

Early labour market effects of NZ's COVID Wage Subsidy Scheme (based on Maré & Hyslop, 2021, Motu WP 21-02)

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Changing labour market transition in Asia and the Pacific
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Statistics NZ Disclaimers

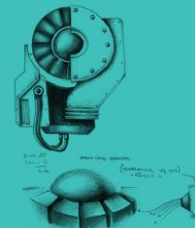
- Integrated Data Infrastructure (IDI):
These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), which is carefully managed by Stats NZ. For more information about the IDI, please visit <https://www.stats.govt.nz/integrated-data/>.
- IRD tax data:
The results are based in part on tax data supplied by Inland Revenue to StatsNZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

NZ's COVID-19 Wage Subsidies

An ad-hoc scheme in the absence of adequate policies for income and employment loss in an emergency

- A low-cost/compliance, largely trust-based scheme: to quickly distribute support, and keep workers connected to firms
- Criteria: firms *expected* to experience 30% loss of revenue over a month; to 'actively' mitigate Covid impact; & make 'best endeavour' to retain workers (@ 80+% of earnings)
- Available to all workers, including self-employed, casual, non-residents, etc
- CWS more generous than welfare benefits (~double)

NZ's CWS was one of the largest per capita schemes, with 66% coverage of employees (OECD, 2020)



COVID-19 Wage Subsidies – timeline

Original Wage subsidy (17 March – 10 June)

- \$585.80/week for FT workers (\$350/week for PT)
- 12-week lump-sum

Extension Wage subsidy (10 June – 1 September)

- 8-week lump-sum

Resurgence Wage subsidy (21 August – 3 September)

- 2-week lump-sum

Various CWS ‘Leave’ subsidy payments for workers required to self-isolate or care for others isolating

Firms applied for CWS on-behalf of workers

Data description & Objectives

Current analysis:

- LEED data, April 2019 – September 2020: contains monthly employment & earnings records
- CWS payment data, March – August 2020: contains info on applications by firm, and covered workers; and payment amounts and dates
- LEED & CWS matched using firm / worker ids

Aims:

- Selectivity of CWS across firms & workers
- Effects on Lab-Mkt dynamic adjustments

Table 1: Sample statistics: Employers

	(1)	(2)	(3)	(4)
	Observed	Observed	Observed in LEED	
	in LEED	in CWS	and CWS	not CWS
No. of firms	212,826	456,912	151,374	61,452
LEED Descriptive information				
Firm size (No. employees)	12.0		11.1	14.1
Firm size (weighted)	5,205		633	14,053
CWS Descriptive information				
SoleTrader		0.65	0.17	
Employer		0.46	0.93	
CWS claim size		3.9	9.2	
Weighted by LEED firm size:				
SoleTrader			0.09	
Employer			0.98	
CWS claim size			357	
CWS, Original			0.91	
CWS, Extension			0.32	
CWS, Resurgence			0.18	
CWS, Leave			0.28	

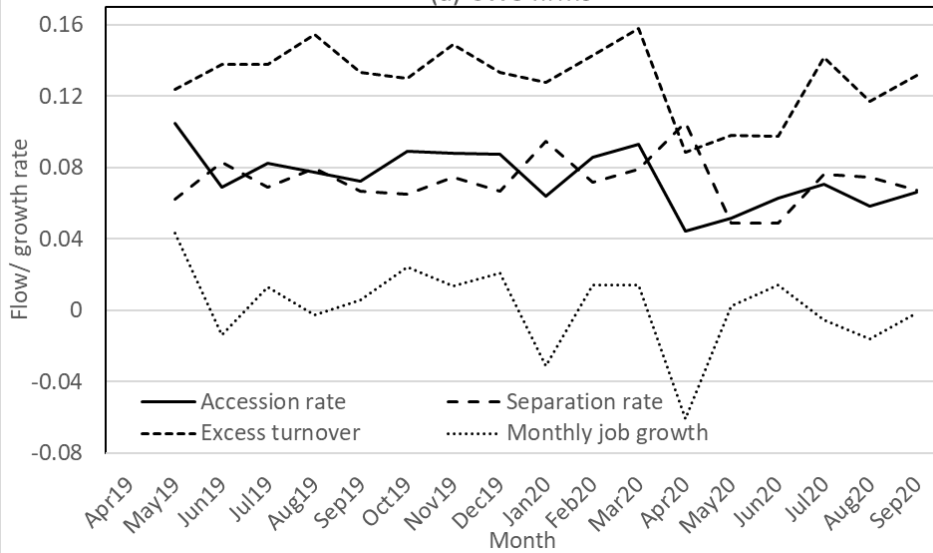
Notes: Total number of firms observed is 518,364.

Table 2: Sample statistics: Workers

	(1)	(2)	(3)	(4)
	Observed	Observed	Observed in LEED	
	in LEED	in CWS	and CWS	not CWS
No. distinct individuals	3,744,474	1,471,341	1,383,684	2,360,787
LEED Descriptive information				
No. W&S workers	2,823,180		1,360,908	1,462,272
Average (pre-April 2020)				
No. W&S months	10.2		10.2	10.1
W&S earnings	4,789		4,678	4,892
log(Avg W&S earns)	7.90		8.09	7.73
CWS Descriptive information				
CWS, Original		0.95	0.96	
CWS, Extension		0.32	0.31	
CWS, Resurgence		0.17	0.17	
CWS, Leave		0.07	0.07	
Employee demographics				
Age	40.1	39.6	39.6	40.5
Female	0.49	0.43	0.43	0.54

Figure 1: Job-to-job transitions

(a) CWS firms



(b) Non-CWS firms

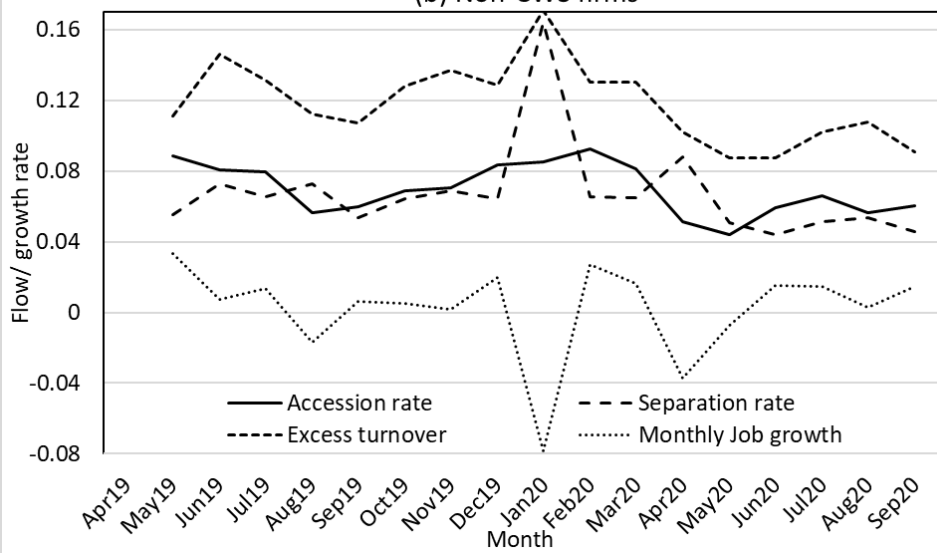


Figure 2: Labour market states

Number of people, by labour market state

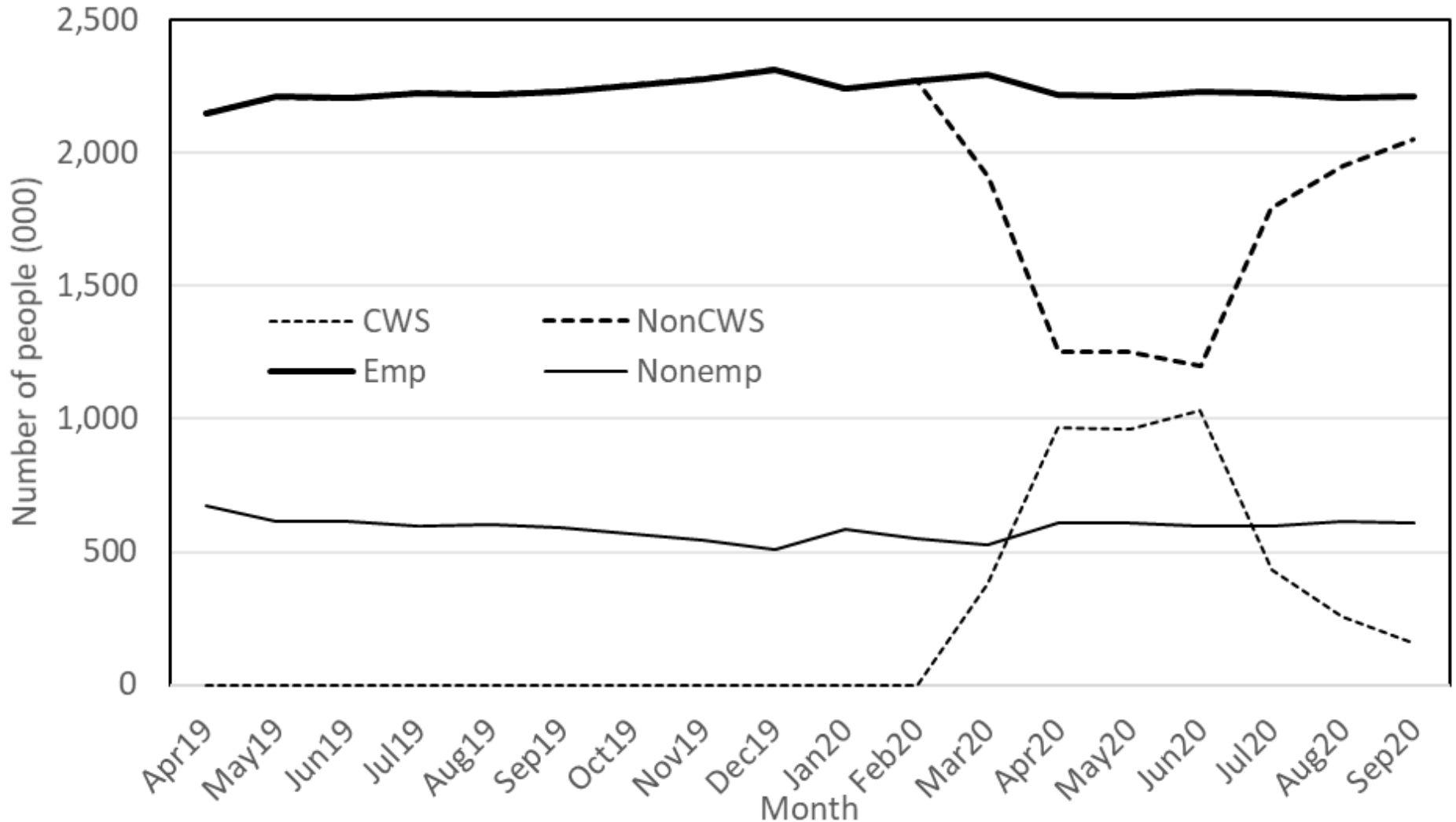
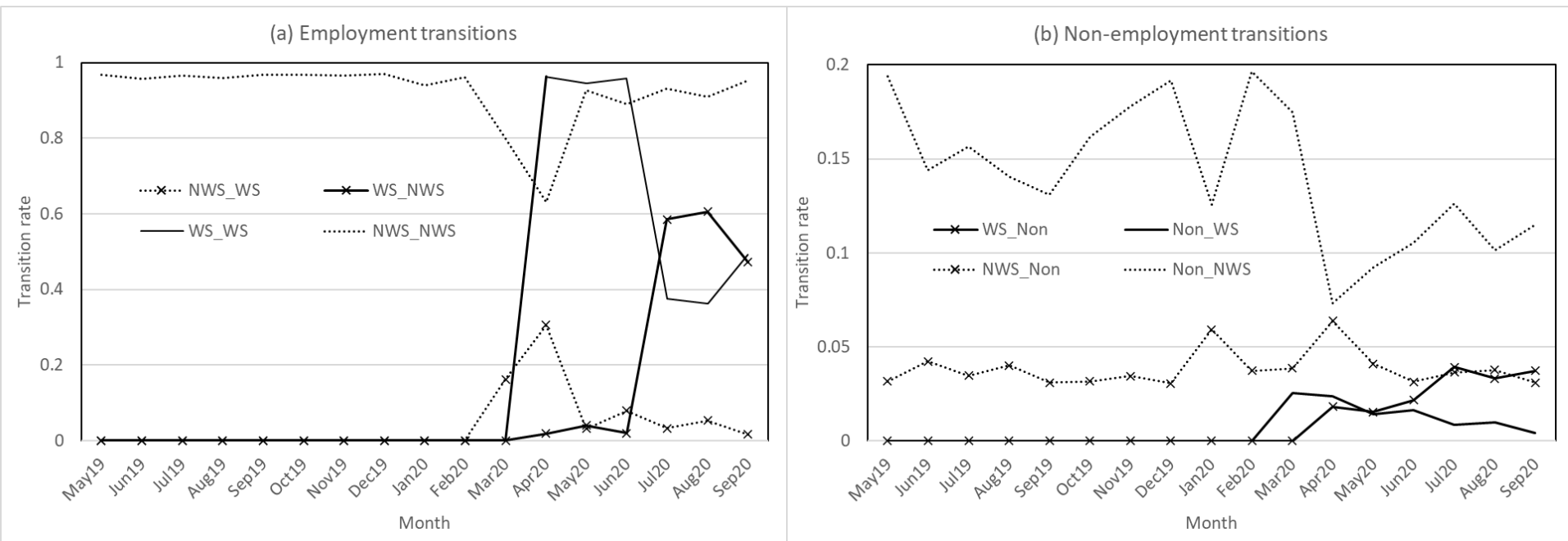


Figure 3: Employment state transitions



Discussion

CW Subsidy selective across firms & workers:

- Smaller firms and affected industries
- Greater receipt among male and younger workers

Disrupted LML flows:

- Job turnover rates fell more in subsidized firms; but excess turnover returned to ~pre-levels, while remained low in non-subsidized firms

Future work will address selectivity of receipt; and more detailed analysis of flows and job creation & destruction; etc