare issues impacting Māori.

There was further opportunity for engagement in the context of the Tāmaki Makaurau Māori Response Collective which was a structured dialogue that occurred between Ministers and officials and hapū, iwi and Māori organisations (including urban authorities) across Northland, Auckland, the Coromandel, and Waikato. As Auckland businesses continued to be impacted by ongoing restrictions, the minutes of these hui do identify concerns for Māori business however these are not explicitly recorded or assessed as being relevant to the Wage Subsidy.

The engagement with iwi leaders undertaken demonstrated an understanding of the specific needs of individual iwi/hāpu “in place”, rather than assuming homogenous requirements of Māori. This approach was good, and reflects a more contemporary Treaty based approach to engagement.

In May 2020, an internal MSD report identified that the Crown has obligations to protect Māori rights derived from Te Tiriti and that the impact of the pandemic was expected to have disproportionately negative impacts on Māori, and particular subgroups of Māori, who already face multiple concurrent disadvantages. This work also recognised the importance of Māori values, mātauranga, tino rangatiratanga/self-determination and the thinking emerging from Te Rōpū Whakakaupapa Urutā, the national pandemic group of Māori medical and public health experts.³⁷ A Māori Reference Group, that had been set up by MSD to support implementation of Te Pae Tata and that included a number of prominent Māori voices, also provided some feedback regarding the Wage Subsidy. This group was also used to discuss the wider COVID-19 response and organisational priorities faced by the Ministry. This work was positive, however it was also aimed at the wider COVID-19 response and was not specific to the Wage Subsidy despite it being the largest economic intervention impacting Māori. Treasury also looked at economic impacts of COVID-19 for Māori, including take up of the Wage Subsidy, however we didn't see evidence of this analysis leading to significant policy changes.

Notwithstanding this positive engagement approach with iwi leaders, we received feedback from Māori about the benefit that may have come from a more structured engagement on the particulars of scheme design in either phase, or to respond to the early signs that Māori may not be benefiting from take-up of the Wage Subsidy at the same rate as other employers. Such engagement would have invited a more sophisticated understanding of the interests of Māori business groups, or groups representing Māori sectoral interests. Similarly, there was no specific engagement or policy consideration of the experience of Māori workers who

³⁷ Rapid Evidence Review: Social and psycho-social impacts of COVID-19 and mitigations in New Zealand, Ministry of Social Development, May 2020



were not having the subsidy passed on via their employer (for example through direct engagement with Māori employee representatives such as roopū or rūnanga within some unions).

There was some evidence of positive collaboration between government agencies and Māori, particularly in Tāmaki Makaurau during implementation and delivery

We heard in interviews that some Māori business groups worked alongside local and regional government agencies to support Māori businesses and solve problems. This included clarifying the messaging about the scheme, promoting and providing information about the scheme through social media, holding webinars for members with key government operational staff, and providing dedicated support people for Māori businesses.

Like other employers, Māori businesses in Auckland were hit harder because business operations were affected for longer there. Bespoke support for Māori business was set up in Auckland in response to advocacy by Māori business networks. However, effective communications and support to Māori businesses could have been provided earlier had government agencies made good use of the relationships with iwi/hapū and Māori that were already in place.

Although the government response to Māori businesses in Auckland was collaborative, Māori business networks that we interviewed felt that the decisions being made in Wellington were removed from their reality in Auckland, in particular how the economic impacts of the pandemic response affected people's health and wellbeing.

The experience of Māori businesses in Tāmaki Makaurau showed the value of government collaborating with established Māori business networks to create by-Māori, for-Māori solutions in a crisis. It also showed that key factors in achieving early, bespoke responses were cross-government collaboration and government agencies being willing to support and trust community solutions and to share decision-making.

“We worked with MSD to create direct access to a dedicated team so Māori businesses didn't get bumped or end up in a queue. It was quick to stand up as part of a business response initiative which involved government agencies... it opened up conversations with decision makers” – *Māori sector representative*

Further, implementation was more successful for Māori businesses where Māori networks, both formal and informal, were activated so that Māori businesses could support each other.

Māori business networks may have supported greater awareness

The Māori businesses we interviewed all relied to some extent on advice from trusted sources – for example, from accountants, whānau and friends, or other Māori businesses – before they applied for the Wage Subsidy, even if they already knew about the scheme.

Some respondents to our surveys suggested it would have been helpful to have a dedicated and proactive resource to support Māori business – for example, someone to contact Māori business to see if they were OK



and what help they needed, or to answer specific questions about the Wage Subsidy. Officials told us that Māori tourism businesses did receive targeted communications through Te Puni Kōkiri.

“It would be useful to have had something similar to a healthline; someone who could ring them to say are you ok, are you aware of this, would you like some help?”

– *Māori, self-employed*

The intent of the Wage Subsidy was not well understood by Māori audiences

There was no specific communications or engagement plan or activity that identified specific communication needs for Māori.

Although the communications were clear on how to access the Wage Subsidy in Phase 1, the messaging around the intent of the scheme and why businesses should take it up did not resonate with Māori values and ideals.

“We heard that ... as Māori organisations sometimes [...] they thought oh there is only so much money, if we use it and we might not need it right now then someone else might miss out.” – *Agency official*

As a result, some businesses decided not to take up the Wage Subsidy because they felt they should first use their reserves to get through the first lockdown (in line with the policy intent), or they took a values-based approach and decided others needed the support more. Some thought there might be some “catch” to the subsidy, requiring them to pay it back later.³⁸ Those reservations about taking up the scheme were not unique to Māori, but our interviews identified them as a barrier that may have reduced how many Māori applied for the subsidy. The outcomes evaluation compares take-up across subgroups.

“As a Māori business it was quite hard to trust a process that was easily giving money away” – *Māori, self-employed*

We also heard that Māori workers also varied in how well they understood how the Wage Subsidy might apply to their situation, including whether their employer was eligible, whether their employer had applied, and whether the employer had passed on the full amount to the worker. Like Māori employers, workers sought advice and information about the subsidy from whānau, friends, and work colleagues, particularly if they thought their employer was not acting in good faith.

Those we interviewed, both Māori businesses and Māori workers, did not know where and to whom they could make any formal complaints.

³⁸ Given the history of the Crown–Māori relationship in Aotearoa New Zealand it is not unusual for Māori to have reservations about Crown-led initiatives.



Māori businesses’ experiences of the scheme became more uneven as its design changed

Like others we interviewed, Māori businesses that did apply for the Wage Subsidy found the application process simple to use and found that payments were made earlier than they expected.

However, over time as the scheme changed, the eligibility criteria and the application process became slightly more complicated, and so more time-consuming for small Māori businesses and self-employed Māori (as it did for other groups).

“I found it difficult to apply in terms of the technology as I am still learning, once I applied I got the gist of it as it was repetitive and the subsidy was quick... But I had to get my head around the different iterations, I had to read and listen carefully; I talked to people who I knew had applied as well to get it right”

– *Māori, small-business employer*

Like other employers, Māori businesses that had good relationships with their accountants found it easier to apply, as their accountants sent them information, notified them of application deadlines, and helped them determine whether they were eligible.

Officials also informed us that Māori tourism businesses had been surveyed, and that the responses indicated that their experiences with the Wage Subsidy had been mixed.³⁹

³⁹ We were not provided with this primary survey.



IMPLEMENTATION AND DELIVERY OF THE WAGE SUBSIDY

Key evaluation question:

“How well was the Wage Subsidy implemented over time and how well were risks managed during implementation?”

Many of the strengths of the Wage Subsidy lay in the implementation and delivery of the scheme, especially in Phase 1. Our overall assessment is that implementation and delivery were very good in Phase 1 and good in Phase 2.

In this section, we look at five different areas – infrastructure, delivery, communications, risk management, and take-up of the Wage Subsidy. We also discuss employers’ experiences of the Wage Subsidy, and how well the design and delivery took into account factors that could limit take-up.

Table 9: Our assessment of implementation and delivery overall

	Phase 1	Phase 2
Implementation and delivery overall	Very Good	Good
Infrastructure	Very good	Good
Delivery	Very Good	Good
Communications	Good	Fair
Risk management	Good	Good
Take-up	Very Good	Very Good



The chosen infrastructure did the job, especially in Phase 1

In this evaluation, “infrastructure” refers to the core IT platforms, systems, processes, and related support structures that enabled the Wage Subsidy policy to be delivered.

	Our assessment of infrastructure	
What we looked for	Phase 1: Very Good	Phase 2: Good
<p>Process for determining infrastructure for delivery</p> <ul style="list-style-type: none"> Operational settings and constraints are understood Options are identified and assessed. <p>Fitness for purpose of Infrastructure</p> <ul style="list-style-type: none"> Constraints are identified and managed or mitigated Responsive and flexible Enables rapid processing and disbursements. 	<p>Key strengths:</p> <ul style="list-style-type: none"> Identification of key infrastructure options Set up quickly and payments made within a matter of days Quick adaptation and improvement to improve processing and integrity Rapid processing and disbursement of funds. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> System constraints created limitations for policy design Lengthy delays for a minority of applicants. 	<p>Key strengths:</p> <ul style="list-style-type: none"> Ongoing improvements Ongoing rapid processing and disbursement of funds. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> More in-depth consideration of alternative options and the costs and benefits of a system change “in flight” System constraints created limitations for policy design with limited analysis of trade-offs Lengthy delays for some applicants remained in latter iterations.
	<p>Evidence sources</p> <p>Existing documents</p> <ul style="list-style-type: none"> Cabinet and policy papers Exchanges between officials including on system options Notes from interagency workshops on operations issues, scheme integrity and policy development <p>Administrative data including application volumes and time to payment data</p> <p>Workshops and interviews with agency officials.</p>	

The choice of system was driven by the need for speed and flexibility, which was appropriate for Phase 1; some constraints might have been overcome if the choice of IT platform had been revisited in Phase 2

In Phase 1, the choice of which system to use was pragmatic and ultimately came down to what could be done quickly and flexibly.

MSD, with support from IR, was able to leverage and re-establish infrastructure from the Canterbury and Kaikōura earthquake subsidies.



While a high-level analysis was undertaken, we did not see detailed assessment and comparisons of different systems and options. However, the process and decision were reasonable and appropriate given the context. They enabled a rapid response to the emerging and uncertain impacts of COVID-19 and the Level 4 lockdown.

Overall, we found that the infrastructure that was chosen enabled the Wage Subsidy scheme to be delivered successfully – by enabling fast processing, broad and easy access, and quality checks that did not become a barrier to rapid disbursements. Ongoing improvements were made to the system, but system constraints limited what changes could be made to policy settings.

MSD's systems were chosen because they were ready and available, were flexible, and had been used for similar schemes

MSD's systems were chosen because:

- MSD had experience delivering similar schemes, and had existing systems and infrastructure already available, as well as prior experience working with IR
- the MSD system was flexible, and easier to update and adapt than other main systems, and
- MSD could offer an option of beginning payments within five working days.

Alternative systems, like IR's, would have taken longer

Alternatives were available, but they would have taken longer to implement. The most obvious alternative was IR's infrastructure.

IR's systems had better access to the necessary data, including on employers and their workers, although this was incomplete. However, IR would have had to change its system in order to issue payments without assessments, and legislative changes would also probably have been needed. IR would have needed an estimated four to six weeks' lead time before they could deliver a scheme.

The choice of infrastructure could have been revisited in Phase 2, but was not

During Phase 2, the choice of infrastructure was not substantially revisited.⁴⁰ This was despite it being increasingly clear that the Wage Subsidy would be in operation for longer than initially envisaged, and also that the current system had limitations that a shift to IR might have overcome.

Advice to Ministers mentioned shifting to IR as a possibility, but we did not see the option analysed in any depth. This appears to be because of:

- concerns the move could confuse users of the scheme, and
- concerns about IR being overloaded, as it was delivering a wider range of COVID-19 supports (such as the short-term cashflow loan) alongside its BAU work and its business transformation process.

⁴⁰ For example, a system change was not substantively explored in late 2020 when settings for a future scheme were being considered.



The implications and the costs and benefits of such a move could have been explored in more depth during Phase 2, to determine whether those concerns were fair or whether the problems in question could have been sufficiently mitigated.

Systems were improved throughout Phase 1 and Phase 2

Improvements included the following:

- **Enabling information sharing** – Information sharing was enabled by legislative change and by a series of MOUs between MSD and IR. However, it continued to be a slow, cumbersome process, and also did not allow full sharing of information.⁴¹
- **Sharing data** – IR regularly shared with MSD a database of all employers and confirmed sole traders, to enable MSD to verify most applications itself. This was a manual process, and the frequency of sharing more frequent or less frequent at different times.
- **Implementing a data portal** – From the Wage Subsidy Extension (June 2020) a new portal enabled MSD to access and see IR data on employers directly, rather than calling them. This simplified the process and focused the agencies’ resources on exceptions and on the self-employed.
- **Improving verification processes** – Initially, MSD adopted a high-trust model with little verification of applications, reflecting the initial urgency needed to go live on 17 March. Although that model continued to be core to the system, MSD worked with IR to develop other verification approaches over subsequent weeks, initially through phone calls and later through improved data sharing.
- **Implementing changes in policy settings** – The main change here for the delivery system was shifting from lump sums to two-weekly payments.

We heard that further changes could have been made, consistently with the policy settings – for example, implementing automated declines for when applicants used the wrong form, or a pre-registration process or an IR API validation number to prevent people from being able to incorrectly apply.

We also heard that system constraints created limitations for changing policy settings because some things could not be operationalised within existing systems, or without further investment.

“A trade off of going with a system that we used in the past – it’s relatively simple. We didn’t have the time or money to invest in a comprehensive system.” – *Agency workshop*

Some officials thought in hindsight that it may have been better to use IR’s systems

Across agency officials we heard that, in hindsight, delivering the Wage Subsidy through IR’s systems may have been better over the longer-term, for these reasons:

⁴¹ To ensure tax compliance IR couldn’t rely solely on legislative change or the MOU, but had to use s17B powers. IR is also prevented from information sharing about frauds with MSD. Despite attempts to revise the MOU to resolve these issues it was never revised.



- IR would have had better access to the information needed to verify applications, as it already held much of it, and this could have improved the experience for applicants.

“The application process was laborious. If IR has a full list of employers and business numbers, I expected to be able to download that and have cross referencing ... the form itself could have been streamlined, government bodies involved should have shared information better.” – *Medium-sized employer*

- IR would have been better able to administer a scheme with more sophisticated settings – for example, differentiated payment rates.
- Using IR’s systems would have been more aligned with the wider set of business supports and so would have reduced confusion and increased consistency, integrity, and assurance across schemes (with MSD focusing on support for individuals).

“IR should do it. The applicants are their customers. They have the information.”
– *Agency workshop*

MSD’s system and approach were fit-for-purpose where it mattered – they enabled MSD to deliver the scheme flexibly and pragmatically

Under substantial urgency and time pressure, agencies successfully stood-up a system that, even though imperfect, was able to keep up with unprecedented and unexpected demand. The system quickly provided thousands of payments during a period of extreme uncertainty.



Delivery of the Wage Subsidy was very good in Phase 1. In Phase 2, expectations of delivery increased

What we looked for	Our assessment of delivery	
	Phase 1: Very Good	Phase 2: Good
<p>User experience of delivery (applications and complaints)</p> <ul style="list-style-type: none"> • User-facing tools and guidance were easy to find and use • Application interface was user-friendly and reliable • Clear feedback for reasons for declines • Complaints process was fair, prompt, and transparent. <p>Processing (applications and complaints)</p> <ul style="list-style-type: none"> • Quick turnaround in processing of applications • Complaints were reviewed quickly and fairly, decisions were consistent • Instances of fraud and misuse were identified • Operational guidelines for delivery staff were fit for purpose. <p>Resourcing and staff was sufficient.</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Payments made quickly and easily for the vast majority • Quick set up of complaints process • Rapid collaborative approach to resolving issues of interpretation and updating guidance • Rapid scaling of internal resourcing to meet demand. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Mixed experience identifying appropriate forms • Mixed experience of guidance and interpretation • Difficult to know what had applied for or why declined • Changing declarations caused some concern. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Higher proportion of approved applications were paid within five working days • User experience is mostly positive • Interpretation issues largely resolved • Mature approach to scaling internal resourcing • Increased focus on fraud and misuse. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Decreasing employer satisfaction linked to technical issues • Difficult to know what had applied for or why declined.
	<p>Evidence sources</p> <p>Existing documents:</p> <ul style="list-style-type: none"> • Monitoring reports on complaints and integrity • May 2020 survey • Internal guidance • External guidance • Declaration forms. <p>Administrative data:</p> <ul style="list-style-type: none"> • Time to payment • Resourcing and headcount • Call volumes. <p>Workshops and interviews with agency officials</p> <p>Employer survey</p> <p>Employer interviews</p> <p>Interviews with business representatives.</p>	



Most applications were processed quickly, even though demand for the Wage Subsidy surpassed predictions

The volume of applications for the first iteration of the Wage Subsidy far surpassed predictions and any amounts MSD had processed before.

MSD aimed to make payments within five working days from an application, and data supplied to us shows they met this target for 89% of approved applications. Corresponding data was not available for applications that were declined.

Processing speed was lower for the Original Wage Subsidy, with 77% of approved applications paid within five working days. Rates increased for employers and sole traders during the Wage Subsidy Extension, and were above 90% overall in all subsequent iterations (Table 10).

Table 10: Number of approved applications paid within five working days

	Employer	Employer %	Sole trader	Sole trader %	Overall
Original Wage Subsidy	160,397	76%	181,163	78%	77%
Wage Subsidy Extension	91,884	94%	96,826	87%	90%
Wage Subsidy Resurgence	37,216	97%	43,843	94%	95%
Wage Subsidy March 2021	24,383	93%	24,779	94%	93%
Wage Subsidy August 2021	515,316	94%	645,037	91%	92%

Source: Ministry of Social Development

The initially slower processing reflects the scale of the undertaking, with significant volumes of applications received in the first few days. Reporting from Treasury to the Minister of Finance shows that within the first four days of the first Wage Subsidy, more than 42,000 applications had been received and 31,900 were awaiting processing.⁴²

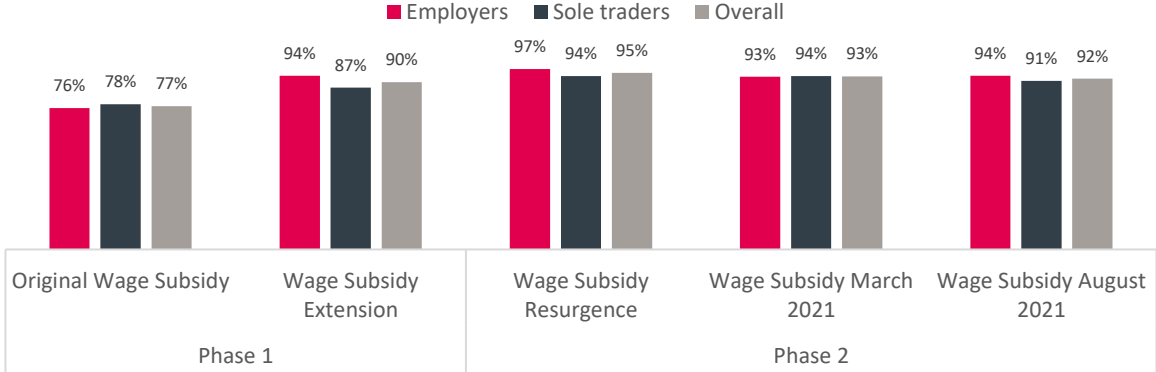
Each iteration of the Wage Subsidy had similar peaks in demand in the first few days.

By Phase 2, processing times became shorter for most applicants. For employers, the vast majority of approved applications were being paid within five working days, but sole traders were more likely to experience slower payment (Figure 6).

⁴² Treasury Report to the Minister of Finance, “Further Options and advice on the COVID-19 Wage Subsidy”, 21 March 2020, T2020/741.



Figure 6: Payment within five working days, employers, sole traders, and overall



Source: Ministry of Social Development

Most businesses did not experience delays

We heard from a minority of businesses and from industry representatives that some applicants experienced long delays in the processing of their application. For example:

- There was a long tail of delayed applications, with each iteration having a small proportion of applications that took more than 31 days to process. In the August 2021 iteration for example, more than 2,000 applications took more than 31 days to be paid.

“I found it quite infuriating. It was a mistake on my end, maybe the name didn’t match name on IR, put middle name in or something like that. If your details lined up then they could push it through quickly. But if they didn’t then you joined a pool of applications that had to be assessed manually. Took 7 weeks for my application to be seen. You’d think it might be easier to call and follow it up but people on the phone were busy and pulled out of their other jobs to attend to this busy line. Didn’t feel like there was adequate support.” – *Self-employed worker*

- Some applicants found it difficult to follow up on an application, or to find out where it was in the system. For some, it depended on who they knew and their ability to find a “way in” that worked around the official service lines.

“It took like a week and I was getting really desperate ... and they [said] please don’t call us, we’ll get in touch with you.” – *Self-employed worker*



- We heard several examples of applicants who were turned down getting insufficient information about the specific reason, and this made it more difficult to reapply.

“[The decline letter] used the jargon that was used in the process. If I didn’t understand the first time, saying the exact same thing the second time around won’t help.”

– *Self-employed worker*

- There were different application forms for employers and self-employed workers, and this caused confusion. We heard that many applicants used the wrong forms, which could lead to delays in matching information (as an automated check would not succeed).
- Some people who were employees tried to apply as self-employed or sole traders, which may have been because they misunderstood their employment status. The process did not make it clear to them that this was why their application had been declined.⁴³ Although this was a well-known problem area, it was not addressed in later iterations of the scheme.

Delays were typically caused by the need to work across existing systems and across agencies

Under the high-trust model adopted for the scheme, MSD worked with IR to verify applications. IR checked that the applicant was an employer or a self-employed worker, by checking the application details against tax system data, including:

- the employer’s IR number
- the business name
- the number of employees, and
- some of the employees’ IR numbers.

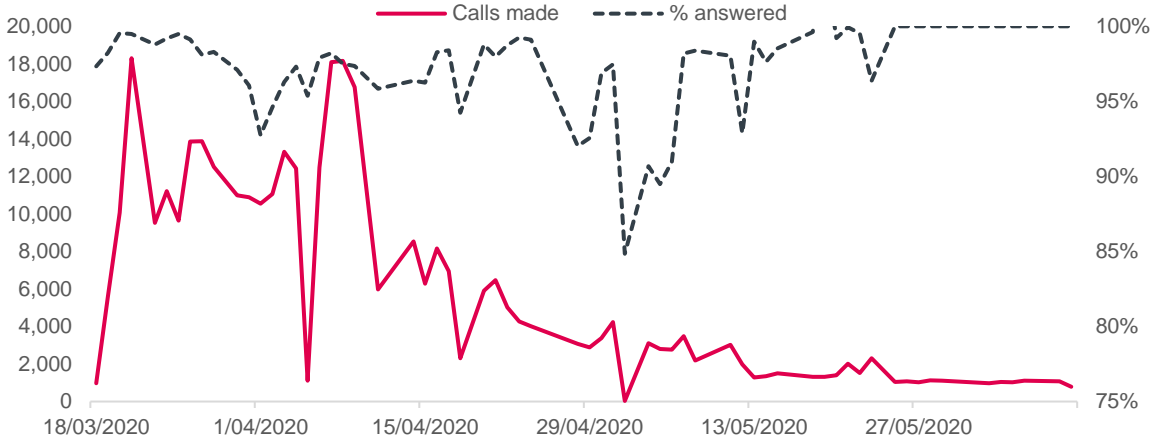
At first, this was a highly manual process, requiring MSD processing staff to call IR and check individual applications. IR provided a dedicated 0800 line for MSD staff to use to check application details. Call volumes to this number peaked significantly in the early days of the Wage Subsidy, with 18,000 calls on day 4 (Figure 7). Overall, IR was able to respond to 97% of calls in Phase 1, and 93% of calls in Phase 2.⁴⁴ See Appendix 4 for more information about wait times.

⁴³ It is possible that some of these were also fraudulent applications.

⁴⁴ These numbers include calls related to the Leave Support Scheme and Short-term Absence Payment that may have been made in the same period. Some calls may also have been from self-employed workers directly rather than MSD.



Figure 7: Original Wage Subsidy: Calls to IR’s dedicated Wage Subsidy



Source: Inland Revenue (numbers may include calls from the general public)

The need to check across systems contributed to delays where applications could not be quickly validated due to applicant details not matching IR records. This might be due to an applicant not having a previous relationship with IR, or due to their information being out of date. Processing staff in MSD needed to work with IR to resolve and make a call on such applications, which added time to a process when demand was at a peak.

Table 11: Call volumes to IR, by Wage Subsidy iteration

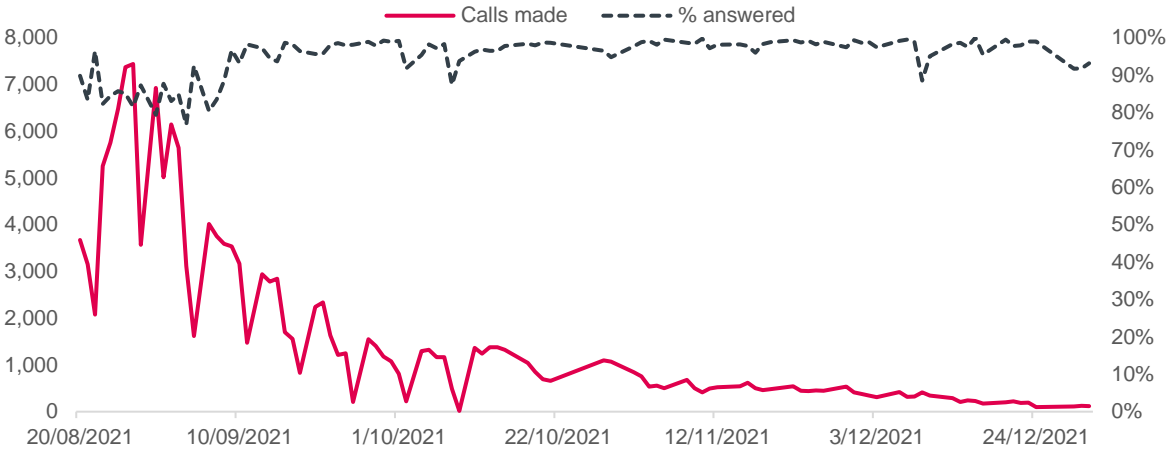
	# of calls	# answered	% answered	Average maximum wait
Original Wage Subsidy	363,698	354,494	97%	0:08:50
Wage Subsidy Extension	59,828	57,742	97%	0:05:58
Wage Subsidy Resurgence	30,241	28,735	95%	0:04:24
Wage Subsidy March 2021	41,847	40,874	98%	0:04:11
Wage Subsidy August 2021	155,030	142,335	92%	0:08:20

Source: Inland Revenue



As noted in the earlier section on the systems and infrastructure, IR and MSD worked quickly to improve data-sharing arrangements, so that straightforward applications where the business name and IR number matched IR’s records could be automatically approved by MSD. This reduced the time needed to process applications. The overall call volume from MSD to IR was greatly reduced by August 2021 (Figure 8, below) compared to in the Original Wage Subsidy (Figure 7, above), and IR were able to immediately respond to the majority of calls.

Figure 8: Wage Subsidy Auckland 2021: Calls to IR’s dedicated Wage Subsidy line

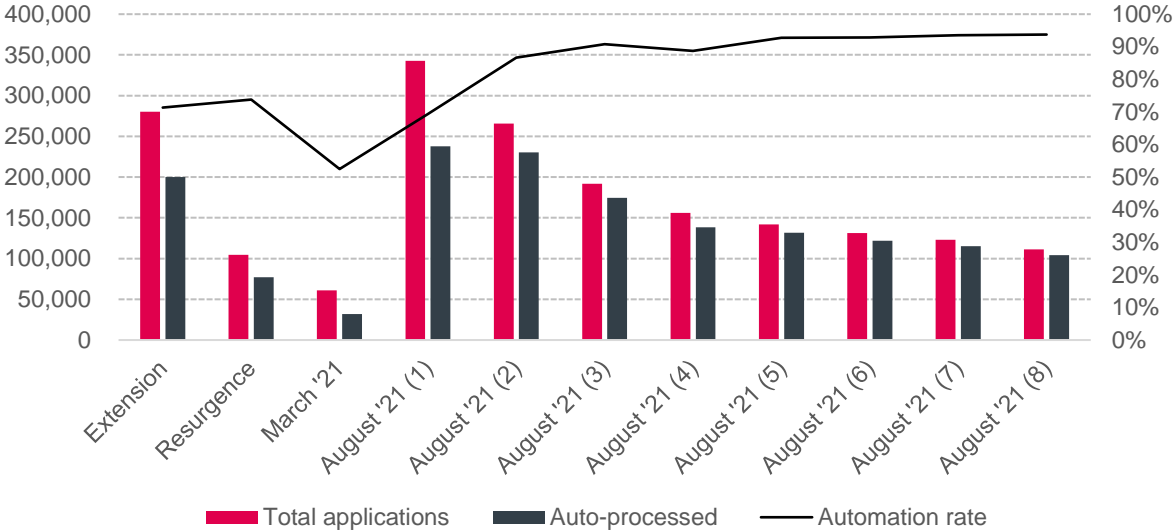


Source: Inland Revenue (numbers may include calls from the general public)

From the Wage Subsidy Extension onwards, 82% of applications were automatically processed – this includes the Extension, Resurgence, March 2021, and August 2021 schemes.



Figure 9: Automatic processing of applications by Wage Subsidy Iteration



Source: MSD. Data points refer to different iterations within MSD’s systems. The August 2021 Wage Subsidy included 8 possible two-week payments that could be applied for, between August and December 2021.

From 12 June 2020, from the Extension onwards, IR also implemented an online portal to give MSD access to real-time data, so that MSD staff could manually check some of the exceptions themselves. However, MSD still had to call IR to resolve more complex queries, and all applications from self-employed people.

MSD and IR took steps to make the process for self-employed applicants clearer, working with applicants to make sure they understood what information was required.⁴⁵

The development of an online portal for MSD staff to access IR information directly played an important role in supporting delivery staff to check applications quickly without waiting to talk to IR.

The system was complemented with guidance on how to use it, and with access, training and verification requirements set out in an MOU between agencies to ensure ongoing compliance with the Tax Administration Act and to ensure that data was only used for the agreed purposes.

Users’ experience of delivery was mostly positive

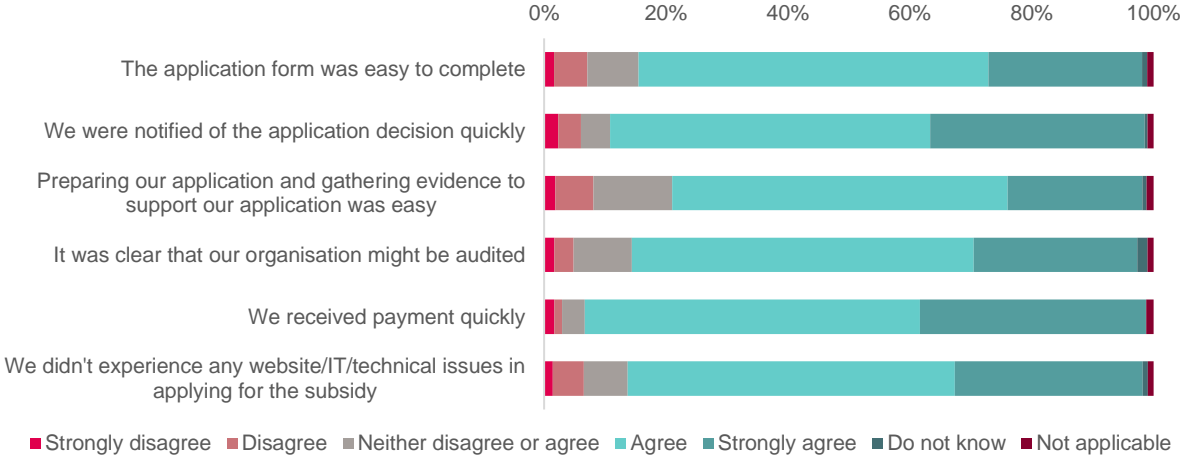
We heard consistently from the applicants and business representatives we interviewed that, for the most part, the application process was easy, and processing and payment speeds were better than expected in Phase 1. The Employer Survey results supported those findings, with more than 90% of respondents agreeing

⁴⁵ Joint Report to Ministers: ‘Wage Subsidy August 2021 scheme: Uptake, funding and operational matters’, 17 September 2021. T2021/2318



that they had been paid quickly and more than 80% agreeing that the application form was easy to complete (Figure 10).

Figure 10: Employers’ perspectives on the Wage Subsidy application process



Source: MartinJenkins Wage Subsidy Employer and Sole trader survey (June 2022). n = 1,426.

Fast payment was particularly appreciated by businesses that did not have significant reserves, as their cashflow had slowed down.

“Speed of payment – that was useful. Suppliers, everything slowed down so [we] needed the cashflow, [the Wage Subsidy] covered the cashflow periods.” – *Large employer*

External stakeholders praised MSD’s pragmatic approach in the early days to getting applications processed quickly – including the ability to work with regional officials to identify and escalate issues with individual applications.

Feedback from our interviews suggested that employers became less satisfied in the later stages of Phase 2, especially in the August 2021 iteration of the Wage Subsidy when fortnightly applications were required. Technical issues with the application process caused frustration for businesses, such as having to enter the same information each time they applied, not receiving a copy of the application after it was submitted, and restrictive cut off times for each application.

“Fairly easy to do. The only annoying thing is that you had to keep populating it with the employees every time you were applying for it. [By comparison with] the support payments, it prepopulated from your last payroll, and you just had to check.”

– *Medium-sized employer*



However, for most people those seemed to have merely been annoyances rather than real barriers to access.

The application process was not easy for everyone. In our survey, three types of employers were less likely to report a positive experience of the application process: large employers (100-plus workers), Māori organisations, and Pacific organisations.⁴⁶

Less established organisations (those that had been operating for three years or less when the first lockdown was announced) were less likely to agree that it was easy to prepare their application and gather supporting evidence. This probably relates to the need to compare revenue to a previous period, which may be more difficult or less relevant for new businesses.

Agencies set up complaints processes quickly in Phase 1 and reviewed complaints quickly in both phases

MSD, MBIE, and IR all received complaints relating to the Wage Subsidy:

- MSD was responsible for complaints about the application form and decisions whether to approve the subsidy
- MBIE was responsible for complaints about an employer’s behaviour – for example if a worker believed their employer had not passed on the subsidy
- IR received complaints and allegations related to applicants not meeting their tax obligations and complaints from applicants whose applications were declined based on information provided to MSD by IR.

In Phase 1, complaints processes were established quickly, making good use of existing systems and expertise, such as MBIE’s employment relations teams.

Across MBIE, IR and MSD, over half of all complaints were received during Phase 1 (Table 12), and at any given date most complaints had typically been closed.

Table 12: Cumulative number of complaints

	By 5 Jun 2020	By 21 Aug 2020	By 28 Feb 2021	By 20 Aug 2021	By 17 Dec 2021
Total complaints received since the Original Wage Subsidy opened	6,775	10,159	12,009	12,511	16,249
Complaints that had been closed to date	4,292	8,564	11,923	12,396	Data not provided
Complaints that remained open at date	2,483	1,595	86	115	Data not provided

⁴⁶ Appendix 1 contains more detail about the survey method, and the full survey is available at Appendix 11. Analysis of survey findings by business characteristics are based on classifications reported by survey respondents.



Source: Ministry of Social Development

Wait times on MBIE's complaint line were short throughout both phases, even during peak times (see Appendix 4).⁴⁷

We heard that while MBIE's Wage Subsidy complaints line was intended to help workers make complaints, it acted as a de facto support line: the staff answering the calls resolved many of them through explaining the eligibility criteria or other rules. This feedback was backed up by administrative data:

- Most complaints received by MBIE were resolved (31.5%) or required no further action (33.6%). 25.6% of complaints were referred on, mostly to MSD Fraud (60%). Around 17% were passed on to Employment New Zealand.⁴⁸
- Only a small number of complaints went on to a more formal resolution process at the Employment Relations Authority (32) or required an MBIE investigation (50). The ERA heard only one clear-cut case of an employer not passing on the Wage Subsidy.⁴⁹

Many calls to complaints lines were made because the caller was confused about the eligibility criteria, or how decisions were made, or how workers could encourage their employer to apply. Key themes included:

- pay coverage and calculation, and confusion around minimum pay-out, including what the employer was required to pass on, and confusion around "best endeavours"
- eligibility, with workers calling the line to find out if they were eligible, not understanding that only businesses could apply, and
- how the subsidy intersected with employment law, including whether workers could be forced to take annual leave, and the interaction with the minimum wage.⁵⁰

In our evaluation we heard from only small numbers of employers and workers who complained to a government agency. That limited feedback suggests that workers' and employers' experiences of the complaints system were mixed. Later in this report we discuss the barriers to and enablers of workers lodging complaints, and whether these were adequately considered in the design and delivery of the Wage Subsidy (see Workers and the Wage Subsidy section, from page 114).

⁴⁷ MBIE Wage Subsidy call centre data.

⁴⁸ MBIE Wage Subsidy Scheme early resolution and mediation data.

⁴⁹ MBIE Legal Research – summary of Employment Relation Authority cases referencing the Wage Subsidy Scheme, March 2020 – May 2022.

⁵⁰ Interview with MBIE official on internal review of MBIE's Wage Subsidy complaints line (source data not shared).



Employers' and workers' experiences of complaining to a government agency

Only a very small proportion of the employers, self-employed, and workers surveyed indicated that they had complained to a government agency about the Wage Subsidy (35 of 1,528 employers/self-employed, or 2%; and 21 of 1,012 workers, or 2%)

Workers had mixed feedback about the complaints system. We heard positive and negative feedback from them in roughly equal proportions on each of the following issues:

- whether it was easy to find out who to contact
- whether the issue was resolved quickly, and
- whether they were satisfied with the outcome.

Employers and self-employed workers were generally much less satisfied about the complaints system, possibly driven by their dissatisfaction with the overall outcome of their complaint.

Agencies developed operational guidance and tools to help their delivery staff interpret the Wage Subsidy, and these became more comprehensive over time

Agencies developed operational policy to guide their delivery staff on how to interpret and deliver the policy decisions made by Ministers. This included identifying different scenarios facing an applicant, and how the various policy rules apply in these scenarios.

A range of complex interpretation issues emerged, especially in the first days and weeks of the Wage Subsidy – for example, how the scheme should apply in cases involving passive income, rental properties, or retirement villages.

Because it had to be implemented quickly, in Phase 1 the Wage Subsidy was launched without comprehensive, tested guidance in place, and this was appropriate and reasonable for the circumstances. This meant that officials were sometimes guided instead by their own knowledge and interpretations when providing advice and making judgements about eligibility.

Updating the guidance was a continuous process, especially in the early days of Phase 1. Agencies worked together to resolve these challenges, playing to their respective strengths – for example, MBIE dealing with employment relationships or IR dealing with tax and accounting arrangements. The agencies then informed Ministers of operational decisions, or highlighted policy gaps that might need to be resolved.

Overall, we found that operational rules were developed quickly and updated as needed, and that frontline staff were trained quickly in delivering the scheme.

By Phase 2, many of the interpretation issues had been identified and operational guidance had been updated to address them. The key challenge in Phase 2 was no longer ensuring operational guidance responded to



emerging issues, but rather updating guidance to account for changes to policy settings that had downstream impacts for delivery staff and applicants.

Some officials said they believed policy agencies did not seem to understand the extensive work required to update systems and processes each time policy settings were changed, even for small changes.

“Whenever there was a small change, we had to redo the whole guidance – always at the last minute, changes within 5 working days, we had to try and get examples”

– *Agency official*

Declaration forms

Declaration forms were a key tool through which the eligibility criteria and obligations on employers was communicated; and employers confirmed their understanding of eligibility criteria and obligations.

Some agency officials told us that the declaration forms and operational guidance for staff were sometimes not properly aligned, and that applicants may have been given inconsistent or incorrect advice as a result. We were unable to prove or disprove this through reviewing relevant documents, although it seems likely to be true given the speed at which the Wage Subsidy was implemented and adapted in early days.

Declaration forms were updated over each iteration of the subsidy to reflect changing policy settings, and agencies checked that these forms were consistent with public communications. A summary of these changes is included at Appendix 9.

These changing declaration forms caused some difficulties for applicants, particularly in understanding what they had agreed to. For example, we heard that changes to the declarations in March 2020 caught applicants unaware. We also heard from MSD that applicants spent only a short time completing the declaration form, indicating that they may not have been taking enough time to read and understand exactly what they were agreeing to.

The declaration required the applicant to confirm that they had taken active steps to mitigate the impact of COVID- 19 on their business, such as engaging with their bank, the Chamber of Commerce, their industry association, or the Regional Business Partner programme. However, we heard that there was no process for checking that the applicant had in fact taken those steps. Combined with the requirement being vaguely worded, this contributed to businesses taking different approaches to satisfy this requirement, with some businesses treating it as a first recourse, while others treated it as a secondary resource, and some even took extreme steps to avoid using the Wage Subsidy altogether. Businesses’ behaviours in this regard are discussed further in the Drivers of Business take-up section of this report.



Agencies quickly provided new resources or redirected existing resources to meet the demands of delivering the Wage Subsidy

The demand for the Wage Subsidy was unexpectedly high. In Phase 1, MSD received \$15 million to support the implementation and delivery of the Wage Subsidy. This was to cover:

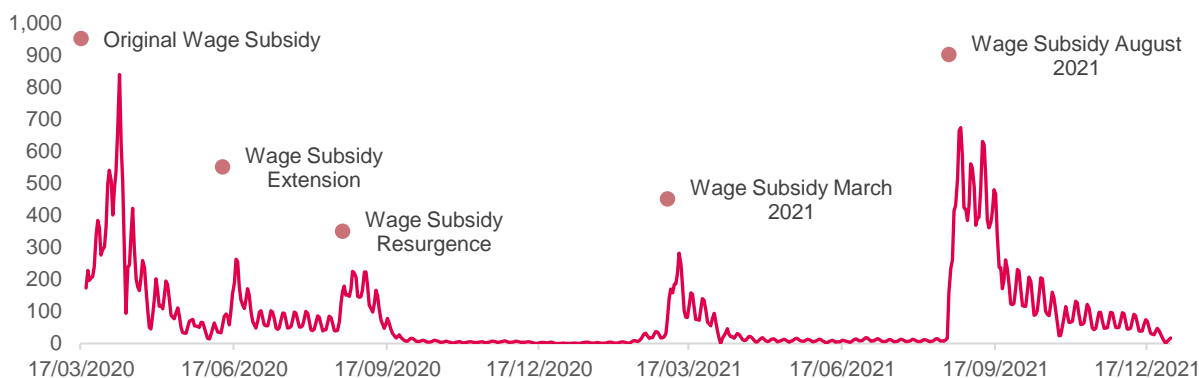
- improvements and additions to IT systems and processes, including an online portal for receiving applications, and
- additional staff to support processing and wider delivery in 2020.

Resourcing demands were much greater than this, though. At the peak in the time of the Original Wage Subsidy, nearly 900 people were involved in processing applications (Figure 11).⁵¹

To meet demand, MSD redeployed and retrained personnel from across the Ministry, stopping or pausing non-essential work to do so. For example, we heard from one region that all regional staff who weren't case managers were processing applications.

“We made a decision that if not a case manager, staff would be trained and upskilled to process wage subsidies. Assistants, admin staff, labour market people. Everyone was trained up, pivoted within about 2-3 working days” – *Agency official*

Figure 11: Number of MSD staff involved in processing Wage Subsidy and/or Leave Support applications



Source: Ministry of Social Development. The chart shows the four-day moving average moving headcount of the number of people who spent any time processing an application on a given day. This includes people processing the Leave Support Scheme.

⁵¹ Resourcing implications weren't limited to processing. Many investigators were redeployed from benefit fraud prevention teams, as well as additional FTE, to support integrity and investigations for the Wage Subsidy.



This highly responsive approach to resourcing the Wage Subsidy continued into Phase 2, with MSD looking to support administration of subsequent iterations largely from within its existing resources.

IR received \$1.5 million to support MSD in processing applications. IR also redeployed large numbers of staff to support verification of applications and wider integrity efforts. Overall, IR received 700,000 calls to its verification line, with half a million in the first few months. At the peak, IR had around 190 FTE supporting verification of applications, with averages ranging from 25 to 120 FTE across the iterations (Table 13).

Table 13: Average FTE supporting verification of applications

Original Wage Subsidy	Wage Subsidy extension	Wage Subsidy Resurgence	March 2021 Wage Subsidy	August 2021 Wage Subsidy
77 FTE	25 FTE	30 FTE	50 FTE	50 FTE Fortnightly averages ranging from 120 to 13 FTE

Source: Provided verbally by Inland Revenue

Both MSD and IR responded flexibly to increases in demand – and worked together to mitigate the worst impacts of peaks in demand. As both agencies gained more experience with delivering the Wage Subsidy, a larger pool of internal staff was trained to process applications or support verification activities.

Throughout Phase 2, this meant both agencies were able to monitor application volumes and responsively adjust the number of staff allocated to administering the scheme, increasing and decreasing it as needed based on application numbers. Both agencies used regular internal reporting and monitoring of workloads to inform their resourcing decisions.

MSD and IR experienced pressure in August 2021 – together they managed it in a mature, collaborative, and flexible way

In August 2021, MSD had a backlog of 38,000 applications by the third payment, due to having received 300,000 applications and the automated approval rate being low. This put pressure on both MSD and IR to respond. The pressure resulted from a combination of factors, including a huge increase in applications after a shift in policy settings from lump sum to two-weekly payments, and a particularly low automation success rate.

MSD sought more funding for staff overtime to address this backlog and to help the Ministry recover from the impacts on business-as-usual work.

Wait times increased at IR, and both agencies worked closely together to manage the pressure and make the most efficient use of time – for example, scaling back the number of staff approving applications (rediverting to business as usual for a period) to allow IR to clear a backlog.

Given the peaks in demand and the necessarily reactive nature of delivering the scheme, in our view this response from MSD and IR showed a relatively mature, collaborative, and flexible approach to managing their workforce and workload.



Communications mostly focused on awareness; communications did improve, but agencies could have used targeted messages and trusted channels to increase understanding sooner

	Our assessment of communications	
What we looked for	Phase 1: Good	Phase 2: Fair
<p>Communications were consistent and aligned</p> <p>Information about the application process and eligibility criteria were appropriately targeted and easy to understand</p> <p>Use of appropriate channels/platforms, to reach target groups</p> <p>Communications products and processes align with best practice.</p> <p>Communication products and channels were culturally appropriate, including a good understanding of how to reach Māori</p> <p>Intended groups aware of the Wage Subsidy, and understand its purpose and eligibility requirements</p> <p>Little differentiation in levels of understanding for subgroups.</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Wide-spread general awareness of the Wage Subsidy • Agencies moved quickly to extend the depth and breadth of information on their websites, including addressing common misunderstandings. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Limiting use of jargon to avoid confusion (for example, “best endeavours”) • Using nuanced messages and dissemination through diverse channels (for example, partner organisations, population agencies) to reach target audiences. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Information became easier to find • Information available in languages other than English • Some use of more diverse channels. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Focus on understanding • Use of nuanced messages in plain language • Coordinated communications planning that made best use of existing networks • Adapting communications materials and approaches in response to sector feedback and complaints calls.
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • MSD engagement plans prepared for each iteration of the Wage Subsidy • Archived website content for MSD, IR and MBIE (sourced from archive.org) • Facebook posts from MSD and emails sent from MSD to employers. <p>Workshops and interviews with agency officials</p> <p>Employers survey and interviews</p> <p>Workers survey and interviews</p> <p>Interviews with business representatives.</p>	

Communications improved over time, and agencies used a wider variety of channels

In Phase 1, the initial focus of communication was raising awareness of the Wage Subsidy, and for this, agencies leaned heavily on the daily 1 pm COVID-19 briefings.



“Broadly speaking, publicity of the payments on offer was not difficult. Daily updates by the Prime Minister and Minister of Finance – there was huge coverage.” – *Agency official*

To increase understanding of the Wage Subsidy, agencies produced a wide range of guidance on their websites, targeted at employers and workers, explaining the eligibility criteria and rules. They also put out information through official channels such as agency Facebook pages and email lists. For the Original Wage Subsidy, official information was only available in English.

MSD led communications for each iteration of the Wage Subsidy and worked with MBIE, IR and the Treasury to refine key messages. MSD and MBIE websites served as the default sources of accurate online information for the Wage Subsidy.⁵² MBIE provided information on employer and employee relations, including employment law.⁵³ IR provided information on interactions between the Wage Subsidy and tax law.

Feedback about government communications in Phase 1 are mixed. On one hand, application rates and feedback from our survey and interviews indicate that general awareness was high, and stakeholders were generally positive about government communication during Phase 1 given the context.⁵⁴ On the other hand, there are indications (from survey results,⁵⁵ interviews, and complaints line phone calls⁵⁶) that many people found early communications difficult to find or difficult to understand.

“Distinctly remember it was a time when people were attuned to the news, 1 pm briefings. Easy platform to distribute that info. Seemed to work well.”
– *Self-employed worker*

“It was not clear English at the beginning – it could have been a little bit clearer at the beginning. They did clear it up. It was like reading double Dutch... Date range, income etc. Now that we have applied for it and did it before, we do understand it but we had to reread it a couple of times at the beginning to think what the requirements were.”

– *Medium-sized employer*

External-facing tools and guidance improved, as emerging questions were identified and answered. Agencies played to their strengths and put out information relating to their own part in the scheme, but this approach assumed that workers and employers had a good understanding of the roles different agencies played and therefore of which website to visit to find the information they wanted. This may have contributed to some

⁵² MSD communications plans.

⁵³ Information was published on employment.govt.nz and business.govt.nz.

⁵⁴ Most surveyed workers recall receiving some information (9/10), primarily through the media (47.2%), and their employers (40.7%); Employers we spoke to generally reported receiving information through multiple sources, including the COVID-19 briefing, other mainstream media reports, and industry associations or business networks.

⁵⁵ For example, 20% of workers and 17% of employers that responded to our surveys disagreed that Government Communications at the beginning of the lockdowns on the Wage Subsidy were easy to understand.

⁵⁶ Many of the phone calls received by the MBIE complaints line did not result in a complaint (MBIE complaint line data), with many callers instead seeking information on the Wage Subsidy Scheme (MBIE workshop).



stakeholders' difficulties with finding information. At times, we heard that agencies provided inconsistent information or interpretations, which confused applicants.

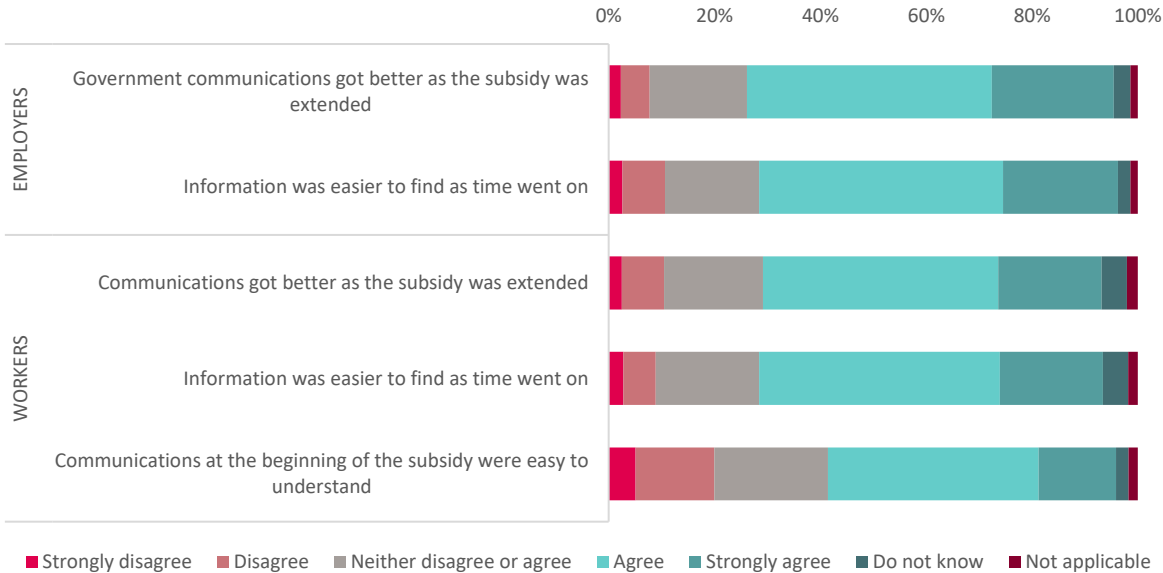
Our survey also showed varying levels of satisfaction with government communications among sub-groups of businesses and workers. In particular:

- businesses that didn't access the Wage Subsidy were less positive about all aspects of government communication, and
- Māori and Pacific businesses, small-to-medium businesses (6–19 workers), and large businesses (100-plus workers) were less likely to be positive about government communications at the beginning of the 2020 lockdown. Interviews suggested that these groups may have found the “one size fits all” communications not nuanced enough to help them assess their own eligibility.

A key strength of early communications was how quickly awareness was raised. Key weaknesses were the absence of nuanced messaging targeting different subgroups of workers and employers, and the failure to use existing relationships with trusted intermediaries to reach, for example, considering how to best reach populations who are known to be less trusting of government agencies/interventions.

Most workers and employers we surveyed thought government communications improved over time. Around two-thirds of survey respondents from both groups (workers and employers) agreed that government communications got better as the subsidy was extended, and that information became easier to find (Figure 12).

Figure 12: Workers' and businesses' assessments of government communications



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). *n* = 927; MartinJenkins Wage Subsidy Employers survey (June 2022). *n* = 1,527



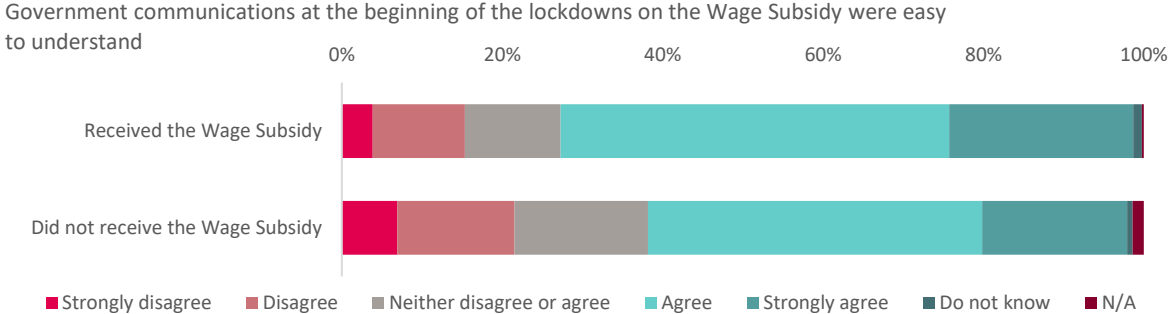
There were some statistically significant differences by ethnicity and age, but not always in the directions we expected based on interviewee feedback to date.

- Workers who received Wage Subsidy payments were more likely to find Wage Subsidy communications easy to understand (Figure 13).
- “Asian only” and “Pacific peoples only” workers were more likely to find Wage Subsidy communications easier to understand than “European/Pākehā only” workers (Figure 14).
- Young workers (aged 18–24) were more likely to find the communications at the start of the scheme harder to understand, compared to workers aged 25–64 and older workers (Figure 15).

Qualitative interviews suggest employers played an important role in helping workers to understand communications from government about the Wage Subsidy.

Importantly, we did not find any statistically significant differences in workers’ assessments of the government’s communication by employment type (that is, whether workers were permanent, casual, fixed-term, seasonal, or temporary).

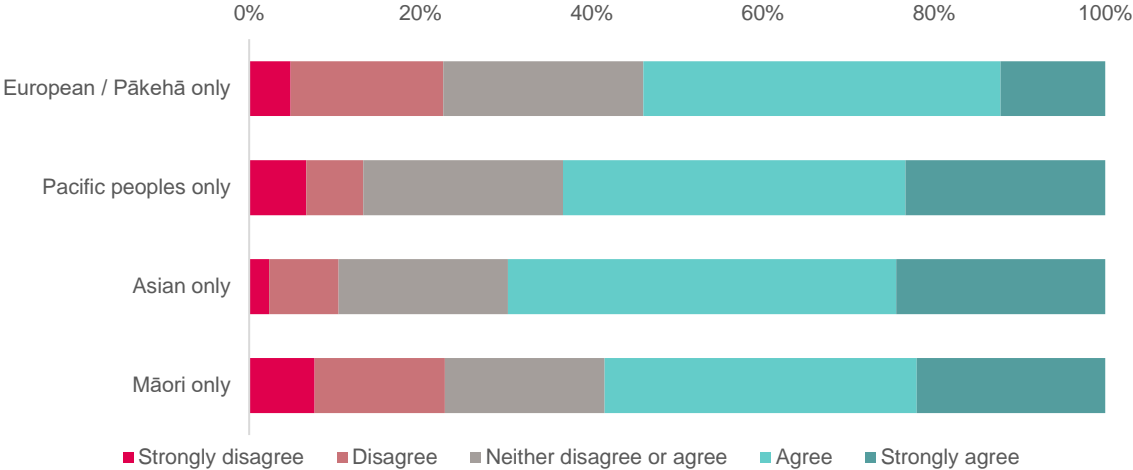
Figure 13: Communications at the beginning of the lockdowns on the Wage Subsidy were easy to understand



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). *N* = 1,529; Government communications at the beginning of the lockdowns on the Wage Subsidy were easy to understand, *t* = 2.814, *p* = 0.002

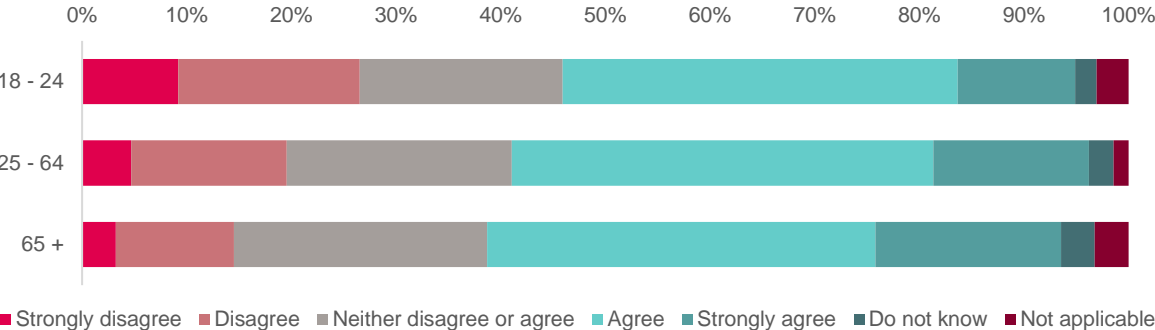


Figure 14: Communications at the beginning of the subsidy were easy to understand, by ethnic group



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). *N* = 672; Asian only and European / Pākehā only, *t* = 3.1512, *p* = 0.000; Pacific people only and European / Pākehā only, *t* = 1.8312, *p* = 0.034; Maori only and European / Pakeha only, *t* = 1.1456, *p* = 0.1262

Figure 15: Communications at the beginning of the subsidy were easy to understand, by age group of worker



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). *N* = 927; 18-24 and 25-64, *t* = -1.8662, *p* = 0.031; 65+ and 25-64, *t* = -4.18610 *p* = 0.000

MSD continued to raise awareness and distribute information through a combination of the daily 1 pm COVID-19 briefings, website updates, and official agency social media – such as Facebook posts. They also began directly emailing potential applicants (that is, applicants for earlier Wage Subsidy iterations), and assigned a relationship manager to work with large businesses. Agencies also engaged several times with stakeholders from different sectors of the economy to gather feedback about the Wage Subsidy, and also responded positively to invitations from sector stakeholders that reached out to them to support these stakeholders’ own communications and engagement work.

MSD also made efforts to make communications more accessible, for example by publishing factsheets translated into 13 different languages on its website. However, there was a missed opportunity to have a



greater impact through disseminating these factsheets through culturally appropriate channels, and interview feedback suggests that the content may have continued to be difficult to understand.

"As a worker I felt that there was a lot of info in our language but it was more the content that was difficult for me to understand. I felt like the info was more targeted towards my company so I didn't fully understand how the Wage Subsidy would work for me."

– Pacific worker

Over Phase 2, agencies were aware that some stakeholders did not understand the Wage Subsidy, particularly workers. However, it doesn't appear that there was a systematic approach to develop nuanced messaging and to target information to subgroups of workers or employers. Instead, agencies continued to target information towards broad groups – "employees" and "employers".⁵⁷

While we did find examples of some targeted communication and collaboration with established sector organisations, including at regional level, we didn't see evidence of a coherent strategy for ensuring high levels of understanding by sub-groups of employers, or by workers who were more vulnerable. It seems that many of these efforts were in response to approaches from sector organisations, rather than as a result of agencies being proactive.

Overall, we expected to see communications being more nuanced and targeted in Phase 2

Although government communications did improve in Phase 2, overall, we expected communications to become more nuanced, targeted, and sophisticated, given the change in context, agencies' access to information about variable take-up rates, and the critically important role that understanding plays in any high-trust intervention. We also expected to see coordinated use of diverse channels to reach audiences through trusted sources.

The next chapters of this report discuss the importance of understanding in more detail.

Understanding of the Wage Subsidy was mixed

Evidence from across the evaluation sources provides a conflicting picture of employer and worker understanding of the Wage Subsidy. It is our view that the conflicting evidence indicates that survey respondents were assessing their general understanding or awareness at a high level, while interviewees were commenting on confusion they experienced at deeper level of detail.

In particular, there is a disconnect between what survey respondents claim to have understood and what is revealed about their understanding in qualitative feedback.

⁵⁷ Across the four MSD communications plans for the Wage Subsidy that we reviewed, we did not see a shift in emphasis on how to target information.



Understanding of the Wage Subsidy was mixed

- Most of the surveyed workers said they understood that employers had to pass on the subsidy to them (79.5%), but employers commonly reported in interviews that their workers hadn't understood that the employer would deduct taxes before passing on the subsidy.
- Around half of the surveyed workers said they understood the "revenue decline" test their employer had to meet (52.2%), but several workers said in interviews they didn't have access to the information necessary to determine whether that test had been met.
- While three-quarters (75.8%) of surveyed employers said they understood the eligibility requirements and obligations when the Wage Subsidy was first announced, a common theme among interviewed employers was how complicated it was applying the eligibility criteria to their own situation. We also saw significant variation in reported understanding by subgroups:
 - Businesses that didn't take up the Wage Subsidy reported having lower understanding, both initially and over time.
 - Self-employed workers, and Māori and Pacific businesses, reported lower understanding in early stages.
 - Pacific businesses and newer businesses (those operating for three years or less when the subsidy was announced) were more likely to say that their understanding improved over time (6.8% and 7.6% respectively).
- Throughout Phase 1 and Phase 2, most calls to the complaints line showed that the caller misunderstood the scheme in some way and could be resolved by the call taker without the need for an investigation, indicating that poor understanding continued to be a challenge for the scheme.

In some cases, misunderstandings were the result of imprecise communications (such as lack of clarity around terms like "entitlement" and how that might apply to individual circumstances). But usually, such misunderstandings resulted from the challenges that arise when a simple intervention interacts with a complex system.

While government agencies led the charge, the Wage Subsidy would not have been as successful without the proactive support provided by a vast range of organisations across the economy

The business and employment sector is made up of complex networks of associations, unions, and other organisations that support businesses and workers to navigate the complexities of business and employment law. These networks mobilised when the COVID-19 crisis hit, and took voluntary action to support businesses and workers within their networks, including in relation to the Wage Subsidy.

Throughout our evaluation, we heard many examples of sector representatives providing support, and businesses and workers getting support – these examples were widespread across industries, business communities (including Māori businesses and Pacific businesses), and regions. This support included:

- promoting the Wage Subsidy and translating messages and complex concepts into practical examples that were meaningful for their audiences



- providing feedback to agencies from communities they may otherwise not have heard from – particularly Māori businesses and Pacific businesses, and generally providing a bridge between agencies and communities
- intervening when they saw poor behaviour among their members – for example, unions and industry associations
- untangling complex issues for their members or communities – for example, through blogs and webinars about employment law, and
- providing one-on-one support – for example, accountants and bookkeepers reaching out to their clients to guide them through the self-assessment and application processes.

Sector representatives took this initiative usually without waiting to be invited by any of the government agencies responsible for the Wage Subsidy. They saw supporting the Government’s crisis response as part of their core function.

While sector representatives acted with good intentions, and did their best to translate information appropriately, we did see examples of businesses getting conflicting advice from different sources and experiencing confusion and anxiety that could have been avoided.

“At the beginning it wasn’t that clear or easy to understand because the policy was developed under time pressure. There were slightly mixed messages especially going down into the nitty gritty... I took part in zoom calls with MSD [organised by an industry association] to get clarity and found there was a bit of dislocation with the information received from these calls.” – *Small-medium-sized employer*

Sector representatives usually found that the responsible government agencies did not reach out to them proactively for consultation, advice, or as a trusted conduit to businesses or workers within their communities. However, they did generally find agencies were appropriately responsive when approached. Sector representatives were generally understanding of how the crisis context of Phase 1 may have made it more difficult for agencies to proactively engage with them

We saw a number of examples of proactive engagement by agencies at regional level and through focus communities. These examples of good practice demonstrate how a decentralised approach can make good use of regional networks and relationships to disseminate information and engage with communities. In our view an exemplary process would have included a coherent strategy for dissemination and engagement across all regions and across subgroups of workers and employers, particularly those known to be hard to reach.



Case study: Leveraging the Auckland Business Roundtable

In Auckland, the MSD Regional Commissioner was able to leverage an existing business network that brought together key business leaders, Auckland Council, and the Auckland Policy Office:

- MSD assigned staff to work alongside business organisations as subject-matter experts, helping those organisations interpret and understand the various rules of the Wage Subsidy so that they could better support their members. The assigned staff also provided a communications channel back into MSD.

“They were fielding lots of questions, we were able to answer quickly, and help with escalation – if a business was in dire straits and reached out for help, we were able to look and make sure it was in the queue, and give an update for where it was” – *Agency official*

- MSD used the network to help distribute communications material – especially in response to changing rules across Wage Subsidy iterations. MSD staff supported business organisations to present webinars and video messaging to help businesses understand how to work out if they were eligible and how to apply.
- The network was also a source of broader feedback on the design and implementation of the Wage Subsidy, and the Auckland MSD staff fed this back to Wellington-based policy staff.



Risk management became more proactive over time

	Our assessment of risk management	
What we looked for	Phase 1: Good	Phase 2: Good
<p>Risk management approach reflects good practice (in terms of alignment of strategic and operational risk, risk assessment criteria and processes, risk monitoring and reporting)</p> <p>Risks assessed and mitigation plans proportionate to the scale of the risk put in place prior to implementation</p> <p>Identification, and mitigation of unanticipated risks that emerged during implementation (for example employers thinking the Wage Subsidy gave them permission to overlook employment law)</p> <p>Risk is escalated appropriately (within and across agencies).</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Key policy risks were identified • External advice was taken to identify implementation and delivery risks • Agreed shared risk factors for monitoring applications and process for exceptions • Adaptation to address emerging risks. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Cross-agency approach to risk identification and mitigation • Shared escalation mechanisms • Identifying a shared level of risk appetite between agencies • Dedicated risk management approaches. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Ongoing adaptation and improvement • Increasingly proactive approach to risk • Processes to draw on external and expert advice. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Ongoing gap in shared risk appetite, risk management, and response.
<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Cabinet papers and policy papers • Deloitte report • Wage Subsidy Assurance and Audit Process quarterly reports. <p>Workshops and interviews with agency officials.</p>		

With a scheme such as the Wage Subsidy, risks need to be managed through the policy, implementation, and operational stages. We would also expect these risk processes to be iterative in a fast-moving response. This includes risks relating to:

- the design and effectiveness of the intervention
- the systems available, and
- the people and capabilities needed to deliver the intervention.

We found that risks were generally well identified and managed given their context. At the policy design stage, risks were considered using a joined-up approach. After the initial design, risk management largely reverted to



individual agencies managing individual risks – the biggest of which was the fraud and integrity risk, which was the focus of the audit by the Office of the Auditor General (OAG).⁵⁸

Although these risks appear to have been managed adequately given the context, officials missed an opportunity to consider how these individual risks were related and to take a joined-up approach to identifying, prioritising, and mitigating key delivery risks, and resolving agencies' different levels of risk appetite.

In Phase 1, risk management was largely reactive

In the initial design, risk analysis focused on the policy risks, and whether the design would meet the intent – that is, whether the money would be used as intended or reach the intended recipients. The initial risk analysis was also focused on the ability to end the scheme when appropriate, and on limiting the fiscal risk for the Crown. These risks were appropriately balanced against the need to act urgently, with officials recognising that their risk analysis would need to be refined later.

“We consider that these risks are outbalanced by the need to respond to the urgent need for support to ensure employees are retained to their employment in the short term.” – *March 2020 Cabinet paper*

We heard that, at this stage, integrity and fraud risks were not always well understood.

Although advice to Cabinet identified trade-offs between needing to move at pace and needing to properly verify applications, in our view the advice did not give these trade-offs sufficient attention. In particular, the risk arising from holding only limited information on the self-employed for verification purposes was not sufficiently explored and may not have been well understood across all parties.

In addition, the speed at which policy was developed and then changed as needed meant that the relationship between policy and operational risks were not always sufficiently explored.

“Policy changes – removing the 150k cap. No work around what risk might we be carrying by paying a business \$47m.” – *Agency official*

“Not good at outlining, but good at mitigating on the fly and taking learnings to other subsidy types.” – *Agency official*

The focus at an ongoing implementation and operational level shifted to individual agencies managing individual risk – in particular, around fraud and integrity, reflecting the high-trust model used.

⁵⁸ “Management of the Wage Subsidy Scheme”, Office of the Auditor General, May 2021.



Review by the Auditor General

The Office of the Auditor General (OAG) reviewed the management of the Wage Subsidy, and in particular how well the integrity of the scheme was protected.

Overall, it found that many of the steps taken were consistent with good practice guidance for emergencies, but that the risk appetite of Ministers was not adequately tested. The OAG found that Cabinet's expectations relating to post-payment checks may not have been met, as the work done did not provide the level of assurance the OAG would expect of an audit.

Those issues lie outside the scope of our own evaluation. We do, however, note that agencies have taken steps in response to the OAG's findings, including working with Deloitte to further review the integrity approach.

Agencies took a number of steps to improve how they identified and responded to risks throughout Phase 1:

- In the first few weeks of the scheme's operation, MSD commissioned Deloitte to provide an independent view of internal and external risks to the integrity of the scheme. MSD implemented a number of Deloitte's key recommendations.
- IR and MSD agreed on key risk criteria for applications, and implemented an exceptions process to remove applications with the relevant risks from the automated approval process so that they could be processed manually.
- MSD provided quarterly reports to Ministers on the work it was doing to monitor and mitigate risks to the integrity of the scheme.

Agencies implemented a range of specific mechanisms to manage risks to the scheme's integrity, including:

- requiring applicants to make a declaration confirming that they met the eligibility criteria and understood their obligations – the declaration forms were updated to address identified risks
- publishing online the names of businesses receiving the Wage Subsidy, to provide transparency and support complaints processes
- pre-payment checks, validating data with IR
- implementing more detailed checks with large employers (80-plus staff), to reflect the volume risk, and
- post-payment checks, including both random and targeted reviews of payments made to businesses, led by a team of around 100 staff from MSD Fraud Intervention Services and with support from Compliance Specialists from IR.

Risk management became more proactive in Phase 2

Policy advice continued to focus on the risks related to scheme design, in particular on improving targeting, reducing fiscal risk, and avoiding payments going where they weren't needed. However, this advice faced



tensions with operational constraints reducing capability to adjust scheme settings to help mitigate some of these risks. The December 2020 Cabinet paper noted minor short-term improvements to integrity measures, including increasing the visibility and publicity around audit, enforcement, and repayments.⁵⁹

Throughout Phase 2, MSD continued to work with Deloitte and respond to recommendations from the OAG, to further strengthen integrity arrangements. This included:

- strengthening approaches to verifying applications from self-employed workers
- placing additional requirements on applicants to prepare and retain evidence to support their application
- doing random post-payment integrity checks jointly with IR, and
- working with Crown Solicitor Meredith Connell to develop an approach to civil enforcement, criminal prosecution, and recovery of Wage Subsidy payments.⁶⁰

Greater cross-agency responsibility on risks would have strengthened the overall approach

Overall, across both phases, agencies worked to identify and mitigate risks in order to improve the operation of the Wage Subsidy.

We heard that agencies did not have established processes for sharing the key risks facing the scheme and for collectively mitigating these risks, across both design and implementation. For example, there was no centralised risk register. In addition, we heard of instances where agencies had different levels of risk appetite when it came to balancing speed and integrity, which contributed to differences in views around operational decisions.

The overall approach to risk identification and management would have been strengthened by clearer cross-agency processes. In our view, programme-level governance would have enabled a more joined-up cross-agency approach to identifying and managing key risks, and providing a more consistent approach to a shared risk-appetite.

⁵⁹ CAB-20-SUB-0531 [Cabinet Paper: CAB-20-SUB-0531: Economic Response to Future Resurgences of COVID-19 \(treasury.govt.nz\)](#)

⁶⁰ “Wage Subsidy Scheme: quarterly update on our on-going approach to audits and integrity”, Ministerial Briefing, February 2021.



There was large-scale take-up of the Wage Subsidy, which was in line with the policy intent, although take-up was not consistent across all groups

	Our assessment of take-up	
What we looked for	Phase 1: Very Good	Phase 2: Very Good
<p>Eligible businesses applied for and received the subsidy, including the profile of businesses applying for, receiving, and being declined the Wage Subsidy.</p> <p>Employers met their obligations by;</p> <ul style="list-style-type: none"> • passing on the Wage Subsidy and topping up wages to 80% or more • retaining staff, and • repaying payments as required. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • High levels of awareness • Unrestrictive eligibility criteria and large-scale take-up – at the peak, 55% of businesses took up the Wage Subsidy. • Take-up generally by businesses with greater levels of revenue drop • Payments generally passed on to employees • Evidence of voluntary repayments <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Varying levels of take-up by businesses with different characteristics, and on behalf of workers with different characteristics • Mixed levels of understanding across businesses • Known barriers to take-up not sufficiently addressed in design and delivery 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Awareness and take-up remained high, and by businesses with greater revenue drop • Payments continued to be passed on to employees • Some improvement in understanding <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Unknown whether differences in take-up persisted throughout the largest wave of Phase 2 • Known barriers to take-up not sufficiently addressed in design and delivery
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Complaints data • Analysis of take-up undertaken by Motu Research for the outcomes evaluation <p>Workshops and interviews with agency officials</p> <p>Employers survey and interviews</p> <p>Workers survey and interviews</p> <p>Interviews with sector representatives.</p>	

For businesses, the Wage Subsidy was a discretionary support, in that they could choose to take it up if they were eligible. They also had discretion to take up the Wage Subsidy for some staff or for all staff.



At the peak, 55% of businesses took up the Wage Subsidy, which leaves 45% that did not.⁶¹

The outcomes evaluation explores take-up rates for businesses with varying characteristics, and the workers that they employ. In brief, it found that:

- the Wage Subsidy policy had large-scale take-up by firms, especially in the first wave (March 2020), which is in line with the intent of the broad-based scheme (note that the outcomes evaluation does not include the final iteration of the Wage Subsidy, from August 2021)
- supported firms were disproportionately firms that experienced larger revenue losses around the time of the first lockdown (March 2020) – consistent with the eligibility criteria
- more than half of Aotearoa New Zealand workers were covered by Wage Subsidy payments, and
- payments generally flowed through to workers from their employers.

While take-up was high, it was not consistent across all subgroups of firms and subgroups of workers:

- adjusting for a range of firm characteristics, take-up in Phase 1 was still lower than average for large firms (more than 50 employees), and for Māori and European / Pākehā firms. These differences persisted across subsequent waves (note that the outcomes evaluation does not include the final iteration of the Wage Subsidy, from August 2021)
- take-up was relatively low for some groups of employees - female, Māori, Pacific, young, and high-earners, and
- around 15% of March 2020 employees in subsidised firms were not listed on paid applications. Unlisted employees on average had lower job tenure, more distinct jobs, lower earnings, and lower prior employment rates, suggesting that subsidy support was less effective at reaching more precarious jobs and workers.

These findings indicate the broad-based policy resulted in take-up that was in line with the policy intent (large-scale, and by firms experiencing greater revenue loss), but did not result in consistent levels of take-up by businesses with different characteristics, or on behalf of employees with different characteristics.

In the following section we focus on qualitative insights, and insights from survey respondents, that can help us to understand individuals' drivers for taking up the Wage Subsidy, and how well the policy design and delivery took account of, and responded to, barriers to voluntary take-up and to compliance with obligations, by eligible businesses.

Business-owners' decisions on take-up were driven by their level of understanding of the scheme, their business context, and their beliefs and experience

Eligibility is only one driver of businesses' decisions to take up the Wage Subsidy or not. Other drivers include factors internal to a business, including the business context, the employers' beliefs and previous experiences,

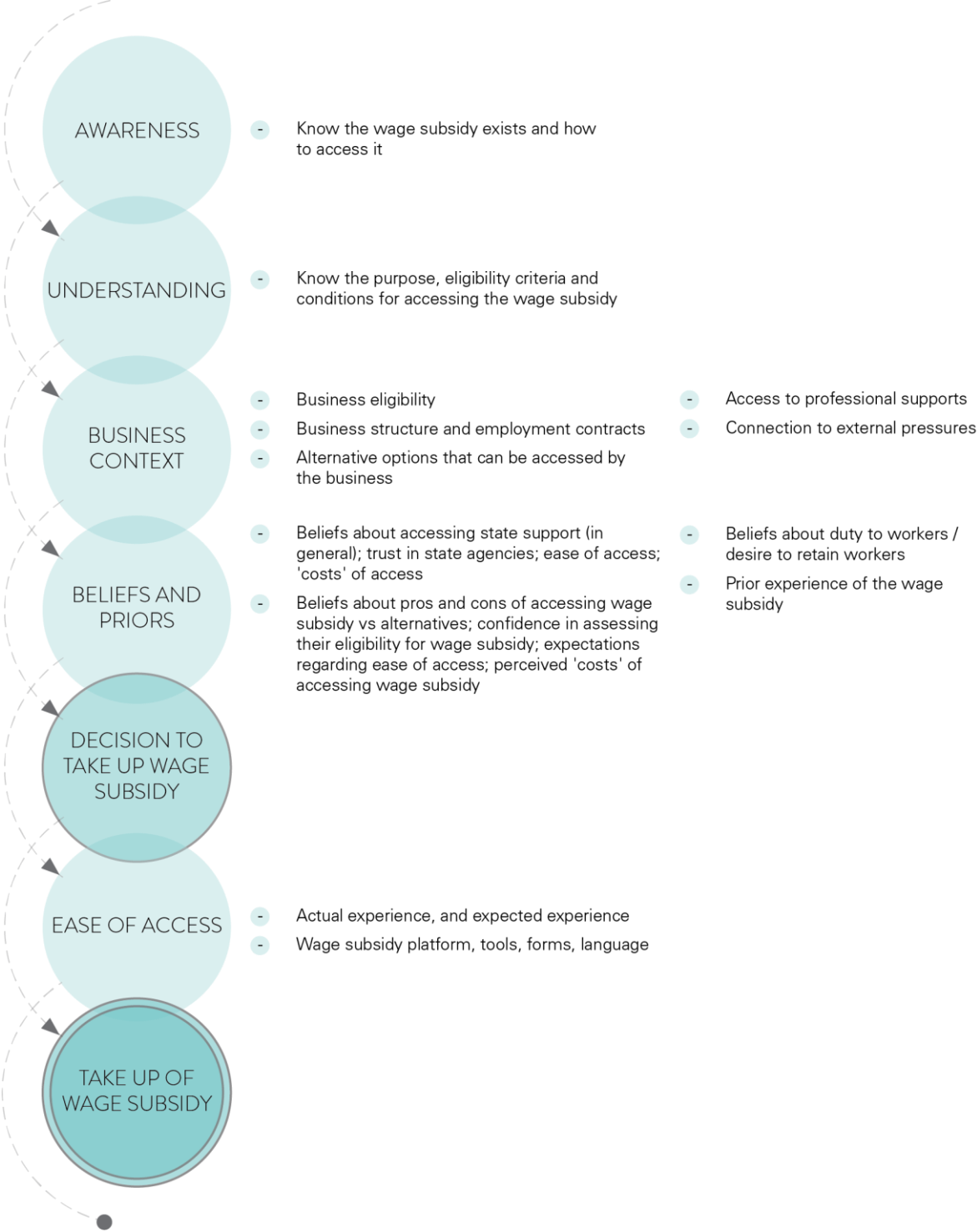
⁶¹ Analysis undertaken by Motu Research for the outcomes evaluation.



and the accessibility of the scheme itself. The policy settings (including eligibility criteria and employer obligations), user-facing tools, and communications are the key points at which the design and delivery of the Wage Subsidy can respond to and mitigate barriers that might prevent eligible businesses from taking up the Wage Subsidy (Figure 16).



Figure 16: Barriers and enablers of Wage Subsidy take-up

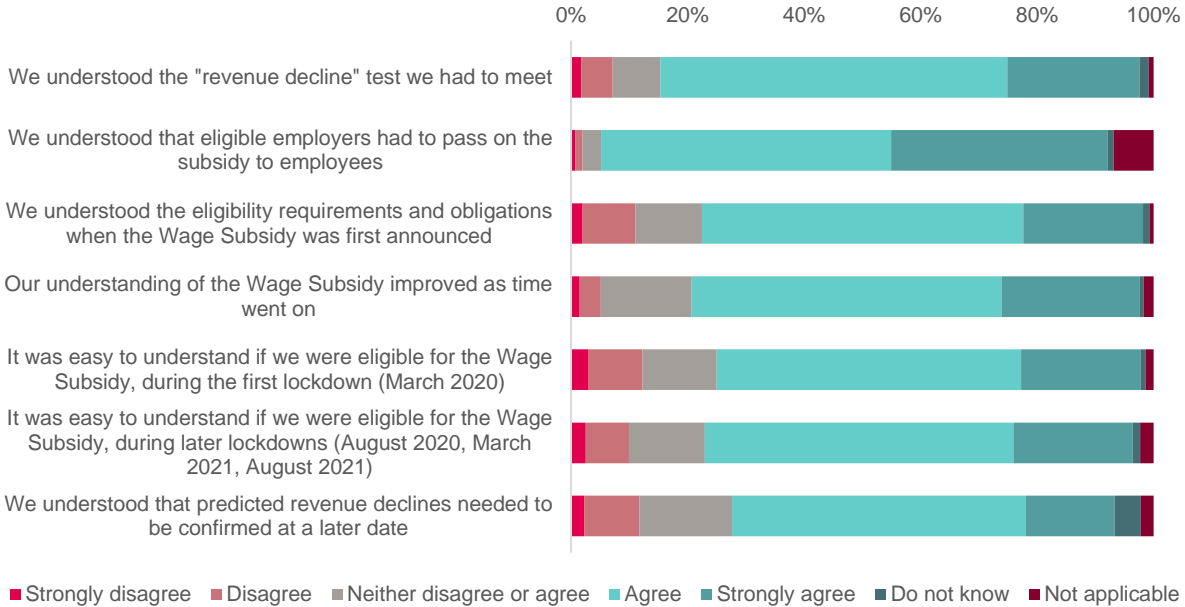


Most employers report a good understanding of the Wage Subsidy

As noted earlier, businesses’ awareness of the Wage Subsidy was generally good, but their level of understanding was more variable. Ensuring businesses understood the eligibility criteria and rules was critically important given it was a voluntary and high-trust scheme, based on self-assessment.

Overall, around three-quarters of employers who responded to our survey report that they found it easy to assess their eligibility for the Wage Subsidy, initially or during later lockdowns, and two-thirds understood that predicted revenue declines needed to be confirmed at a later date (Figure 17).

Figure 17: Employers’ assessments of their understanding of the Wage Subsidy



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). N = 1,529

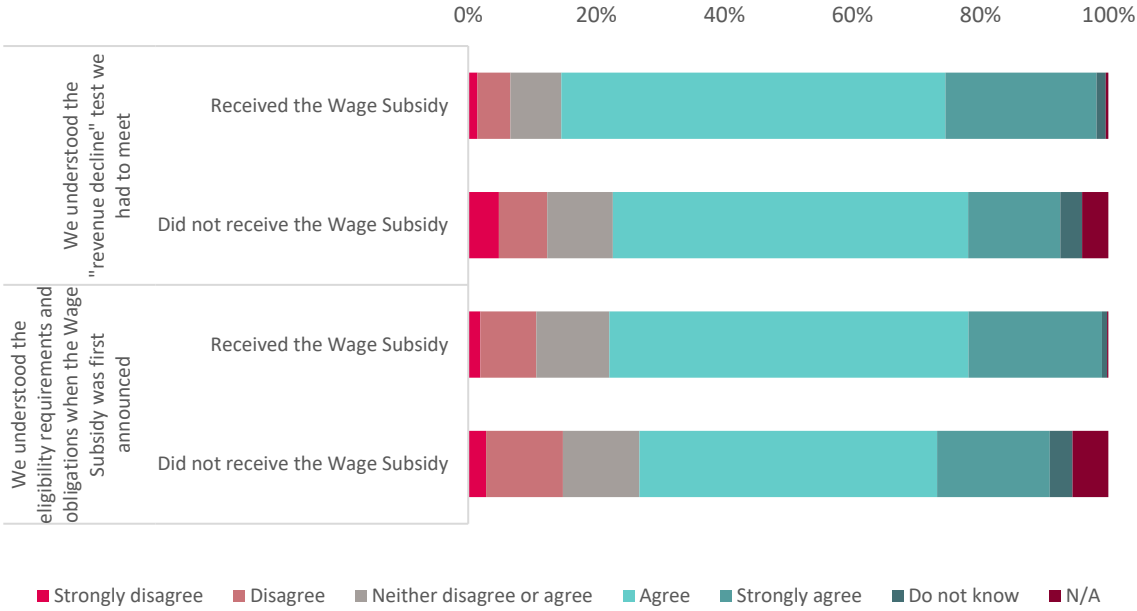
On the surface, these numbers look positive, however they indicate a large minority were not confident in their understanding.

Importantly, these rates also vary across subgroups of employers. The following businesses report having significantly lower levels of understanding across the different aspects of the scheme:

- businesses that didn’t take up the Wage Subsidy (Figure 18)
- Māori businesses (Figure 19), and
- newer businesses (those operating for three years or less when the lockdown was announced) (Figure 20).



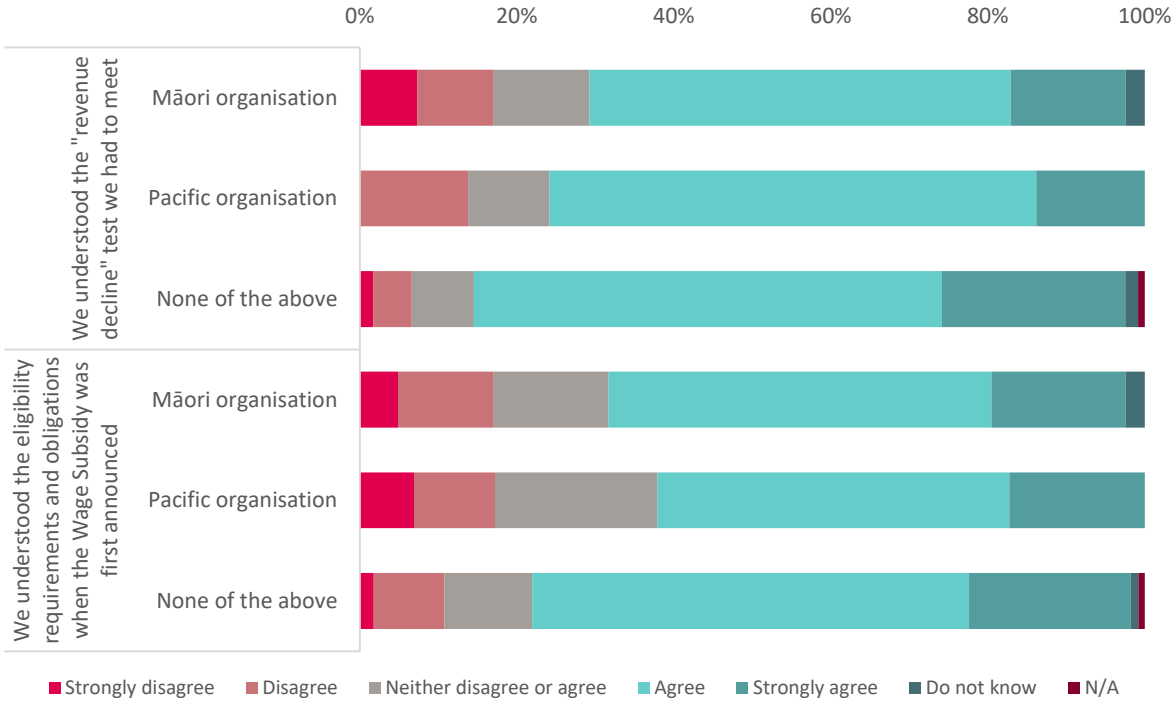
Figure 18: Understanding of the Wage Subsidy: Received the Wage Subsidy and did not receive the Wage Subsidy



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). N = 1,529; We understood the "revenue decline" test we had to meet, $t = 5.52515$, $p = 0.000$; We understood the eligibility requirements and obligations when the Wage Subsidy was first announced, $t = 4.98349$, $p = 0.000$



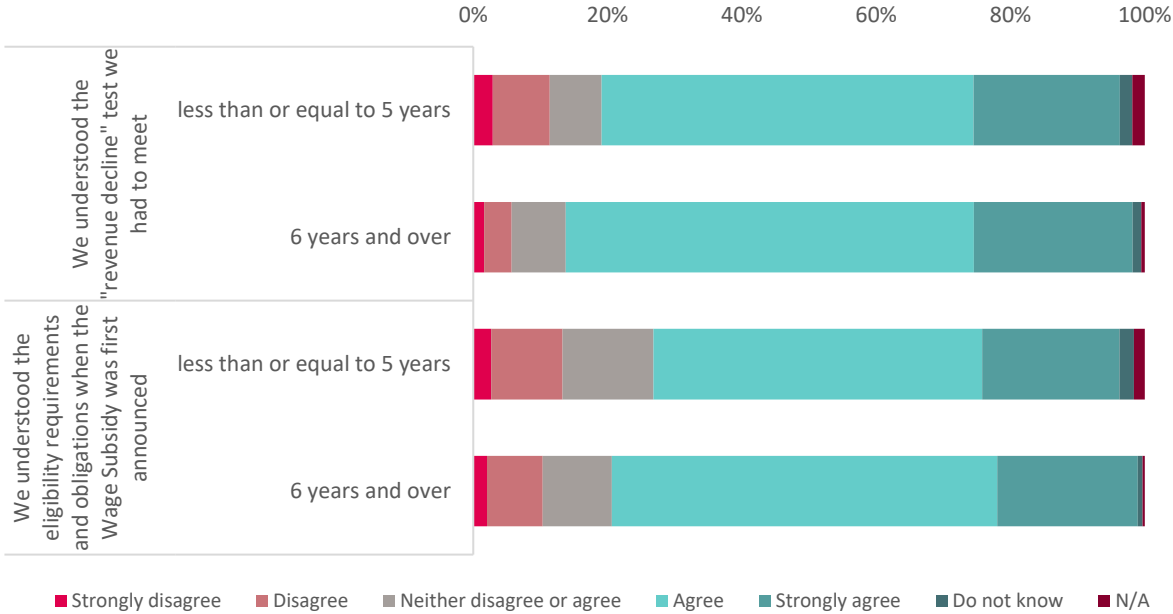
Figure 19: Understanding of the Wage Subsidy: Māori organisations and non-Māori, Pacific or migrant organisations



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). *N* = 1,529. The number of Māori businesses and Pacific businesses are relatively small, 41 and 29, respectively; We understood the "revenue decline" test we had to meet, (Māori organisations and non-Māori/Pacific/Migrant organisations, $t = -2.4073, p = 0.008$)



Figure 20: Understanding of the Wage Subsidy: by years in business at time of survey



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). $N = 1,529$; We understood the “revenue decline” test we had to meet, $t = -3.5110, p = 0.000$; We understood the eligibility requirements and obligations when the Wage Subsidy was first announced, $t = -3.3231, p = 0.000$

Where employers had a poor understanding of the Wage Subsidy, this had implications for their decisions

Through qualitative interviews, employers identified ways in which poor understanding of the Wage Subsidy had implications in the following areas:

- recognising that the Wage Subsidy was for them
- deciding whether to take it up, and
- doing their self-assessment and complying with their obligations if they did receive payments.

“I found it really confusing. I remember watching some of the media conferences with Grant Robertson and being really confused how you qualified, couldn’t work out whether I did or not... I chose not to apply because I found it too difficult to measure whether I qualified or not, I didn’t want to risk being dishonest – risk that I wasn’t actually eligible and MSD would ask for money back.” – *Employer*



Employers' decisions to take up the subsidy were also influenced by their business context, beliefs, and prior experiences of government agencies

In addition to awareness and understanding, there are numerous factors that influence individual employers as they decide whether to take up the Wage Subsidy or not. These include:

- **Access to alternative sources of income or options for reducing costs** – Nearly half of eligible businesses that did not take up the Wage Subsidy reported in our survey that they had drawn on their reserves. Many interviewees also talked about drawing on other sources of income, including reserves, loans, and other government supports. Some employers also reduced their business costs, including through redundancies.

“The Wage Subsidy was for people in regular employment, restricted because of the lockdown... I didn't apply for it because of my situation, I don't do an awful lot of work. A lot is cash based.... It didn't make me think it was worth all the trouble to get the GST registered and all that.” – *Self-employed person*

- **Access to professional supports** – Accountants, bookkeepers, and lawyers were key sources of support for businesses who were navigating the Wage Subsidy and wanted assurance they understood their obligations and were acting appropriately. More than half of survey respondents reported contacting one or more of these professionals with a question about the Wage Subsidy (56%).

“If my accountant didn't suggest it, I don't think I would have looked at it. Would have been too hard to go for it on my own... I assumed the criteria was the same over time. I would ask accountant if we meet the criteria. My Accountant was vital....”

– *Small-sized employer*

- **Assessment of the pros and cons of accessing the Wage Subsidy** – The key benefit was that the cashflow from the Wage Subsidy enabled businesses to retain staff. Cons, included costs that some businesses incurred to access the subsidy.

“We have around 400 staff, mix casuals, permanent part-time and about 30 full-time permanent. The majority are drivers... We had to keep our driving staff afloat, because if we didn't we would have lost them all... We have a driver shortage across the country so we want to make sure we retain our people...” – *Large employer*

“Totally useless to the small business owner, by the time one had paid the accountant it was not worth the hardship and effort.” – *Survey respondent*

- **External pressures** – The publicly accessible register of businesses that had taken up the Wage Subsidy created some transparency for workers, and in some cases, it was also accessed by the media. This caused some businesses to pause and consider the reputational impact of taking the subsidy, and some chose not to apply because of this. Businesses were also held to account through industry associations and other



membership organisations that were keen to protect the reputation of their industry or sector, and through unions that were acting in the best interests of their members.

“We had a couple of queries from unions. They understood our position. We have good relationships with our unions. We are a good employer. We make sure our people happy and understand the position and we understand theirs. So, it really just came down to negotiation.” – *Large employer*

- **Previous experience with government agencies** – Employers often indicated they were concerned about being caught out for making a mistake in their self-assessment.

“...I wanted to get it right so IR doesn't come through and rip through everything. At some stage someone's going to crunch the numbers and go back to businesses and say 'hang on'.” – *Small-sized employer*

- **Beliefs about state-funded support generally** – Business-owners' decisions were informed by their personal, professional, and cultural values.

“The difference was [my other] company had a lot of financial reserves from previous trading. [For this company] I took a wage holiday. We could have bullshitted a case for the Wage Subsidy but would have ended up questioning yourself around the ethics. In our rural area, a lot of guys said 'We aren't taking it up, of course we can stand on our own two feet'. There was messaging around 'If you can't handle 6 weeks without income you shouldn't be in business.'” – *Small-medium-size employer*

“It was pretty clear who was eligible or not, which still left us with the issue of 'do we apply'. We chose not to pursue it [in later rounds] not because we were fine, we chose not to because we fundamentally don't need it – corporate welfare.” – *Large employer*

- **Beliefs about their duty to their workers** – We heard reports of employers falling into two groups, some taking up the Wage Subsidy for their casual workers, and some not. This gives an indication of their beliefs about their duty to all those working for them.

“Casual staff were eligible. Ours are mostly students. We paid them a 12-week average, paid them based on that number of hours. I dug up all employment figures for 12 weeks, paid them based on that. Kind of evened out any variation. Includes school holiday when they work more etc. Thought that was fair. Think that might've been recommended”.

– *Small-sized employer*



“I was in a casual job when lockdown was announced – one I have had for some time – doing about 30 hours per week... It had another week or 2 to go but was cancelled straight away... There was no information from [employer] about options available, just ‘thanks very much we don’t need you now’.” – *Worker*

We found that the design and delivery of the Wage Subsidy enabled wide access, and in some cases mitigated prior-expectations that may have created barriers for some employers accessing the Wage Subsidy – in particular, the easy application process and rapid processing was contrary to many applicant’s expectations of state-funded support. However, more nuanced messages and targeted dissemination may have helped to increase understanding and overcome common barriers to take-up, and by doing so enable even greater access especially for subgroups of employers that are known to be less trusting of government interventions.

Of course, employers could choose not to take up the Wage Subsidy, which was a voluntary scheme. However, we heard many examples of workers losing employment or experiencing reduced wages when their employer was eligible and chose not to take up the Wage Subsidy; and some isolated examples of employers taking-on significant debt rather than take up the Wage Subsidy, which we do not consider to be in line with the intent of the scheme (for example, borrowing money from family members). It is possible that elements of the design and delivery of the Wage Subsidy could have mitigated these situations.

In keeping with the policy intent, most businesses did not rely on the Wage Subsidy alone

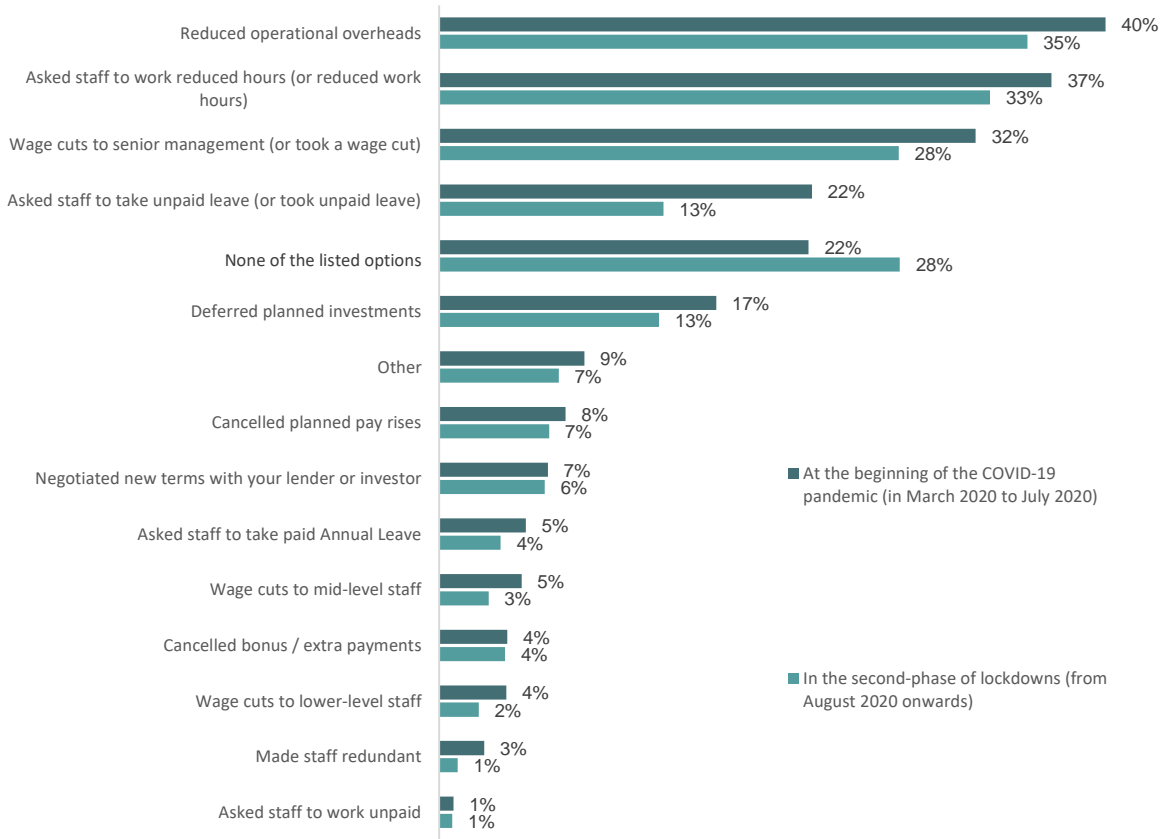
40% of the employers and sole traders we surveyed reduced their operational overheads at the beginning of the pandemic (Figure 21). This fell to 35% of employers and sole traders later in the pandemic, reflecting both the changing context (increased certainty and rebounding activity in many sectors of the economy) and the fact that businesses had already made discretionary cuts.

The policy design required businesses to declare they had taken active steps to access other supports before accessing the Wage Subsidy. Guidance about how businesses should satisfy this requirement were not extensive or proscriptive, and the Wage Subsidy lacked processes for checking that the requirement had been met.

Qualitative interviews surfaced wide variation in the approaches taken by employers to satisfy this requirement, which will have implications for the financial health of their businesses going forward. For example, at one extreme we heard that employers paid no heed to this requirement – taking the ease of the application process to be evidence of their eligibility. At the other extreme, we heard of employers taking out a second mortgage on their personal home, and drawing down retirement savings, in order to satisfy this requirement.



Figure 21: Actions taken by businesses at the start of the COVID-19 pandemic (Phase 1 of the Wage Subsidy) and in the second period of lockdowns (Phase 2)



Source: MartinJenkins Wage Subsidy Employers survey (June 2022). N = 1,515. Survey respondents can select multiple responses. Employers and sole trader responses have been combined.

Business actions after receiving the Wage Subsidy reflected understanding of obligations, financial situation, and personal/professional values

Table 14 sets out some examples of the range of ways that employers approached meeting their obligations to pass the Wage Subsidy on to workers. A full analysis of outcomes from the Wage Subsidy policy is being done in a separate study.

The interviews and survey indicated that the same set of factors that drive business-owners’ take-up of the Wage Subsidy (awareness, understanding, business context, beliefs and experience, and ease of access) also influenced their actions after they received it.



Table 14: Examples of ways that employers approached their obligations after receiving the Wage Subsidy payment

Mixed experiences of gaining informed consent
<p>Good process</p> <p>“All full-time employees were asked to sign a document agreeing to a salary reduction for a set period... Full-timers got paid 80%; Part-timers weren’t affected... In the South Island, one employee didn’t agree to it – they carried on at 100%.”</p> <p style="text-align: right;"><i>– Part-time worker, Canterbury region</i></p> <p>Mixed</p> <p>“Over the last 2 years, [I’ve had] four employers that applied and got Wage Subsidy and passed it on. Three asked permission, went through the right steps. One, I found out later that what I was receiving was Wage Subsidy, they didn’t ask.”</p>
Informed consent from employees to only pass on the Wage Subsidy
<p>“During the first round, I paid out the \$565 or whatever it was each week to employees. There was a recommendation to pay it to 80% per person. I did the maths for that and worked out if did that and we were off for 12 weeks, I’d have been bankrupt. If I’d known it was only going to be 5 weeks I could’ve topped that up. No-one knew at the time – ‘How long do I have to make this money last?’.</p> <p>Did talk to my foreman ... he’d been with me 6 years at that time – discussed with him and he said he’d rather have a job to come back to, just pay me the subsidy, I’ll get by. Had that conversation with the others, they’d all rather have a job to come back to.” <i>– Small-sized employer</i></p>
Cautious initially with retrospective top-up
<p>“...At the end of the period we went back and brought everyone up to the 80% or 100% payment. As there was no one size fits all method at the end of the 12 weeks this was “washed up” and payment was made as more of a back pay arrangement.”</p> <p style="text-align: right;"><i>– Employer operating a labour hire business</i></p>
Top up to 100% from beginning, with possibility to drop to 80%
<p>“...We topped [staff] up – they carried on same rate of pay, and the Wage Subsidy subsidised that.</p> <p>We made up the difference with overdraft and shareholders advanced money in there. We were getting close to having to have conversations about dropping to 80% and employment changes, but didn’t have to go there in the end. It was us [shareholders] that took the haircut not them [staff].” <i>– Medium-large sized employer</i></p>
Ensuring lowest paid are not hardest hit
<p>“[We used the Wage Subsidy] to pay our team. We topped up to 80% for everyone. For some topped up to 100% depending on what hours they worked. It was a pretty clear expectation of what you did with the money. I kept a spreadsheet of what went to who. But at a minimum it was 80%.” <i>– Medium-large sized employer</i></p> <p>We also heard from sector representatives that some businesses operated a sliding scale to ensure the lowest-paid workers received 100% of their usual wage, while the highest earners took reductions.</p>



WORKERS' INTERACTIONS WITH THE WAGE SUBSIDY

Workers interacted with the scheme mainly through their employers

Whether or not workers received the Wage Subsidy depended on:

- **their employer's decision whether to take up the Wage Subsidy**, which was informed by factors discussed in the previous chapter and, at an individual level, employers' responsibilities to their workers that were baked in to the existing employment relationship (that is, the legal obligation determined by the type of employment agreement), and
- **their employer's decision whether to meet or exceed their obligations**, which was also informed by the factors discussed in the last chapter.

This meant that the design and delivery of the Wage Subsidy was likely to work best for workers with:

- **permanent contracts** with clear provisions about usual hours of work, and
- **employers who were committed to "doing the right thing"**, in terms of meeting or exceeding their legal obligations (for example to apply for the Wage Subsidy for staff that they did not have a legal obligation to continue to support).

A limited understanding of the scheme led to many workers having to rely on their employers to act in their best interests

Awareness of the Wage Subsidy was generally high among the workers we surveyed (91% reported receiving information from one or more sources). Most of the workers either surveyed or interviewed heard about the subsidy from their employer or the media, and many praised their employer for communicating well with them about the scheme.

"Our boss is very good at explaining things to staff. Lots of staff are from overseas and don't always understand how it works in NZ. We had online meetings where [the boss] explained it." – *Worker, Auckland region*

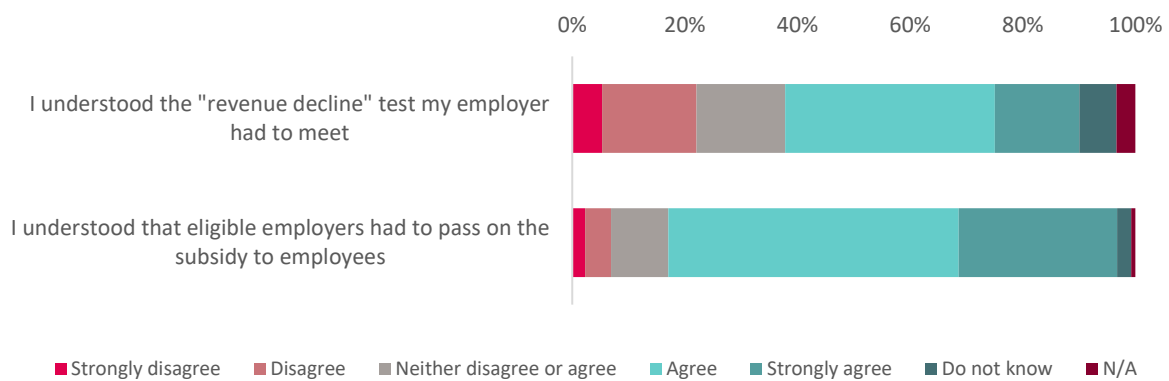
Overall, workers had a general understanding and basic knowledge of the Wage Subsidy (Figure 22), but we also found wide variation among workers in their level of understanding about the Wage Subsidy. This ranged from a detailed understanding of the scheme and how it changed over time, to a complete lack of understanding about how the Wage Subsidy was different from other supports (for example, when asked why payment wasn't passed on to them, one worker responded "I never got Covid", indicating they were confusing it with the Leave Support Scheme).



“I found it in the Herald – ‘the government will pay you this much’. I went to MBIE website, but wasn’t 100% sure. I’m not 100% clear on the whole thing even now.”

– Worker, Auckland region

Figure 22: Workers’ understanding and knowledge of the Wage Subsidy



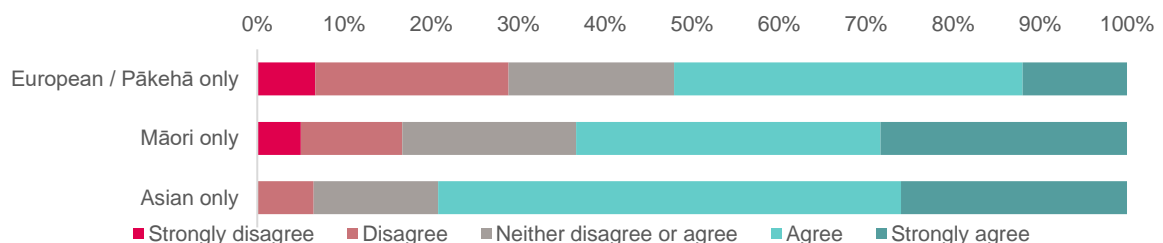
Source: MartinJenkins Wage Subsidy Workers survey (June 2022). N = 927.

There were some statistically significant differences by ethnicity, and age, but not always in the directions we expected:

- “Māori only” and “Asian only” workers were more likely to say they understood the “revenue decline” test than “European/Pākehā only” workers (Figure 23), and
- Older workers were more likely than those aged 25–64 to understand the “revenue decline” test that employers had to meet (Figure 24).

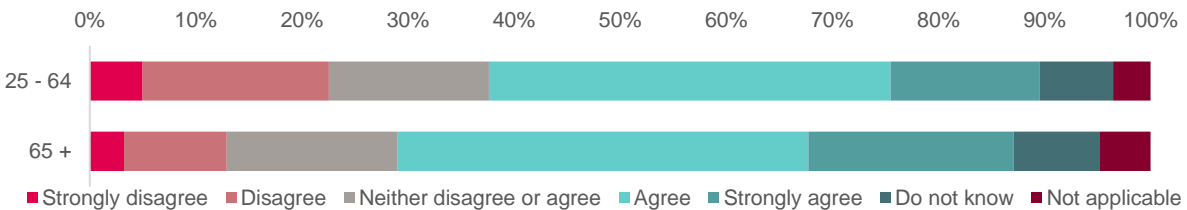
We did not find any statistically significant differences by employment type (that is, whether workers were permanent, casual, fixed-term, seasonal, or temporary).

Figure 23: I understood the “revenue decline” test my employer had to meet, by ethnicity



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). N = 672; Māori only and European / Pākehā only, t = 5.07040, p = 0.000; Asian only and European / Pākehā only, t = 3.17979, p = 0.001

Figure 24: I understood the “revenue decline” test my employer had to meet, by age group of worker



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). N = 927, 25-64 and 65+, t = 4.18610, p = 0.000

Most workers were happy with their employers’ use of the Wage Subsidy

In our evaluation we heard many examples of workers who felt they had been well-looked after by their employer, including workers on non-permanent contracts.

“The day lockdown was announced, Grant Robertson said there was a subsidy and my boss said we would still get paid and [the company] would claim what they can... I have positive views of my employer for this. I’m very happy. They were loyal and staff remained loyal as a result.” – *Worker, Wellington region*

“We went from 99% occupancy to 1% – there was no income coming in. The owners said ‘if it comes to it we will pay it to make sure everyone got full wages.’ My workplace went above and beyond for everyone.” – *Worker, Canterbury region*

“I got paid the usual amount. Only thing I didn’t get paid was extra on top – not my contracted hours ... Everybody got it. They are a brilliant company.” – *Worker, Waikato region*

Workers who experienced difficulties with the Wage Subsidy did so for many reasons

Those workers who engaged directly with the Wage Subsidy scheme would have done so because they believed there was a problem to address. We heard from workers about many types of experiences.

- Their job or wages had been affected but their employer decided not to take up the Wage Subsidy even though they were eligible for it.



“[The company] downsized almost immediately, within a month. There were just 4 directors and 2 advisors left. Previously there had been 20 advisors. We’d had a conference in November 2019, [the company] wouldn’t have paid all of that if they were planning to lay everyone off. At that stage they weren’t planning to lay people off.”

– *Worker, Bay of Plenty region*

- The worker’s job or wages had been affected and they did not know, or they misunderstood, whether their employer was eligible for the Wage Subsidy or was accessing it to continue paying their wages.

“I think there wasn’t as much information about the second [national lockdown] in August 2021. The first [national lockdown] was more covered in the media. The first time, my employer approached me saying they’ll pay me. The second time I didn’t know and they didn’t say anything... I didn’t get it in 2021... In the end it was a couple of weeks I didn’t get paid.” – *Younger worker, Canterbury region*

- In some other way an employer was not meeting, or may have not been meeting, their obligations under the scheme – for example, not passing on the full amount, or initiating redundancies.

“Colleagues may have gotten more. I’m almost certain they weren’t getting the full amount either, but more than me. More was being taken out than PAYE – expenses like rent of the office and other expenses for office supplies etc”
– *Part-time worker, Wellington region*

“It was just me they didn’t pass it on to, I went on maternity leave but they still claimed on behalf of me even though I wasn’t working there.” – *Survey respondent*

“They did nothing and in fact tried to hide it and acted dumb.” – *Survey respondent*

The burden was on workers to raise concerns and complaints when they weren’t happy with how the Wage Subsidy was used

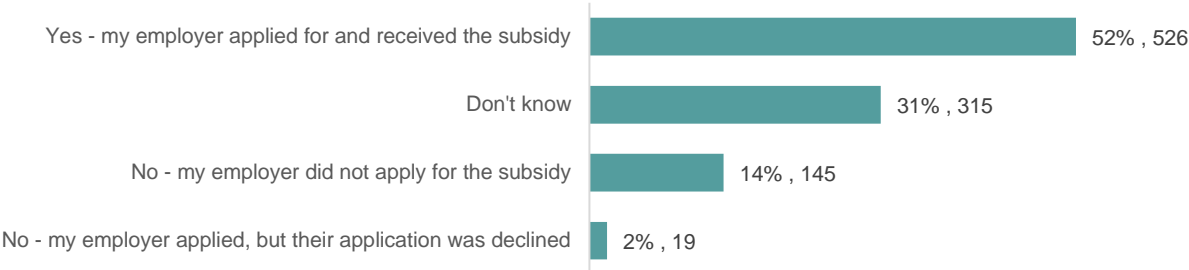
The design of the Wage Subsidy placed the burden on workers to raise a concern with their employer or to complain to a government agency if they thought the Wage Subsidy wasn’t being used appropriately in their case.

To raise a concern or complaint, workers needed to be aware of and understand the scheme, and also to have the necessary confidence and resources. The individual worker’s beliefs and previous experiences also played a part in their decision whether to raise a concern or complaint.

A large proportion of workers surveyed – almost a third – didn’t even know whether their employer had applied for and received the original Wage Subsidy (Figure 25).



Figure 25: Over March to May 2020, did your employer apply for and receive the COVID-19 Wage Subsidy?



Source: MartinJenkins Wage Subsidy Workers survey (June 2022). N = 1,008.

This is an important finding, given the burden was on workers to raise concerns and complaints when they weren't happy with how the Wage Subsidy was used. We also heard that the voluntary nature of the scheme and the complicated way it applied to different business contexts made it difficult for workers to know whether their employer was eligible.

“I looked at the website once, wondering if I was going to get paid. I didn't understand so didn't bother looking again. I didn't understand the percent thing. [Businesses] have to have X% lost or whatever. For me, being an employee, I didn't know what their revenue loss would've been. I can't ask that, it's a bit rude.” – *Worker, Waikato region*

It appears that few workers complained to their employer or an agency, as a result of various kinds of pressures

Only a very small proportion of the surveyed workers made a complaint – 32 to their employer (3% of survey respondents) and 21 to a government agency (2%).

Some workers didn't know how to make a complaint, although more commonly the power imbalance in the employer-worker relationship prevented many workers we spoke to from raising a concern with their employer or formally complaining. This was particularly true where the worker didn't feel well looked after by their employer. Their particular situations led some workers to think it wasn't worth the bother to complain, as some could draw on other resources to get by while others feared the repercussions of doing so.

“We knew what we should be getting, we watched the news, my parents gave me information, but it was hard to talk about it without feeling like you might get into trouble.” – *Māori worker*

“It's really hard to complain in a small workplace. I couldn't be bothered with the backlash. I didn't know [if I could get another job] with the economic climate we were going into, and I didn't want to have any bad blood.”

– *Part-time worker, Wellington region*



We heard from worker representatives that unions and associations played an important role in supporting workers, individually and as a collective, in several situations. The absence of such support networks was evident for some workers we spoke to who are already in a vulnerable situation.

“We should have several organisations that we can ask for help, but it is from both sides. Some businesses, they are not 100% doing their business lawfully. And some employees they are not legally here.” – *Migrant casual worker, Auckland region*

Personal and cultural values were also key influences in workers deciding not to complain.

“I would never want to call a government complaints line. I like the people [immediate line managers] and the job and don’t want to complain. I don’t want to be the reason they have trouble in their career.” – *Migrant worker, Auckland region*

The risk factors making it harder for workers to complain are well known and so could have been anticipated and mitigated

Many of the factors that would have prevented individual workers complaining about the Wage Subsidy are well established as risk factors for precarious or vulnerable employment. Agencies could therefore have reasonably been expected to anticipate and mitigate those factors when designing and delivering the Wage Subsidy.



Pacific workers' experiences illustrate their reliance on employers to "do the right thing"

Many Pacific workers were apprehensive about the potential impact of the pandemic on their jobs and their ability to support their families. For some Pacific workers, the lack of clear communication and information from their employers about the Wage Subsidy increased these uneasy feelings.

Those whose employers provided them with clear and ongoing communication about the subsidy felt more secure.

"I have worked for my company for nearly 20 years, I am grateful that from the start of the first lockdown, they provided us with clear communication and information on the Wage Subsidy, we had regular meetings and info sent to us through email so I felt informed and prepared for what was to come. I felt like they really looked after me." – *Pacific worker*

Unions helped to reassure some Pacific workers about their rights in relation to the Wage Subsidy.

"Our union members tell us that they valued the information we provided them on the Wage Subsidy as they didn't always get the full story from their workplace." – *Union representative*

Most Pacific workers were not aware of how to complain or raise concerns about the Wage Subsidy.

"My husband and I have been working for the company for a long time, I had concerns that they were not paying us the Wage Subsidy when they were supposed to but we did not feel like we could raise these concerns with our employer, so we just kept working and accepting whatever they paid us."

– *Pacific worker*



ISSUES CUTTING ACROSS BOTH DESIGN AND DELIVERY OF THE WAGE SUBSIDY

In this section we address several significant issues that cut across both the design and the delivery of the Wage Subsidy scheme:

- how well the scheme was designed and delivered to enable equitable access within the parameters of a broad-based and voluntary scheme
- how well and to what extent government agencies worked together on the scheme, and
- how well agencies used feedback to learn and to improve the scheme.

The issue of consistency with the Treaty of Waitangi was addressed in a separate section early in this report (from page 62).

Table 15: Our assessment of cross-cutting issues overall

	Phase 1	Phase 2
Consistency with the Treaty of Waitangi	Fair	Fair
Equity considerations within the parameters of a broad-based scheme	Good	Fair
Cross-agency working	Very Good	Good
- Governance	- Good	- Fair
- Collaboration	- Excellent	- Good
- Common understanding	- Good	- Good
Learning and improvement	Very good	Good



Measures aimed at supporting equitable outcomes of the broad-based scheme were not given a high priority in design or delivery (measures such as access, take-up, and population impacts)

	Our assessment of equity considerations within the parameters of a broad-based scheme	
What we looked for	Phase 1: Good	Phase 2: Fair
<p>Within the parameters of a broad-based scheme, alignment with an equity lens at all stages of design and delivery:</p> <ul style="list-style-type: none"> • Consideration of access for vulnerable populations in policy design • Delivery infrastructure enables equitable access • Communication products and dissemination channels are nuanced, targeted, and culturally appropriate, and results in little differentiation in awareness and understanding across groups <p>Equity issues are identified and addressed as they arise</p> <p>Little differentiation in take-up, and receipt for eligible subgroups.</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Broad-based scheme allowed businesses to access payments for wide-ranging workers (i.e. employment arrangements, residency status) • Standardised minimum payment rates for full-time and part-time employees <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Lack of consideration of how equity could be enhanced by a within the parameters of broad-based, voluntary scheme • More directive advice regarding expectations for non-permanent staff • Differentiation in take-up for groups of firms and on behalf of groups of workers 	<p>Key strengths</p> <ul style="list-style-type: none"> • Broad-based scheme allowed businesses to access payments for wide-ranging workers (i.e. employment arrangements, residency status) <p>Key Areas for improvement:</p> <ul style="list-style-type: none"> • Concerns about the impact on particular groups or populations continued and were not materially addressed
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Cabinet papers and policy advice • Monitoring data • Take-up data <p>Workshops and interviews with agency officials</p> <p>Employers survey and interviews</p> <p>Workers survey and interviews</p> <p>Interviews with sector representatives.</p>	

By its nature, a broad-based scheme is not intended to provide different treatments to different population groups. In the case of the Wage Subsidy, the decision to implement a broad-based scheme reflects a trade-off between the benefits of simplicity and rapidity of roll-out on one hand, and the costs of addressing group-based equity issues through targeting that is built into the structure of the policy settings on the other.



It is beyond scope for this evaluation to take a position on whether a broad-based scheme that is paid through employers was the appropriate approach. Rather, we explore the extent to which equity considerations were appropriately considered within the parameters of such a scheme. Specifically, in terms of the extent to which design and delivery anticipated that different groups might experience the scheme in different ways, and the extent to which decisions sought to address those differences within the parameters of a broad-based, voluntary scheme.⁶² This was particularly important because the benefit of the scheme to individual workers depended completely on their employer's ability, and choice, to access it (as discussed in the previous chapter – Workers Interactions with the Wage Subsidy).

We found that:

- Design and delivery of the scheme included limited measures to overcome known risk factors for vulnerable workers and different population groups that may have led to inequitable access to the subsidy, even as information became available about uneven take-up. This could have been a particular focus given that the core parameters of the scheme reinforced workers' dependence on employers, and that the scheme served as income support for many people. Advice and communications could have been more directive and more targeted. For example, advice was not directive about how firms were expected to treat non-permanent staff. In addition, some processes were not designed sensitive to the needs of some worker types (for example a complaint process that requires workers to act).
- The choice of a flat-rate payment, with just two tiers for full-time and part-time employees, ensured that lower income people would have a greater proportion of their wages covered if employers decided to only pass on the Wage Subsidy payment (the minimum requirement). This setting could be interpreted as promoting greater benefit for lower paid employees. However, it relied on their employers first deciding to take-up the Wage Subsidy on their behalf, and employers of higher income and lower income workers being equally as likely to not top up wages to the recommended 80%.
- Within the parameters of a broad-based and voluntary scheme, targeted communication becomes particularly important for enabling equitable take-up. Communications were not well targeted to reach specific groups or to mitigate some of the known barriers to accessing state support.

“What might be a small issue for mainstream businesses might be a big issue for our community” – Pacific business sector representative

The relative outcomes of the Wage Subsidy for different groups of firms and workers is reported in the outcomes evaluation. The analysis identifies lower receipt of Wage Subsidy payments for workers who are often the most vulnerable to economic shocks (Table 16).

⁶² Issues related to the impact of the scheme on different population groups will be examined in the outcomes evaluation, and synthesis report.



Table 16: Summary of analysis from the outcome evaluation regarding receipt of Wage Subsidy payments (based on analysis undertaken by Motu Research for the outcomes evaluation)

Firms less likely to take-up the Wage Subsidy	Workers less likely to receive Wage Subsidy payments
<p>Adjusting for a range of firm characteristics, take-up was still lower than average for large firms (more than 50 employees), and for Māori and European firms</p>	<p>Take-up was relatively low for some groups of employees - female, Māori, Pacific, young, and high-earners</p> <p>Employees that were not listed on subsidy applications of firms that received subsidies for other workers, on average, had lower job tenure, more distinct jobs, lower earnings, and lower prior employment rates</p>

Source: Motu Research COVID-19 Wage Subsidy: Outcome evaluation Working Paper

We believe it would have been reasonable for equity-based considerations to have been more actively analysed throughout the life of the scheme, even within the parameters of a broad-based intervention.

Cross-agency working was very good in Phase 1, but weaker in Phase 2; the Wage Subsidy could have benefited from stronger arrangements for programme governance

Readers should note that our original rubric collapsed three components of cross-agency working: collaboration, common understanding, and programme governance. In carrying out the evaluation, we found that the variation in performance across these components, and the importance of programme governance, warranted separation into three distinct assessments (as below).



In the early days of designing and implementing the Wage Subsidy, cross-agency collaboration was a key strength; over time, as external pressures increased, cross-agency collaboration weakened

	Our assessment of collaboration across agencies	
What we looked for	Phase 1: Excellent	Phase 2: Good
<p>Processes that enabled agencies to work together at pace at all levels, including:</p> <ul style="list-style-type: none"> • appropriate and effective decision-making, recording decisions, and implementing decisions • information sharing and communication across agencies • ensuring parts of the policy and implementation process joined up to support the best outcomes for businesses and workers <p>Roles and responsibilities delivered, with appropriate willingness, and flexibility at the boundaries .</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Attitude, willingness, and flexibility of agencies and officials • MOUs • Working across functions. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Formal processes for documenting decisions • Inconsistent access to Ministers. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • More formal structures for collaboration • Stepping up resources to deliver each iteration of the Wage Subsidy. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Competing demands reduced capacity for non-essential collaboration.
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Interagency communications (including emails) • Portal guidance and MoUs for information sharing. • A3s of cross-agency complaints data • Notes from interagency workshops on operations issues, scheme integrity and policy development • Exchanges between officials <p>Workshops and interviews with agency officials.</p>	

“There was a real sense that we were all in this together.” – *Agency official*

Agencies worked flexibly, and quickly identified roles that they could play and where they could offer support. This included:

- strong cross-agency collaboration in the policy design process, with all four agencies feeding into policy advice and Cabinet paper drafting, with many reports being jointly authored
- the inclusion of operational and delivery perspectives to support and inform policy advice



- collective efforts to resolve emerging problems, clarify policy settings, and improve guidance – for example, policy teams and operational teams from across agencies would have daily calls to track and respond to emerging questions, and collectively make decisions on eligibility or how to treat specific situations in line with the intended policy, and
- drawing on policy people to help resolve tricky questions and to develop clearer guidance.

While processes were largely ad hoc, they worked for the context where there wasn't time to establish, or work through, more formal channels. In particular, this led to agencies having inconsistent access to Ministers, for example.

Over time, processes appropriately became more structured, and the number of new emerging problems declined.

Differing roles and priorities meant that inter-agency relationships became more strained over time, especially as resources came under more pressure across all agencies and were diverted to other emerging policy issues or COVI-19 responses.

We heard, for example, that through Phase 2 all agencies came under pressure to provide a wider range of supports and work programmes, which further limited their ability to fully examine alternative approaches. This led to different interpretations of what any review of the Wage Subsidy should aim to achieve, with agencies according different levels of priority to different aspects of the scheme.

While the core work continued – turning on and administering the Wage Subsidy when needed – these differences of priority affected officials' ability to critically examine the scheme's core objectives and settings and whether the scheme continued to be fit for purpose.



Overall, agencies and officials had enough shared understanding to work well together and pull in the same direction

	Our assessment of common understanding across agencies	
What we looked for	Phase 1: Good	Phase 2: Good
Common understanding of policy intent, criteria, implementation and delivery approach, risks, roles and responsibilities.	<p>Key strengths:</p> <ul style="list-style-type: none"> • Shared focus on rapid delivery • Willingness to take on tasks. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Clarity of scheme objectives • Some uncertainty in roles across policy functions. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Maintained focus on rapid restart for each iteration of the Wage Subsidy. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Communication about shifting weight of scheme objectives.
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Cabinet papers • Notes from interagency workshops on operations issues, scheme integrity and policy development • Exchanges between officials <p>Workshops and interviews with agency officials</p> <p>Interviews with business representatives and worker representatives</p> <p>Interviews with workers and employers.</p>	

In the earliest stages, agency officials had a common understanding of the urgency and importance of the situation that they were responding to with the Wage Subsidy, and a shared focus on rapid implementation and “getting the money out the door” to businesses as quickly as possible.

In the section of this report dealing with the policy design process, we reported that policy documents were not entirely clear about the priority given to different scheme objectives (page 56). Because of this, officials, workers, and businesses made assumptions about the scheme’s objectives that at times were in conflict or created tension.

Officials were sometimes guided by the culture and function of their home agency when making rapid decisions about design and delivery (for example, welfare support vs tax integrity). This was particularly the case in the first days of the subsidy, when officials were coming up to speed with the complex ways the scheme interacted with existing laws and when there was not the usual comprehensive operational guidance. This may have contributed to lack of clarity in communications, confusion among stakeholders, or conflicting advice to applicants.

For example, interviewees described instances where workers and employers had conflicting understandings of the intent of the scheme.



“The change in narrative [in the media] also caused some confusion for some employees not wanting to work / turning down work as they had the wage subsidy. Employees thought that the government was handing out money to specifically hand out to a specific employee rather than maintaining continuity of business and staff retention. [The business] then had to step in and stop paying them their wage subsidy as they turned down work.” – *Labour hire company*

While there was extraordinary willingness across agencies and agency officials to “pitch in” and to work flexibly to design and deliver the Wage Subsidy, there was an understandable lack of clarity about roles and responsibilities at times. For example, tensions arose:

- between policy functions – the boundary between core policy (Treasury) and operational policy (MSD) was not always clear, and
- between delivery agencies – at times there was uncertainty about the role that IR played and how the information provided should be used to make decisions, and also uncertainty about how these roles and decisions were communicated to applicants.

However, our assessment was that those tensions did not significantly affect the quality of the scheme’s design or the quality of delivery overall.

The absence of effective programme governance meant an overly strong focus on the short-term and the status quo rather than on wider impacts and effects

	Our assessment of programme governance	
What we looked for	Phase 1: Good	Phase 2: Fair
Clear governance structures, including decision making hierarchy.	<p>Key strengths:</p> <ul style="list-style-type: none"> Prioritisation of rapid design and implementation over formalised governance Ability to draw on existing relationships. <p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Notes from interagency workshops on operations issues, scheme integrity and policy development • Exchanges between officials • Cabinet papers <p>Workshops and interviews with agency officials.</p>	<p>Key areas for improvement:</p> <p>Dedicated programme governance structures to maintain focus and provide formalised escalation points.</p>

A range of governance structures looked over the COVID-19 response – both within agencies and across agencies – but there were no specific cross-agency governance arrangements to support the Wage Subsidy at a programme level.



This was largely appropriate during Phase 1, as agencies worked rapidly to design and implement the Wage Subsidy. Senior officials were engaged in the policy and implementation process, and cross-agency working was flexible, agile, and responsive to emerging issues.

“We had direct relationships – seeing GMs, clear relationships with other agencies, facilitated where necessary. Pretty standard. Relied on our expertise in what we had done before and made it work for the Wage Subsidy.” – *Agency official*

Too much focus at that early stage on establishing formal governance arrangements or cross-agency arrangements might have undermined the flexibility needed to quickly set up the scheme.

In the longer-term, however, the scheme would have benefited from dedicated governance

Given the size and cost of the Wage Subsidy as an intervention, and its cross-agency design and delivery, we believe that dedicated cross-agency governance should have been established over the longer-term, and especially as revisions to the scheme began to be considered more fully in the latter part of 2020. We heard that while some moves to establish cross-agency governance were made in mid-2021; this was focused on the leave support scheme rather than the Wage Subsidy specifically, with some potential to address Wage Subsidy issues as needed. We heard it was more focused on improving cross-agency working, rather than programme governance – such as direction setting, risk management, testing against Treaty of Waitangi expectations, and performance monitoring. In addition, by this point many of the key dimensions were effectively set, with limited appetite from agencies to explore or consider whether further changes may be needed.

It is our view that a lack of cross-agency governance arrangements contributed to there being competing agency priorities and different interpretations of objectives.

The Wage Subsidy, while simple in theory, was complex in implementation. We heard that wider COVID-19 governance groups within Treasury, and covering the Economic Pillar of the government COVID-19 response, did not have the technical understanding of the Wage Subsidy to understand the impacts of different choices or trade-offs. They were also appropriately focussed on the wider COVID-19 response.

Defined programme governance and structures that clearly set out cross-agency roles and responsibilities would have supported:

- a clearer cross-agency understanding of the policy objectives, including relative priorities. This would have helped resolve issues related to whether support is targeted at businesses or individuals
- escalation points to make key trade-offs between agencies. As discussed elsewhere, policy decisions were ultimately driven by operational constraints, reflecting a hesitancy to invest in new or refined systems. Stronger governance arrangements would have provided a clear escalation point to help critically examine these constraints and make decisions on trade-offs and whether further investment might be justified
- checks to test advice and identify gaps – for example, ensuring that Treaty or equity concerns that may have been overlooked with the initial urgency were returned to later. Changes that could have improved targeting or simplified delivery or mitigated risks were seen as too resource-intensive given it wasn't clear if the scheme would be needed again



- mechanisms to support cross-agency monitoring of risks and cross-agency coordination of mitigation efforts, and
- a greater mandate to review and invest in the Wage Subsidy, if appropriate. Urgent initial decisions on systems and infrastructure and policy settings were difficult to challenge or review. We heard that uncertainty about whether the scheme would be needed again made agencies less willing to commit too much resource to reviewing and improving it.

Learning was a strength, especially in the early stages, but improvement was limited by operational and policy constraints

	Our assessment of learning and improvement	
What we looked for	Phase 1: Very Good	Phase 2: Good
<p>Timely and appropriate action taken to improve the Wage Subsidy based on (stakeholder) feedback</p> <ul style="list-style-type: none"> – Channels are established to receive feedback from stakeholders <p>Feedback is appropriately considered (within iterations, across Phase 1 and Phase 2, and across policy and implementation).</p>	<p>Key strengths:</p> <ul style="list-style-type: none"> • Strong mindset focused on learning and improvement • Regular review and improvement, addressing of gaps • Informal feedback loops to receive feedback from stakeholders. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • More intentional use of networks to ensure feedback is from varied perspectives • Processes to ensure feedback is used and use of feedback is communicated back to stakeholders. 	<p>Key strengths:</p> <ul style="list-style-type: none"> • Establishing more formalised processes. <p>Key areas for improvement:</p> <ul style="list-style-type: none"> • Many key themes not pursued due to overarching operational constraints • Stronger processes for assessing trade-offs and deciding which improvements to prioritise.
	<p>Evidence sources</p> <p>Documents:</p> <ul style="list-style-type: none"> • Deloitte review • Notes from interagency workshops on operations issues, scheme integrity and policy development • OAG report <p>Workshops and interviews with agency officials</p> <p>Interviews with business representatives and worker representatives.</p>	

Overall, we found that the design and delivery of the Wage Subsidy showed a strong mindset for learning and improvement, especially in the early stages

Officials knew that when it was launched, the Wage Subsidy would not be perfectly designed. Rather than delaying implementation, they responded proactively to (and sometimes sought out) feedback from



stakeholders and delivery staff so that unintended loopholes and other emerging issues could be identified and addressed.

“Building the plane and flying it – learning as we went. We realized where gaps were and what we could have done differently....” – *Agency official*

In the first days and weeks, operational guidance and declarations were updated many times in response to emerging issues that were identified by call centre staff and communicated through to policy and operational teams.

“At first, there wasn’t the time to think through all of those questions that people were going to have.” – *Agency official*

Feedback channels were somewhat ad hoc in early stages, and some stakeholders found it difficult to find avenues for providing feedback or were unclear about whether and how agencies had responded to issues they raised.

“A stakeholder manager for us – at MSD. One person to speak to, one team to speak to. A process. A recognition that we were a conduit to hundreds or thousands of members.” – *Employer representative, on what they would have liked to see*

These shortcomings aside, the agile approach that was taken was adequate in the context and led to some rapid improvements (within the policy parameters and operational constraints) in the early days of the scheme.

“The scheme evolved and morphed and changed reasonably quickly, fair part of the influence was the calls we were getting from our members. Advice line team tracked the calls. Could see straight away where the issues were.” – *Employer representative*

Over time, more formal approaches to feedback and review were established. These included:

- regular reports tracking applications, processing, declines, and call centre calls
- a survey by MSD of Wage Subsidy recipients in May 2021 to understand the impact of COVID-19 on businesses and the efficacy of the subsidy
- consultation with key stakeholders by agencies between Phase 1 and Phase 2, focused on understanding how they experienced the Wage Subsidy and identifying potential improvements
- cross-agency workshops to look at the scheme’s operations and policy
- analysis of information about recipients of the Wage Subsidy and broader take-up information, and
- external reviews commissioned by agencies, to scrutinise integrity arrangements and risks.

Despite those many good efforts, many of the key themes they identified were not pursued and did not always lead to visible improvements in the design or delivery of the Wage Subsidy. We did not see evidence of strong



processes for assessing trade-offs consistently, and prioritising improvements accordingly. As discussed elsewhere in this report, the scope for improving the scheme was often limited by policy parameters and operational constraints. Officials sometimes also deliberately decided not to make changes, favouring continuity and simplicity instead. These points link back to our observations regarding programmes governance.



CONCLUSIONS

Overall, our findings are positive

The achievements associated with designing and delivering the Wage Subsidy under urgency and in a time of crisis should not be understated. Awareness was raised rapidly, unprecedented numbers of applications were received, and most successful applicants received payments quickly.

Phase 1 was stronger than Phase 2

Phase 1 was characterised by speed, collaboration, and rapid small adjustments. This was evident across agencies, across policy and delivery, and across functions. In most cases, best practice was appropriately curtailed to ensure perfection did not compromise speed. Many of the shortcomings in Phase 1 were understandable given the context.

We expected to see a more significant evolution of the policy design and delivery throughout Phase 2, as the possibility of Alert Level restrictions became the “new normal” regionally and across Aotearoa New Zealand. Instead, we saw that decisions that were taken in urgency created a structure and expectations that were difficult to revisit. This means that while in practice the Wage Subsidy design and delivery did not get weaker in Phase 2 compared to Phase 1, ratings decrease due to the increased expectations of a less urgent context.

Design and delivery of the Wage Subsidy could have been improved by addressing three key short comings

Lessons that can be drawn from the full evaluation of the Wage Subsidy will be set out in the synthesis report.

From the process evaluation, we conclude that there were four key areas where design and delivery of the Wage Subsidy could have been improved.

- **Governance:** More structured governance would have supported greater on-going shared understanding of priorities, risks, and ongoing appropriateness of the design, and ensured that decisions made under urgency early in the Wage Subsidy were revisited as time went on, as the scheme was needed for longer than anticipated, and as what was needed from the scheme changed.
- **Treaty considerations:** Dedicated analysis of Treaty implications were not undertaken during the initial design phase, or revisited later. While there is evidence of good Treaty-based engagement, this does not appear to have resulted in changes to policy settings. This shortcoming speaks to more systemic questions about the capacity and capability of agencies to deliver on Treaty obligations, especially when they are operating under pressure.
- **Measures to enable equitable access:** As a broad-based scheme, the Wage Subsidy was not intended to provide different treatments to different population groups. More focus could have been given to achieving equitable outcomes within the parameters of a broad-based scheme.



- **Communication:** The importance of communications as a tool for improving understanding of the Wage Subsidy was underappreciated, in Phase 1 and Phase 2. Nuanced messages, and targeted messaging through trusted channels, is important – particularly for a broad-based scheme where one set of beneficiaries (workers) is reliant on other people (employers) for access.

Outcomes will be important for assessing the Wage Subsidy overall

The final judgement of the Wage Subsidy will be driven by the outcomes that it achieved. The synthesis report makes an overall judgement about the eligibility criteria and rules, as well as reporting on Lessons that can be drawn from the Wage Subsidy to inform future crisis response.



SECTION 4
APPENDICES



APPENDICES ARE IN A SEPARATE FILE

Appendix 1: Evaluation method

Appendix 2: Assessment rubric for the process evaluation

Appendix 3: Relevant guidelines for Treaty of Waitangi best practice

Appendix 4: Additional data

Appendix 5: Intervention logic model

Appendix 6: Process evaluation crosswalk

Appendix 7: Record of decisions

Appendix 8: Documents reviewed

Appendix 9: Changes to Employer Declaration forms

Appendix 10: Workers survey

Appendix 11: Employers survey

