



# Aide-Memoire

## RESURGENCE ECONOMIC RESPONSE PACKAGE

To	Minister of COVID-19 Response	Report No	DPMC-2020/21-358
From	Arati Waldegrave	Date	10/12/2020

### Purpose

1. This note provides you with a view from your COVID-19 response officials (COVID-19 group, Ministry of Health and MBIE MIQ) on the Minister of Finance's Cabinet paper, Economic response to future resurgences of COVID-19, to be discussed on Monday 14 December. **We recommend that you support the paper in full.**
2. You may wish to suggest that your officials work further with Treasury colleagues to provide you with advice in the new year on the suitability of the Resurgence Support Payment in circumstances that feature either very short periods of Alert Level escalation or clear guidance to restrict activity without formal escalation of Alert Levels.

### Background

3. The paper has two components. The first is a package of support available to businesses and workers in the event of sustained Alert Level increases, which features:
  - a. a new Resurgence Support Payment (RSP);
  - b. an improved Wage Subsidy Scheme; and
  - c. additional measures in respect of childcare and tenancy agreements at Alert Level 4.
4. The second component relates to enhancements to the existing Leave Support Scheme, which would be available at all Alert Levels, to support people to stay at home while awaiting a test result.

### Comment

*Economic support to businesses and workers in the event of sustained Alert Level increases*

5. In summary, the response package for Alert Level escalations includes:
  - a. A Resurgence Support Payment to support non-wage fixed costs of \$1,500 per firm, plus \$400 per FTE for up to 50FTE (but available to larger businesses, too). The scheme would be activated on the basis of seven consecutive days at Alert Level 2 or higher, and would

be accessible to businesses that have experienced a 30% revenue drop over a 14 day period.

- b. An improved Wage Subsidy Scheme, signalled in advance, to be deployed if there is escalation to Alert Level 3 or above for a period of seven or more consecutive days. The duration of support would be linked to the duration of the outbreak management response; and
  - c. Additional measures in respect of childcare for essential workers and residential and commercial tenancy protections at Alert level 4.
6. This is a sensible, coherent package that supports the COVID-19 response and elimination strategy. While businesses and the public could, at present, assume a supporting economic response to future outbreaks, proactive communication will provide certainty around the scale and scope of this response.
7. Nevertheless, it is important to ensure that this proposed economic response package is adaptive to future decisions and choices you might make. This is a package that is conditional on the application of Alert Levels. The RSP has been calibrated to be appropriate in a range of plausible resurgence scenarios, but, given the continuum of possible public health responses, some issues may arise at the margins:
- a. **Triggers and thresholds for the deployment of economic support.** The suggested minimum period is 7 days or more at higher Alert Levels, with a 30% revenue drop across a 14-day period. The draft Cabinet Paper suggests that *“A minimum period is desirable before the RSP becomes available, as it is reasonable to expect that businesses can absorb the cost of a very short escalation in Alert Levels.”*
  - b. In respect of a single response event, this is likely true. However, in a plausible scenario of multiple short-duration responses, this may be too restrictive; the cumulative impact on businesses and their staff may be such that support of this nature is desirable. Similarly, given the package is predicated on an escalation in Alert Levels, it is worth considering whether the package is appropriate in respect of the possibility of de facto increases in Alert Levels (for instance, the guidance to Aucklanders to avoid the CBD on Friday 13 November, which was commensurate with an Alert Level 2 or 3 impact for some businesses).
  - c. You could request that Treasury, Health and COVID-19 group officials work through the application of this package of support in some plausible, lower impact responses. This could lead to further advice in the new year, with a view to continuous improvement of the government’s COVID-19 response.
  - d. **Sub-national application of Alert Levels.** The draft Cabinet Paper suggests that the RSP will be available on a national level by default, even in the case of regionally elevated Alert Levels. This creates the fiscal risk that Alert Levels applied in a particular locality create a disproportionate, nationwide cost. But this is likely to be an acceptable risk to carry, given that the most likely scenarios for COVID-19 community transmission involve the large urban populations around MIQFs.

#### *Enhancement to the Leave Support Scheme – Short-Term Absence Payment*

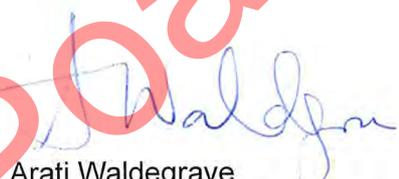
8. The Short-Term Absence Payment (STAP) proposes a payment of \$350 to employers to help them support their employees who cannot work from home and need to miss a shift or more from work to self-isolate for 1-3 days, where an employee has been advised or is required to remain at home while awaiting the results of a COVID test.

9. The payment addresses gaps in the existing COVID-19 Leave Support Scheme. Employers are paid the equivalent of two weeks pay, when employees often only need to self-isolate for three days, which can result in an overpayment of 11-13 days to employer. It also addresses gaps where employees are not eligible for the Leave Support Scheme.
10. The STAP is not available to those workers who are required to undertake routine testing in their workplace such as border and MIQ workers, public sector officials, or people who can work from home, but it is available to the private sector.
11. MBIE MIQ has confirmed that the proposal will have a welcome positive impact for MIQ suppliers (such as hotel workers, cleaners, transport workers, private security and nursing service workers), who have no special provisions for sick leave in their contracts with MBIE MIQ, whether for workers isolating while they await test results, or for sick leave more generally.
12. Officials have done quite a bit of work to land the eligibility criteria for the payment but have worked through an approach that is consistent with health guidance and can be implemented by MSD.
13. As with the other initiatives in the paper, including the Wage Support Scheme, the STAP will be implemented as a high trust payment. There is some risk associated with a payment of this nature. However, given the small value of the payment, and that the intention of the payment is to incentivise desirable behaviours like staying home when sick, and getting a COVID-19 test, the benefits likely outweigh the associated risk of fraudulent applications.
14. While the paper proposes to tighten some of the settings in the Wage Support Scheme to put more integrity around the payment, the STAP proposal goes in the other direction. This form of implementation is required because there is no coverage for the payment under the Social Security Act (SSA).
15. MSD were considering a slower track piece of work to set up the LSS as a Welfare Programme to bring it into alignment with the SSA. You may wish to ask whether this is still an option worth pursuing, given MSD cannot implement until mid-February anyway.

NOTED

Hon Chris Hipkins  
Minister for COVID-19 Response

Date:     /     /2020

  
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