



# Summary of the COVID-19 Wage Subsidy Evaluation

## ABOUT THE WAGE SUBSIDY

**The Wage Subsidy responded to a 'once in a generation' crisis**

The Wage Subsidy was introduced in March 2020 and provided lump-sum subsidy payments to firms facing revenue losses due to the COVID-19 related lockdown. The primary objective was to support affected businesses to maintain employment attachment of their workers. Businesses were required to pass on the subsidy to employees, and were encouraged to pay employees at least 80% of their prior earnings.

The total cost of the five waves of Wage Subsidy support was close to \$19bn.

Evaluating the Wage Subsidy, and understanding what outcomes it achieved, will help future governments and officials to be prepared for crises, and to respond effectively

There were two connected evaluations between December 2021 and March 2023:



Process Evaluation of the COVID-19 Wage Subsidy, completed by MartinJenkins with support from Te Paetawhiti and Associates, ConnectEd Ltd, and OliverShaw.



Outcome Evaluation of COVID-19 Wage Subsidy and Value for Money analysis completed by Motu Research.



\* Note: These 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, 59% of workers in employment during the Original Wage Subsidy received subsidy payments.

## OVERVIEW OF IMPLEMENTATION - 2 PHASES, 5 WAVES

	PHASE 1		PHASE 2		
	The Original Wage Subsidy	The Wage Subsidy extension	The Resurgence Wage Subsidy	The Wage Subsidy March 2021	The Wage Subsidy August 2021
	17 MAR—9 JUN 2020	10 JUN—1 SEP 2020	21 AUG—3 SEP 2020	04 MAR—21 MAR 2021	20 AUG—9 DEC 2021
	12-week lump sum 30% revenue drop test over 30 days, against a year ago (or other comparable time) \$585.50/\$350 per full time/part time worker per week	8-week lump sum 40% revenue drop test over 30 days \$585.50/\$350 per full time/part time worker per week	2-week lump sum 40% revenue drop test over 14 days, attributable to COVID-19 Shift to allow prospective revenue test \$585.50/\$350 per full time/part time worker per week	2-weekly payments, reapply each time 40% revenue drop test over 14 days, attributable alert level \$585.50/\$350 per full time/part time worker per week	2-weekly payments, reapply each time 40% revenue drop test over 14 days, attributable alert level \$600/\$359 per full time/part time worker per week
Applications approved	441,403	208,815	85,069	52,601	1,258,166
Applications declined	48,713	65,504	18,076	8,260	199,673
Applications closed	68,360	5,917	1,216	111	4,973
Firms with paid out applications	396,201	188,406	81,924	51,582	327,174
Value of approvals	\$10,949m	\$2,573m	\$318m	\$183m	\$4,790m
Jobs approved for	1,660,122	588,532	296,464	170,170	1,314,410
Repayments received	22,918	3,488	914	1,253	3,734
% voluntary	71%	77%	85%	95%	98%
Value repayments received	\$690.9m	\$35.0m	\$6.7m	\$3.1m	\$30.9m
% voluntary	97%	95%	95%	97%	99%
% of firms that received the subsidy*	55%	19%	11%	6%	39%
% of jobs supported by the subsidy*	46%	16%	8%	5%	37%

## CONCLUSIONS AND LESSONS

**The Wage Subsidy eligibility criteria and rules were 'about right' for achieving the scheme objectives, given the context and infrastructure available**

The eligibility criteria, and rules enabled rapid implementation and large-scale take-up.

The scheme delivered many positive outcomes for subsidised workers and for subsidised firms, but some people may have missed out on direct benefits due to uneven take-up.

For subsidised firms and workers the scheme did not completely offset all economic impacts of Alert Level restrictions, but it did deliver value for money, and is likely to have had wider benefits for the economy overall.

On balance, there weren't widespread unintended negative consequences.

The achievement of designing and delivering the Wage Subsidy in a crisis should not be understated - nonetheless, there is an opportunity to learn from things that went well and things that could be improved

**Three key lessons can inform future crisis response**

1

The evaluation found that in a crisis context, a broad-based, high-trust Wage Subsidy can be a cost-effective intervention for achieving firm survival and job retention in the short and medium terms. It will inevitably be less effective at reaching precarious jobs and vulnerable workers.

As such, there is value in investing in a system-based policy framework to understand the role that Wage Subsidy type interventions could have in future crises compared to other types of interventions.

Economic resilience requires both public and private system participants to work seamlessly in crisis.

In the case of the Wage Subsidy, we saw that officials and sector stakeholders rose to that challenge. However, this should not be left to chance.

There is merit in looking at what more could be done to ensure agencies are taking a system-based approach to resilience to economic events.

2

3

Even in crisis, good cross-agency programme governance remains relevant.

There is value in a formalised emergency management approach to ensure governance balances immediate and longer-term concerns.



Overall, our findings about the process for designing and delivering the Wage Subsidy are **positive**, with Phase 1 stronger than Phase 2

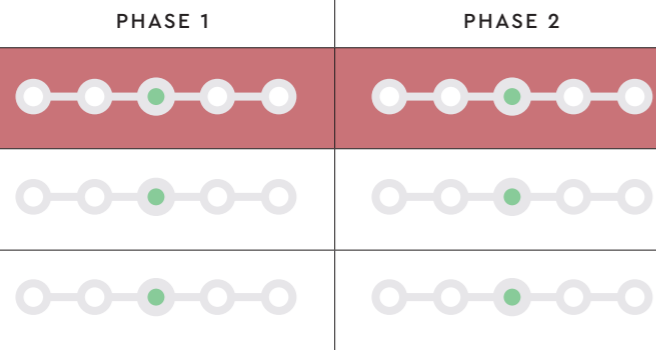
**KEY** PHASE 1: urgent, unprecedented, widespread PHASE 2: time-sensitive, continuing, geographically targeted  
 poor ● fair ● good ● very good ● excellent ●

**POLICY DESIGN AND DEVELOPMENT** 1

The policy development process was appropriate and reasonable for the context and constraints, and the resulting policy advice was of good quality

**STRENGTHS:**  
 Usual process adapted appropriately for the context, and consistently with the spirit of Aotearoa, New Zealand's constitutional processes.  
 High levels of collaboration and consultation within a core group of agencies.  
 Regular and responsive engagement with Ministers.  
 Targeted engagement with key social partners.

**WEAKNESSES:**  
 Gaps in the analysis of Treaty of Waitangi issues, of the impact of the scheme on different groups, and of key risks.  
 Policy advice wasn't always well informed by the interactions with different regulatory systems (employment and taxation).  
 Shifting priority across different scheme objectives could have been better analysed, understood, and communicated.

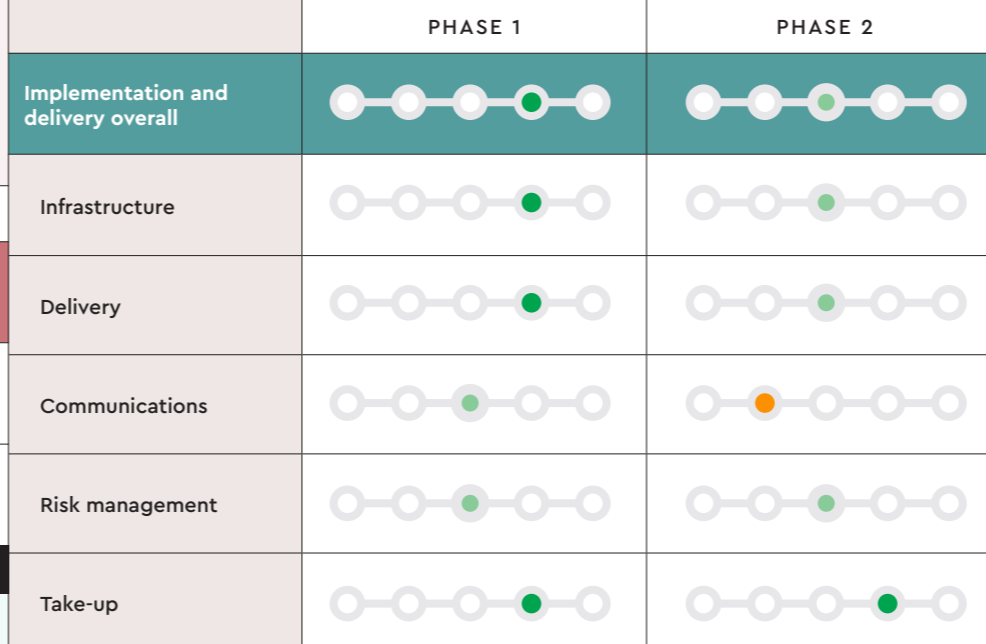


**IMPLEMENTATION AND DELIVERY OVERALL** 3

Implementation and delivery were very good in Phase 1, and were efficient in meeting the unexpectedly high levels of demand. Communication to increase businesses' and workers' understanding could have improved further in Phase 2

**STRENGTHS:**  
 Delivery mechanisms were implemented quickly, were easy for businesses to access, and led to payments being made quickly.  
 The chosen infrastructure 'did the job', even when demand was much higher than anticipated.

**WEAKNESSES:**  
 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, but more could have been done to create better understanding of the scheme by tailoring messages to different groups and by using a wider variety of information channels.



"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

**CROSS-AGENCY WORKING** 5

Cross-agency working, and learning were key strengths of the design and delivery of the Wage Subsidy, especially in Phase 1. The scheme would have benefited from stronger arrangements for programme governance

**STRENGTHS:**  
 Agencies worked together constructively and flexibly, especially in the early stages.  
 Proactive support was 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).  
 There was 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 made rapid adjustments to aspects of the design and delivery, especially in the first days and weeks of Phase 1.

Four agencies delivered the Wage Subsidy: MSD, Treasury, Inland Revenue, and MBIE

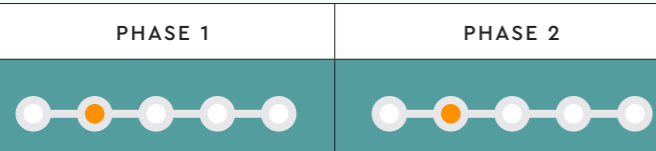
**WEAKNESSES:**  
 The absence of effective programme governance meant an overly strong focus on the short term and the status quo.  
 Many themes identified through feedback loops were not explicitly pursued and did not always lead to visible improvements in the design or delivery of the Wage Subsidy. This was often because of operational constraints or a preference for continuity and simplicity.  
 Improvements were limited by resource and infrastructure constraints.

**CONSISTENCY WITH THE TREATY OF WAITANGI** 2

From a Treaty of Waitangi perspective, engagement with iwi occurred in the context of the wider COVID 19 Response, however, Treaty of Waitangi considerations were not explicitly considered and did not directly inform Wage Subsidy policy

**STRENGTHS:**  
 There was evidence of senior officials engaging in the early stages of the delivery phase through forums such as National Iwi Chairs Forum and the processes established to manage the whole of Government response. In this context, the Wage Subsidy was a lower-priority issue amongst iwi/hāpu while their attention was focused on the health and community response.

**WEAKNESSES:**  
 Treaty considerations and the potential impacts for Māori were not analysed or investigated to an extent consistent with good practice, even allowing for the need to develop policy quickly.  
 NOTE: Iwi have not been consulted as part of this evaluation

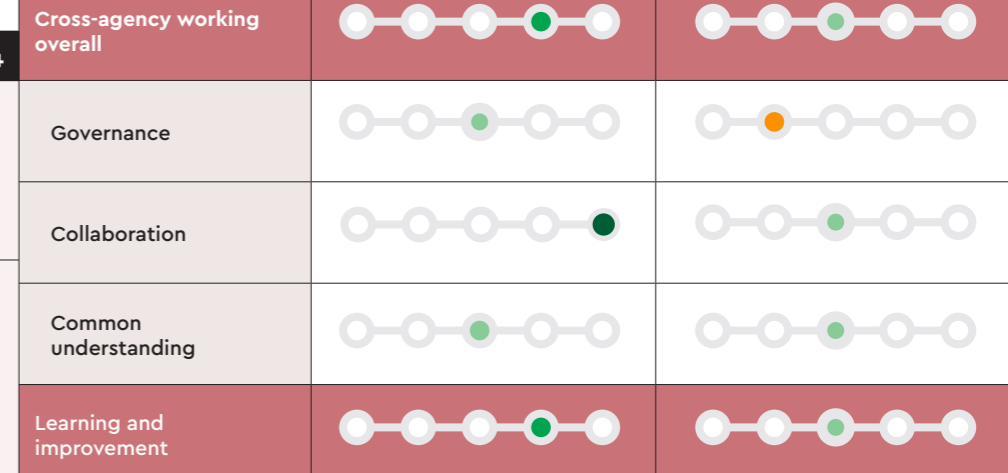
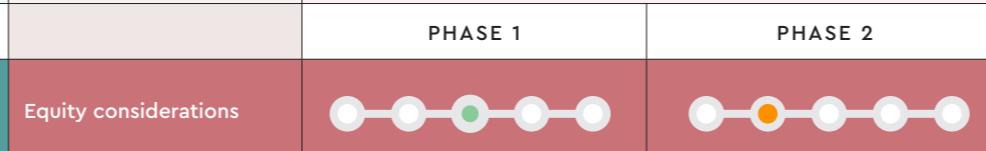


**EQUITY CONSIDERATIONS** 4

Measures to enhance equity within the parameters of a broad-based, voluntary scheme were not given high priority

**STRENGTHS:**  
 The broad-based scheme was widely accessible.  
 Flat rate payments covered a greater proportion of income for lower-wage earners.

**WEAKNESSES:**  
 Lack of measures to mitigate vulnerability associated with a scheme that reinforced workers' dependence on employers.  
 Communications were not well targeted to enable equitable access, even as information about uneven take-up emerged.





These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) and or Longitudinal Business Database (LBD) which are carefully managed by Stats NZ. For more information about the IDI and LBD please visit <https://www.stats.govt.nz/integrated-data/>. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements. The output relates to the Outcome Evaluation being undertaken under data lab agreement 'MAA2018-97: Income, wellbeing and the labour market' between Statistics New Zealand and MBIE.

# Understanding outcomes

## TAKE-UP

There was large-scale take-up of the Wage Subsidy, by the intended businesses

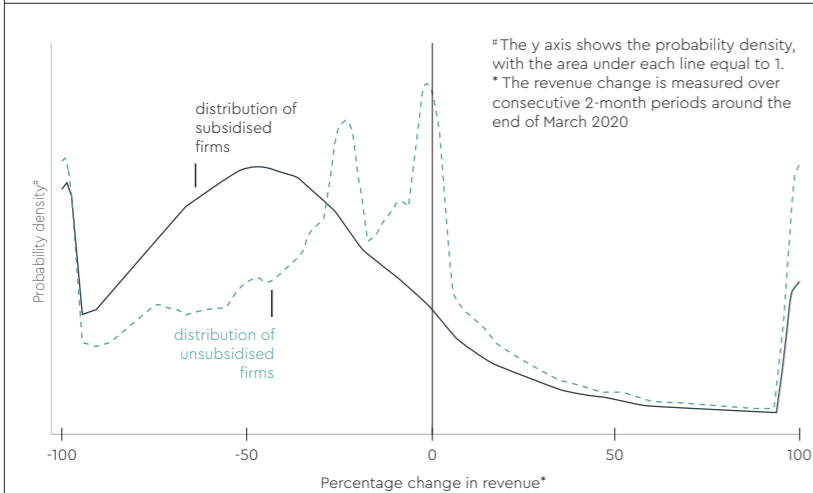
**FIRM FOCUS**

**55%**  
of all firms received the Original Wage Subsidy

The Original Wage Subsidy (March 2020) was provided to 72% of active (in GST or PAYE data) employing firms, and 27% of sole traders.

Supported firms were disproportionately firms that experienced larger revenue losses around the time of the first lockdown (March 2020) – consistent with the targeting criteria.

Revenue change distribution: Original Wage Subsidy March 2020



More than half of New Zealand workers were covered by Wage Subsidy payments

**WORKER FOCUS**

Payments generally flowed through to workers. While support was being paid, listed employees were more likely than unsubsidised employees to be paid at the full-time or part-time subsidy rate or, for higher-paid employees, at 80% of their prior earnings.

**1.6M**  
of workers were covered by the Original Wage Subsidy payments

**59%**  
of total employment was covered by the Original Wage Subsidy payments

Take-up was not consistent across subgroups of firms or subgroups of workers

**FIRM FOCUS**

Take-up varied by industry, with construction, accommodation and food, administrative support services, and manufacturing having relatively high take-up. Industry patterns accounted for most of the regional variation in take-up.

**FIRM FOCUS**

Adjusting for a range of firm characteristics, take-up was relatively lower for Māori firms in the Original Wage Subsidy, Resurgence, and March 2021 waves, and lower for European/Pākehā/other firms in each of the Extension, Resurgence, and March 2021 waves. Take-up was higher for Asian and MELAA firms in each wave.

**WORKER FOCUS**

Take-up was relatively low on behalf of some groups of employees – female, Māori, Pacific, young, and high earners.

**WORKER FOCUS**

Around 15% of March 2020 employees in subsidised firms were not listed on paid applications. Unlisted employees on average had lower job tenure, more jobs, lower earnings, and lower prior employment rates, suggesting that Wage Subsidy support was less effective at reaching more precarious jobs and workers.

## OBJECTIVES

The Wage Subsidy was relatively effective in achieving its objectives of supporting firms through the pandemic, and maintaining employment relationships with their workers, but with slower firm employment growth and worker earnings growth

**FIRM FOCUS**

The support provided during the largest wave (March 2020) had a positive impact on firm survival, particularly for larger firms.

**FIRM SURVIVAL**

\*The counterfactuals are constructed from the estimated impacts (see the Outcome Evaluation report for details).

**FIRM FOCUS**

Employment in subsidised firms did not grow as fast as employment in unsubsidised firms. Small firms, young firms, Pacific firms, and Māori firms had slowest relative growth.

**EMPLOYMENT IN FIRMS**

**EMPLOYEE JOB RETENTION**

**WORKER FOCUS**

Subsidised workers were more likely than unsubsidised workers to retain their jobs, and to remain in employment generally. Stronger increases in job retention were seen for young workers, Asian workers, Pacific workers, and workers in industries where take-up was high. Young workers and Maori workers who received the subsidy were also more likely to remain in employment overall.

**PROBABILITY OF BEING EMPLOYED**

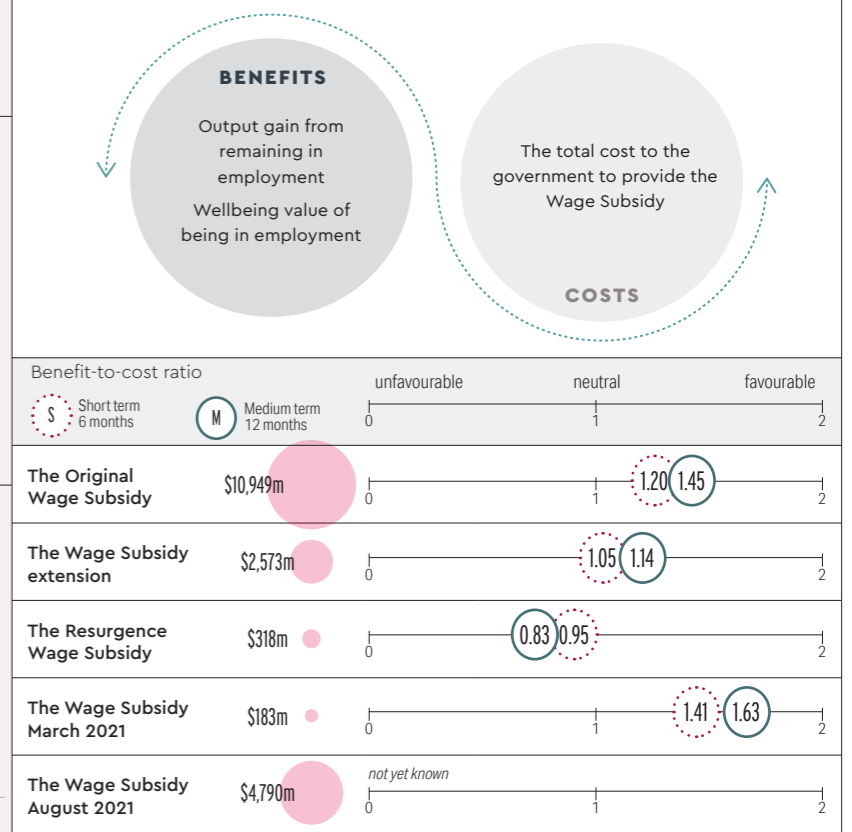
**WORKER FOCUS**

Earnings growth was generally slower for workers who received subsidy payments. The slower earnings growth was more pronounced for young workers, and after the March 2020 wave, for construction and accommodation, and food industry workers.

## BENEFIT-TO-COST RATIO

The benefits of the Wage Subsidy were greater than the costs

The Wage Subsidy had a favourable benefit-to-cost ratio for most of the waves. The exception is the Resurgence wave (August 2020), which was also one of the smallest waves (\$318m compared to \$10,949m for the Original Wage Subsidy).



**Unintended consequences of the Wage Subsidy that have a negative effect were not found on a large scale**

There is no convincing evidence that the Wage Subsidy supported non-viable firms, reduced job reallocation, or resulted in workers receiving more than their prior earnings.

The evaluation identified some potential concerns about the ability of subsidies delivered through firms to reach precarious jobs and workers, and the potential challenges of verifying the eligibility of firms that do not appear in other administrative data sources. These challenges relate more to the choice of intervention (which is beyond scope of the evaluation), rather than the design of the Wage Subsidy itself.

The aggregate size of Wage Subsidy support is likely to have had stimulatory macroeconomic effects that would have boosted outcomes for both subsidised and unsubsidised firms and workers. This feature does not need to be structured as a Wage Subsidy to be effective.