



Summary

Management of the Wage Subsidy Scheme

Between March and December 2020, the Government paid businesses more than \$13 billion through the Wage Subsidy Scheme as part of its response to Covid-19. The Government has estimated that the Scheme indirectly supported about 1.8 million employees.

The Ministry of Social Development, which was responsible for administering the Scheme, received large numbers of applications for subsidy payments, including more than 70,000 in one day. It also made payments of nearly \$1.8 billion on one particular day.

This was possible because the Government used a “high-trust” approach – this meant approving applications based on a declaration from applicants that they met the eligibility criteria. However, a high-trust approach has greater risks of fraud and error.

The Ministry of Social Development (with assistance from the Inland Revenue Department and the Ministry of Business, Innovation and Employment) took steps to manage or mitigate these risks. In our view, it is likely that these steps encouraged several businesses to repay subsidy payments they should not have received.

Despite these steps, it is still possible that some ineligible businesses were paid the subsidy. For example, one important eligibility requirement – that an employer had taken active steps to reduce

Covid-19’s impact on their business – was open to interpretation. This made it difficult for applicants to determine what was required and for the Ministry of Social Development to verify compliance.

Reviews of applications after payments were made consisted mainly of verbal confirmation of information from employers and, in some cases, employees. In most cases, these reviews did not involve substantiating the facts using independent, or at least documented, information. We were not persuaded that the reviews have identified all applications that need further investigation.

We have recommended that the Ministry of Social Development tests the reliability of a sample of reviews against evidence from applicants. We have also recommended that the Ministry of Social Development prioritise its remaining enforcement work, including pursuing prosecutions to recover funds and hold businesses to account for any potential fraud or abuse.

With significant crises happening more often, the public organisations involved with the Scheme (the Ministry of Social Development, the Inland Revenue Department, the Ministry of Business, Innovation and Employment, and the Treasury) should evaluate its development, operation, and impact to inform lessons for future similar support programmes.

