

Government reintroduces Wage Subsidy to help businesses

Lockdowns are a challenging time for both employers and employees. With the news that New Zealand is again at Alert Level 4, the Government has announced the resumption of the wage subsidy scheme, but with some changes from the last version. We examine the August 2021 wage subsidy and what employers will need to be aware of before applying.

COVID-19 Wage Subsidy August 2021

Under this scheme eligible employers can receive \$600 per week for full-time employees (20 hours a week or greater) and \$359 for part-time employees (less than 20 hours a week) for, at this stage, a two-week period. Applications are open from 20 August. Employers can also claim the subsidy for casual employees, but they will need to calculate their average hours worked over the last 12 months to determine whether they are full time or part time.

Eligibility and Criteria

The wage subsidy criteria have been tightened since the last subsidy. Employers must meet the “revenue decline” test which includes:

- Their business is, or will be, affected by the move to Level 4; and
- They have had, or predict to have, at least a 40% decline in revenue in the period 17-30 August, when compared to a typical 14-day period in the six weeks immediately prior to 17 August (note the revenue calculation must exclude any other Covid-19 governmental assistance the business is receiving).

There are different criteria for businesses that have a high seasonal revenue.

Employers must keep documentation to demonstrate how their decline in revenue is linked to the move to Alert Level 4. This could include financial information supporting their position. The business must also have taken “active steps” to mitigate the impact of the move to Alert Level 4. This could include things like drawing on cash reserves and seeking assistance from the Bank.

Obligations to Employees

MSD have imposed stricter conditions about how employers receiving the wage subsidy can deal with their employees. Part of the declaration requires employers to confirm they understand that nothing overrides their existing obligations under employment law, including the Employment Relations Act. This is consistent with the case law that has emerged since the start of the pandemic. Employers’ obligations include:

- Retaining employees included in the subsidy application for the duration of the subsidy period;
- Ensuring the subsidy is actually used to pay employees’ wages or salary;
- Using their best endeavours to ensure employees receive at least 80% of their normal wages or salary;
- Not making any changes to employees’ terms of employment without their written consent; and
- Not compelling employees to use their annual leave entitlements during the subsidy period unless there is an express provision in the employment agreement that allows this.

These criteria might create some dilemmas. We suggest employers contact us to discuss their own unique situation.

Consent and Privacy

Employers must inform employees if they intend to include them in a wage subsidy application and obtain their consent to making the application for them. Employees must consent to their personal information being given to MSD and be informed that they can request access to that information under the Privacy Act. Employers are required to inform employees of the outcome of any application where the subsidy is sought for them. There are other consents that must be obtained from the employee and these are set out in the declaration which can be found here: <https://www.workandincome.govt.nz/online-services/covid-19/declaration-wage-subsidy.html>

Employers might consider emailing staff, setting out all the required consents and asking staff to confirm by return email that they consent to all of them.

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Compliance

As with previous wage subsidies, MSD will be conducting audits to ensure employers are actually eligible (it is unclear how many audits will take place and when). Employers must also notify MSD if their eligibility changes after having received the subsidy. All employers who receive the subsidy can be identified by searching the online database.

Other assistance

Inland Revenue also administer a one-off Resurgence Support Payment (RSP) to help employers handle a change in alert levels. To qualify, the business must have experienced either a 30% drop in revenue or a 30% drop in capital raising ability due to the change in alert levels. Unlike the wage subsidy, this money does not need to be passed on to employees and it can be received in addition to the wage subsidy. Eligible employers can receive the lesser of (1) one off \$1500 payment plus \$400 for each full-time employee (up to a maximum of 50 employees) or (2) 4 x the amount of the actual revenue decline experienced by the business. More information about the RSP can be found here: <https://www.ird.govt.nz/covid-19/business-and-organisations/resurgence-support-payment>

Other forms of support for businesses include the Short-Term Absence Payment, Leave Support Scheme and the Small Business Cash Flow Loan Scheme. Details of these initiatives can be found on the MSD website.

Further advice

Please contact Glenn Finnigan on 021 779 770 or Jeremy Ansell on 022 098 8736 if you need advice about the Governmental assistance available or how to navigate the current lockdown.

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