

COVID 19 GENERAL GUIDELINES & FREQUENTLY ASKED QUESTIONS

27 March 2020

PLEASE NOTE: As the result of the rapid changes occurring during the Covid19 Pandemic the information provided in this document is accurate up to the date indicated above and is subject to change.

These guidelines are our interpretation of the information provided by the Government concerning the employee-related schemes that are being offered to support businesses. They take into consideration the announcement made by the Prime Minister at 3pm today which included changes to these arrangements.

These schemes have been introduced to support employers and employees at this difficult time. They are being operated on a high trust model with the intent of helping businesses and their team members and have been implemented at pace. As a result, there are many matters of interpretation that will become clearer over time, what we know now is that we all must behave with integrity and work to honour the intent of each scheme.

General Guidelines

The forced shut down of most businesses in New Zealand has put both business owners and their teams into a very difficult position. We need to manage and adapt to these changes as best we can in the spirit of pulling together and looking after each other as best we can.

In any difficult situation the best thing to do is talk. Make sure your team members know your situation and what you are able to do in terms of continuing to pay people. If your business qualifies for the wage subsidy (see below), ideally, you are able to find a way to continue to compensate team members at 80% of their normal pay.

In the short term most employers are coming up with a strategy to top up their wage subsidy, agree that the team members can use either sick leave or annual leave (both of these have to be done with your employee's agreement), or other arrangements. More information is below in our frequently asked questions section.

The key thing is to speak to your team members and see what you can work out together.

Every business is unique and will have different questions about the government schemes available to them and how to interpret them in their particular context. Please, after you have looked at these guidelines, feel free to contact one of our professionals for help in their application.

Comprehensive information concerning these support packages is available at
https://workandincome.govt.nz/products/a-z-benefits/covid-19-support.html?utm_source=business.govt.nz&utm_medium=newsletter&utm_campaign=special_cv_edition#null

The purpose of these guidelines is to provide you with a quick reference to help you assess your situation.

The team at P4S Consulting is here to help....phone 07 870 5402 for a complimentary consultation to assess how we can help you in these challenging times

The Wage Subsidy Scheme

Key Information

The Wage Subsidy Scheme is only available if a business can:

- show (or reasonably predict) a revenue decline of 30% decline for any month between January 2020 and June 2020) compared to the same month in 2019, and,
- attribute this decline to COVID-19.

If your business cannot show an actual decline or reasonably predict a 30% decline in revenue that is related to COVID-19 then you *cannot* apply for the Wage Subsidy.

To qualify a business must be registered and operating in New Zealand.

If you apply for and receive the wage subsidy you must retain employees for the duration that you have claimed the wage subsidy for and must make your best efforts to pay them a minimum of 80% of their normal income for the subsidised period. As a minimum you must pass on to the employee the government subsidy you receive for them and you must also comply with your obligations within your employment agreement with them. For many people at the moment this means reaching agreement on changes to employees' terms of employment.

Frequently Asked Questions

1. How long is the wage subsidy available for?
 - Currently the Government has set a limit of 12 weeks on the wage subsidy scheme.
 - This subsidy can only be received once per employee (i.e. you cannot make multiple applications for the same employee covering the same period).
2. How much is the wage subsidy?
 - \$585.50 per week for a full time employee who works 20 hours or more per week. This is the gross amount and will be subject to tax, kiwisaver and other lawful deductions.
 - \$350.00 per week for a part time employee who works less than 20 hours per week. This is the gross amount and will be subject to tax, kiwisaver and other lawful deductions.

3. How is the wage subsidy paid?
 - It will be paid in a lump sum for the period that you apply for it. i.e. if you apply for the full 12 weeks for a full time employee you will receive \$7,029.60 (\$4,200 for a part time employee).
4. How must the 80% normal pay be calculated/shown?
 - We recommend that you use the same calculation you currently use to calculate an employee's average weekly earnings in order to calculate how much 80% of their salary is.
5. If the employee isn't working any hours at all, what happens to the wage subsidy?
 - The full amount of the wage subsidy must be passed on to the employee and must not be counted as annual or sick leave.
6. Does the wage subsidy remove the need for employees to take leave equitable to the amount of the wage subsidy? i.e.. Is the employee able to receive \$585.80 as opposed to taking leave to that value?
 - Yes – if you pay an employee the wage subsidy then this proportion of their pay does not get deducted from any of their leave entitlements but if their pay is 'topped up' because they are on leave then the top up proportion comes from their annual leave.
7. Is the full \$585.80 to be passed on regardless of what the average earnings for the employee would be? i.e. if the average weekly earnings for the employee were \$20 * 20 hours (\$400), how much would need to be paid to the employee?
 - The employer is paid a lump sum for each employee (\$7,029.60 for a full time employee and \$4,200 for a part time (less than 20 hours) employee). You need to use this to help you reach 80% of their normal weekly earnings and up to 100% of their normal weekly earnings. You do not need to pay the employee beyond more than their normal weekly earnings.
 - There may be situations (like the example above) where there is some wage subsidy left at the end of this calculation. It is not clear yet if or how any excess wage subsidy may be required to be returned to the government.
8. If I am paying my employees 80% of their salary through this time and they are not actually working, how can the difference between the government subsidy and their 80% be paid?
 - With agreement you can use an employee's sick or annual leave, paid alternate days or a combination of all of these.
9. When an employer is paying the wage subsidy, and the employee is taking leave for the shutdown period, is the employer required to pay ordinary pay to 80%, then leave from 80 to 100%?
 - The employer is required to make their best efforts to retain the employee's earnings at 80% of their normal weekly pay. As discussed previously, you can work with your employees to try and find the best way of doing this which could include using annual leave.

10. If hours are actually worked, but significantly reduced, should the employee receive payment for the hours worked plus the \$585.80 wage subsidy?
- No, if the employee is working they get paid for the work they are doing. If this is reduced hours the employer may use the wage subsidy to top their earnings up to 80% minimum and ideally 100%. The wage subsidy is designed to help the employer afford to keep people employed.
11. What happens if I receive the wage subsidy and after that time have to make my employee redundant?
- If you think that this may become a possibility then don't claim a wage subsidy for your employee for the whole time, claim the subsidy pay period by pay period so that you can be sure you don't over claim.
 - You have to make your best efforts to retain your employee if you have applied for the wage subsidy for them.
12. What happens if the isolation period ends before 12 weeks? Must the employer continue passing on the wage subsidy plus hours worked?
- The employer gets the wage subsidy to help them cover the cost of the employee's wages. If the employee returns to work during the period that the employer is claiming the wage subsidy, the employee gets paid for the work they do and the wage subsidy helps the employer pay the employee.
 - The wage subsidy isn't about isolation it is about reduced business revenue for up to 12 weeks and this is the criteria you need to meet to qualify.

Covid19 Leave Payments and Other Leave Issues

Key Information

As of today it has been announced that the COVID-19 leave payments scheme will be 'folded into' the wage subsidy scheme with the exception of essential workers. This is an evolving situation and we will provide more information on what this means and how it will be managed next week.

This scheme was put in place when there was a requirement for people to self isolate prior to the current lockdown. The rules of that scheme are below so that you can test the practices you adopted during this time, but this scheme is no longer in existence from 4pm today.

The Covid19 Leave Payment was *not* available if an employee has to self-isolate because they travelled overseas after the 16th March and have since returned.

State Sector Employee's were not eligible to receive this payment, as their employers were expected to pay their employees their normal wage/salary during periods of self-isolation. State sector organisations include:

- Government agencies
- Crown Entities e.g ACC, NZTA, Commerce Commission

- Schools
- Tertiary Education Institutions

You were able to apply for COVID-19 leave payments for your employees if they:

- needed to self-isolate (as determined by the Ministry of Health guidelines) and have registered with the Ministry of Health their requirement to self isolate,
- could not work because they were sick with COVID-19, or
- could not work because they were caring for dependents who are required to self-isolate or are sick with COVID-19.

Frequently Asked Questions

- 1 How long was the Covid19 leave payment available for?
 - a. 14 days at a time
 - b. An employer could apply multiple times (but not at the same time) for an employee who was affected more than once
- 2 If an Employee was diagnosed with Covid19 should they have used their 'normal' sick leave before they received the Covid19 leave payment?
 - a. No they did not need to use their 'normal' sick leave first
 - b. An employee may have wanted to use their 'normal' sick leave to top up their Covid19 leave payment to their normal salary
- 3 If schools and child care facilities were required to close, was the Covid-19 leave payment available? If not, was the employee entitled to take sick leave?
 - a. The COVID-19 leave payment wasn't available in these circumstances and no, it wasn't sick leave.
- 4 We are an essential service and have a staff member who was pregnant. Her midwife had advised her not to work due to the contact she would have with a lot of people (because of the type of work we do) would put her at risk. We sent her home and were not sure if she was eligible for the Covid19 Leave payment?
 - a. She was not eligible for the Covid19 Leave Payment as the Government and Ministry of Health had not indicated that pregnant women were required to self-isolate beyond the requirements for the general population at this time.
Because you, the employer, sent her home you would need to make sure she was compensated, either by agreement from her sick leave or annual leave entitlement or by paying her.
- 5 Were employees who had weakened immune systems/over 70 entitled to the leave payment when they had been asked by the employer not to work in an essential business position?
 - This situation remains unclear. If this situation applies to you please phone us for more comprehensive advice

- 6 What if an employer was an essential services provider and was allowing people to work but the employee was choosing not to?
 - If the employer has work for the employee and they are choosing not to make themselves available for work then they are on leave without pay unless you both agree that they can receive sick pay or take annual leave.

In light of today's announcement, if you believe you have made a claim under this scheme which is now not appropriate, please talk to us and we will help you come up with a plan to rectify this.

Redundancy Related Questions

1. What is the minimum redundancy period?
 - This is dependent on what is outlined in the employee's individual employment contract or their collective agreement (for union members)
2. Do you have details of a redundancy process that must be followed or would this need to be advised on a case-by-case basis?
 - We would recommend that an employer consult a professional HR Specialist, to help them through this process to ensure that it is carried out correctly and that you meet your minimum obligations as an employer
 - Details in an employee's individual employment contract or collective agreement may also outline what process needs to be undertaken
 - Here is a link to some information provided by work and income concerning redundancies at this time
https://workandincome.govt.nz/documents/eligibility/emergencies/redundancy-information-for-employers-coronavirus-.pdf?utm_source=business.govt.nz&utm_medium=newsletter&utm_campaign=special_cv_edition