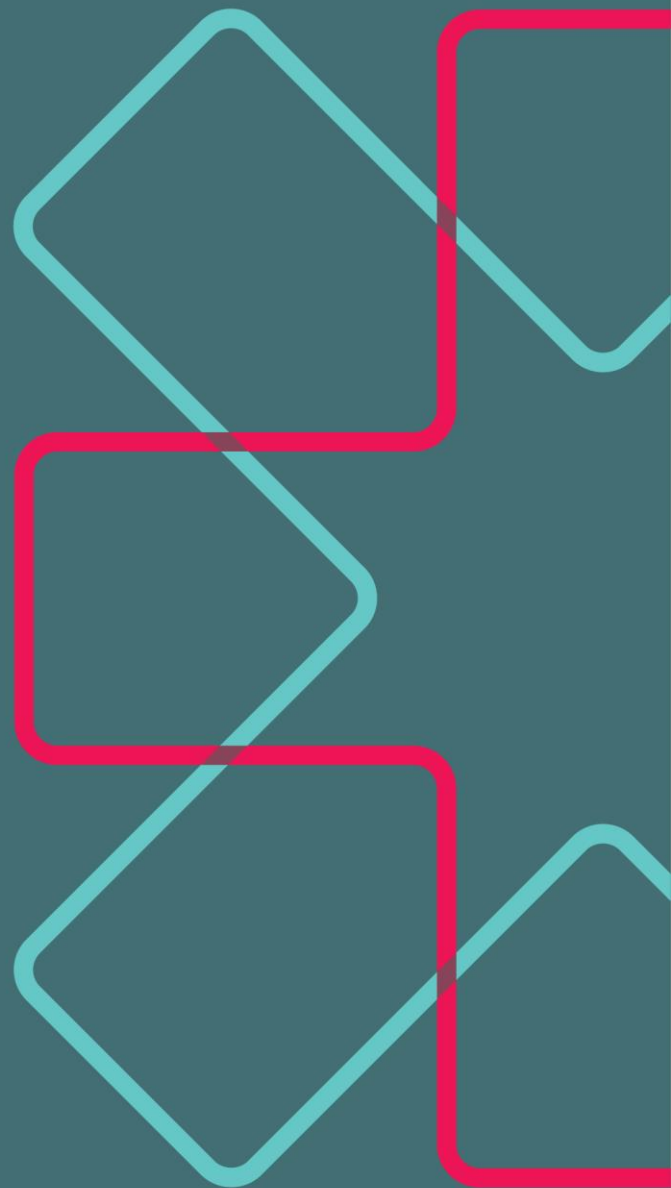
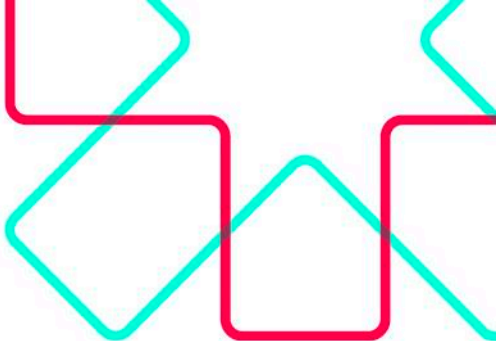


**(MartinJenkins, 2023b)
[Appendix 2]**

PROCESS EVALUATION OF THE COVID-19 WAGE SUBSIDY

Final Report





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APPENDICES

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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.

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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

P 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 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

P

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.

