

**The Earthquake Support Subsidy for Christchurch's small and medium enterprises:  
Perspectives from business owners**

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**Abstract:** Following the February 2011 earthquake in Christchurch, the government enacted an Earthquake Support Subsidy (ESS) to assist small businesses. By acting as a temporary pay cheque for employees, this policy was intended to alleviate immediate financial pressure on firms, enabling them to make more measured decisions regarding their future. In the months following the earthquake, this research conducted interviews with 26 owners of Small and Medium Enterprises (SMEs) on policy perceptions and experiences, including what impact, if any, the ESS had on their business operations. Correspondence with key national agencies, as well as local business support organisations, supplemented the interviews. This article frames its findings within the larger themes of SME relationships to the public policy process. It also touches briefly on comparative policy strategies of different national governments regarding post-disaster assistance programmes for SMEs.

**Keywords:** Post-disaster business assistance, small and medium enterprise, public policy, Christchurch earthquake

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## **The Earthquake Support Subsidy for Christchurch's small and medium enterprises: Perspectives from business owners**

### **Introduction: The Earthquake Support Subsidy (ESS)**

Implementing a new public policy is usually a notoriously difficult exercise, with every step representing possible barriers where a programme could be waylaid. For example, policies may be held up in the design stage by disagreement regarding objectives, in the activation stage through lack of resources, or in the implementation stage by poor information dissemination. In their seminal study of implementation, Pressman and Wildavsky argued that effective implementation of public policy is the exception rather than the norm (Pressman and Wildavsky 1973). However, not all new policies fall into this category. This article examines an example of a public policy initiative that has received almost universal praise for its (claimed) efficient and effective delivery: the Earthquake Support Subsidy (ESS), which provided relief for Christchurch Small and Medium Businesses (SMEs) in the wake of the 22 February 2011 earthquake.<sup>1</sup> By accounts from participants across all levels of the process, the ESS appears to be a deviant case, whereby implementation ran smoothly in an atmosphere of consensus about both ends and means.

### **The ESS in the context of general SME policy**

The ESS for wage support was activated and implemented quickly, with first payments for eligible businesses received less than a week after the event. It is widely claimed that this enabled many businesses to avoid closure and to retain staff resources whilst they developed a recovery plan.

Small and medium business owners in Christchurch, as well as Canterbury business associations, have heaped praise on the ESS, citing it as "highly effective" (RecoverCanterbury, 2012b) and a measure that "saved companies" (Bell et al., 2011). But why did such positive reactions to the ESS come from a group where standard sentiments towards government policy are often negative? What was different about the ESS that distinguished it from other public policies in gaining such high approval ratings? This research uses a combination of 'policy tracing', interview data, and correspondence with key agencies, to try to explain the dynamic of this rather unusual case. It also contextualises the ESS within the larger picture of SME relationship to public policy, in order to best understand what lessons may be drawn from this example.

This article uses a definition of SMEs based on the New Zealand Centre for SME Research. This definition considers small firms as having up to 49 full-time employees, and medium-sized firms as having 50-99 full-time employees (NZCSMER, 2011). It should be noted that the New Zealand Government uses a different definition,

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<sup>1</sup> Although technically an aftershock resulting from the 7.1 earthquake on 4 September 2010, this paper refers to the 22 February 2011 event as an earthquake, in keeping with popular discourse, as well as that many Christchurch businesses experienced greater impact from the February event.

with small and medium businesses together as those with fewer than 20 employees (MED, 2011)<sup>2</sup>. It is important to note that in New Zealand, small businesses make up 97.2% of all total firms, accounting for 53% of all total employment (MED, 2011). Thus, a sudden event driven crisis facing SMEs may have a major impact on employment and associated policy action involves major political implications.

This research supports a suggestion made by a 2007 study at the New Zealand Centre for SME Research, which drew attention to the fact that business support research often focuses on the point of view of the provider (i.e. a more 'top down'), rather than on the receiver (Lewis, Massey, Ashby, Coetzer, & Harris, 2007). This project's interview data with SME owners provides such receiver data, contributing to a more balanced picture of SME support processes overall.

Before analysing the ESS process, it is helpful to briefly examine the literature discussing the broader relationship between policy environments and SMEs. Since the revival of SME studies (Birch, 1979; Casson, 1982), roughly the same time period as policy studies emerged as its own field (Hood, 1976; Montjoy & O'Toole, 1979; Wildavsky, 1979), the two subjects have evolved considerably in relation to one another. In an especially useful analysis, Dennis has suggested a typology of SME policies, defining four types of 'policy levers' that most impact SMEs. These typologies - institutions and culture, competition and intermediaries, impediments and supports, objectives and actions – all have the potential to create varying policy environments. Dennis also emphasises two additional matters critical to SME policy studies. Firstly, SME-focused policies represent only part of the picture in terms of policy impact on small firms, as many policies affecting SMEs arise from wider measures (social, financial, infrastructural) whose implementation influences the business environment for small and large firms alike. Secondly, policies designed to support SMEs often need to be distinguished from those designed to stimulate entrepreneurship, and only sometimes is it fitting to discuss these two in the same basket (Dennis Jr., 2011a, 2011b).

Stevenson and Lundström focus especially on this latter idea, highlighting key differences between a more classical SME policy and policy models that specifically support entrepreneurship. A few examples of what distinguishes SME from entrepreneurship policy may include: a focus on firms versus individuals; targeting existing businesses versus early-stage start ups; and creating a favourable business environment versus creating a favourable culture for entrepreneurs. Stevenson and Lundström also call attention to the information gap between government and SMEs, a theme which is especially relevant for this research (Stevenson & Lundström, 2001).

Henrekson and Stenkula also present entrepreneurship policy as the preferred tool for creating a business environment. Recognising SME policy as a more restrictive concept, they see entrepreneurship as doing more for a society's economic prospects, in part by not restricting firm format to a standard business model. By terming entrepreneurship a 'function', they separate it from the more traditional form of SME self-employment,

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<sup>2</sup> The Ministry of Economic Development is now the Ministry for Business, Innovation, and Employment.

emphasising entrepreneurial encouragement as a social and cultural phenomenon (Henrekson & Stenkula, 2010). Smallbone supports this notion as well (Smallbone, Welter, Isakova, & Slonimski, 2001), an indication that governmental encouragement of entrepreneurship may be a policy fashion, which many states adopt to a greater or lesser degree.

A long-standing debate in SME policy studies revolves around government intervention levels into SME market behaviour, which also incorporates concepts of productive versus unproductive entrepreneurship (Baumol, 1990). Scholars such as McIntyre advocate policies that compensate for SMEs' 'disadvantaged' position in relation to large firms. This can include barrier reduction and assistance around potential problem areas such as economies of scale, research and development resources, reduced bargaining power with financial institutions, and other issues that may confront SMEs more starkly than large businesses. McIntyre also emphasises the central importance of the 'local dimension' in designing SME policies, a factor of particular interest in the ESS case (McIntyre, 2003).

Although McIntyre's analysis relates to SMEs in transition nations, much of what he argues echoes similar analyses by Cameron and Massey in the New Zealand. They classify government SME policy as falling into two categories: laws and regulations guiding businesses towards the overall economic strategy of the day, and small business support measures. Recalling McIntyre's local dimension, this latter category tends to fall into the local arena, often increasingly so as programmes evolve, through a 'trickle down' process. Often managed by local government agencies, support programmes may include development assistance for new businesses, business mentor schemes, business seminars for upskilling, entrepreneurship training for unemployed workers, and other measures (Cameron & Massey, 1999). This emphasis on the local aspect of small business support leads naturally to a brief examination of the literature relating specifically to post-disaster business assistance, the focus of this case study.

### **SME Policy: Post-disaster Assistance**

Dahlhamer, Tierney and Webb have produced several post-disaster research projects focusing on the SME experience in the United States. A key aspect of their research is the distinction between "direct and indirect disaster impacts" on a firm.<sup>3</sup> Critically, their empirical data supports the need to include both types of interruption, showing that post-disaster effects on business are highly nuanced (Webb, Tierney, & Dahlhamer, 1999). Post-disaster assistance for SMEs in the United States is often in loan format, usually through the Small Business Administration (SBA) (SBA, 2012). In their studies of small business recovery after the Northridge Earthquake, Dahlhamer and Tierney conclude that business assistance played a minimal role in assisting with recovery

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<sup>3</sup> This value is calculated through four indicators: 1) amount of physical property damage; 2) loss of utilities; 3) business interruption; 4) intensity of ground shaking.

(Dahlhamer & Tierney, 1998).<sup>4</sup> They come to the same conclusion in their 1999 research, citing “no relationship whatsoever between the number of aid sources businesses relied on during the post-disaster period and the extent to which they recovered” (Webb et al., 1999). These are examples of implementation failure as the norm, attributable, it seems, to the unappealing nature of a loan, perhaps especially inappropriate for a small firm during a vulnerable, post-disaster time. As this article details, the NZ post disaster policy mix was radically different in this regard.

A final point of importance made by this group of researchers focuses on the positive effect a community’s actions can have on SME recovery. Following the Loma Prieta earthquake, the city of Santa Cruz in particular funnelled resources towards a long-term plan for bringing business back to the city centre. This “successful vision to facilitate business recovery” played a critical role in the Santa Cruz case, and may be seen as a key piece of the ideal SME recovery puzzle (Webb, Tierney, & Dahlhamer, 2002, p. 56).

The SME experience following the Queensland, Australia floods of early 2011 took a slightly different approach from post-disaster assistance in the United States. Although damaged businesses could apply directly to the Queensland Government for grants of either \$5000 or \$25,000 AUD (QRAA, 2010),<sup>5</sup> businesses qualified for grants only if they had sustained direct physical damage. Firms were required to provide photographs as proof of the destruction to their premises and could not claim for indirect costs borne as part of greater ecological damages to their overall business environment. A report documenting the experience of Brisbane West End SMEs following the floods sets out specific recommendations for future disasters.<sup>6</sup> These include better cooperation between State Government and local groups, state-funded legal advice to help SMEs navigate insurance claims, and expansion of funding programme eligibility to include firms suffering indirect damage. At a national level, the report recommends the creation of an SME-specific information and support portal through Centrelink,<sup>7</sup> in order to reduce the duplication of efforts and increase efficiency during any future disasters (Raynor, 2012).

The implementation failure theme is further highlighted in Runyan’s research following Hurricane Katrina. Long wait times for SBA loans and an institutional inability for local business organisations to effectively advocate on behalf of their members was typical. Runyan suggests the creation of a locally based disaster response fund specific to SME needs, so that aid may be more efficiently distributed in the future (Runyan, 2006).

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<sup>4</sup> It is interesting to note that the definition used by Dahlhamer and Tierney for small business, 20 or fewer employees, parallels that currently in use amongst New Zealand institutions (Dahlhamer & Tierney, 1998, p. 127) (SBAG, 2012a), despite the fact that common US definitions often consider small businesses to be much larger (SBA, 2012).

<sup>5</sup> This programme was set up through the Special Disaster Assistance Scheme, which is part of a national body, and approval count for the grant came in at 9,436 successful applications, totalling \$65,521,065 AUD (QRAA, 2012).

<sup>6</sup> The recommendations are classified in a 5x5 matrix: recovery stage (prevention, preparation, response, recovery, reflection) by origin of action (individual/private sector, community/local, city, state, national).

<sup>7</sup> Centrelink is Australia’s social services through the Department of Human Services ([http://www.humanservices.gov.au/customer/information/centrelink-website?utm\\_id=7](http://www.humanservices.gov.au/customer/information/centrelink-website?utm_id=7)).

Whether via cross-national learning or purely endogenous options searches, many of the recommended features from the above studies were in fact present in the ESS, to which we now turn.

### **Case Study: The Earthquake Support Subsidy (ESS)**

The 22 February 2011 earthquake had a magnitude of 6.3, coupled with an unusually high shaking intensity centred only 6 kilometres from the centre of Christchurch (Bradley & Cubrinovski, 2011). This combined effect caused far greater damage to the central business district and surrounding commercial areas than the region's September 2010 event.<sup>8</sup> On February 23rd, the Minister of Civil Defence declared a state of national emergency that continued for 10 weeks (HansardPapers, 2011; RebuildChristchurch, 2011b), the longest ever continuous state of emergency in New Zealand.<sup>9</sup>

On 24 February, Finance Minister Bill English announced the creation of a business support package. His statement made specific mention of consultations with Christchurch "community and business leaders" in order to design a support programmes to meet their specified needs (English, 2011). Thus, the initiative was not entirely 'top down' in that some, albeit rushed, consultations took place.

The ESS, as part of the Christchurch Earthquake Support Package, was announced on February 28, less than a week after the earthquake. The ESS policy package allotted six weeks of financial support for small businesses, a step "designed to get people through the next six weeks" as the Government considered what actions were needed in the "medium-term" (NZGovt, 2011b). The programme was administered by the Ministry for Social Development (MSD) and implemented through Work and Income. From a business owner's point of view, its primary points of importance included:<sup>10</sup>

- Earthquake Support Subsidy - for employers who believe they are going to remain in business and want to retain staff: \$500 gross per week for full-time staff; \$300 gross per week for part-time
- Eligible businesses - New Zealand owned businesses based in the Christchurch City Council area that are unable to access the workplace due to damage, a cordon, or the unavailability of essential services, or that can open but are experiencing significant loss of trade
- Applications open as of 28 February via Work and Income (via website, telephone, service centres), with the first payments to be in bank accounts by 2 March (MSD, 2011)

By 2 March, Work and Income vans had begun moving around Christchurch, providing application assistance to those who were having trouble filing any other way. Minister of Social Development Paula Bennett said the programme was getting "good feedback from relieved employers", and by 4 March total claims had

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<sup>8</sup> Although a small business support subsidy was also put into place following the 2010 earthquake (MSD, 2010), the research that inspired this article conducted interviews following the 2011 event only.

<sup>9</sup> The state of emergency declared after the 2010 earthquake was at a regional level and lasted one week (MCDEM, 2011).

<sup>10</sup> Job Loss Cover for employees whose employer did not claim on their behalf was also included in both the first and second round ESS but is not the focus of this report.

already reached \$38 million - 5,000 employers covering 26,300 staff, and 5,200 sole traders (Bennett, 2011b).

On 28 March, the government extended the ESS, adding two weeks to the original six. Following this, ESS was renewed for a further 6 weeks, albeit under restricted criteria. Businesses had to reapply for the second ESS round, which was operated with reduced eligibility conditions. Most notably, ESS would no longer be available for businesses that could operate but were experiencing a loss of trade. The second round of ESS would be open only to businesses whose physical operation was directly impeded by earthquake-related barriers. To qualify, a business had to have received ESS round one, and needed to "demonstrate ongoing viability to a business recovery co-ordinator". Round two also included reduction of subsidies gradually throughout the six weeks (MSD, 2011).

ESS availability ended on 26 May, with over 8,000 businesses accounting for almost 47,000 employees, having claimed the subsidy. In total, including sole traders, \$185 million was spent on the 2011 ESS. In Bennett's words, these numbers represented a great number of employees that had stayed in touch with their employers, who were in turn given the "breathing space needed to get back on their feet" (Bennett, 2011a).<sup>11</sup>

The 2011 report from the Small Business Advisory Group corroborates the efficiency of government actions taken towards small business support, applauding the ESS and noting approvingly how stakeholders were consulted during the planning stage (SBAG, 2012a, 2012b). Moreover, in October 2011, a key stakeholder in the process, Peter Townsend, CEO of Canterbury Employers' Chamber of Commerce (CECC) referred to the ESS as a measure that affected 27% of the local workforce, citing the policy as:

Money [that] was pumped in on a *high-trust* basis ... saved companies and it saved jobs... Christchurch has lower employment rates than the rest of New Zealand, even in the face of the biggest natural disaster to ever hit our country. A lot of the credit for this has to go to the fact that these companies were able to have time, 8 weeks, to think about their options and not worry about their cash flow (Bell et al., 2011).<sup>12</sup>

Without conducting a separate study on the political decision-making process within the government, it is difficult to draw conclusions about the rationale behind the creation and adoption of the ESS. This article's focus on SME owner response precludes further political analysis of the ESS and next turns to interview data, which echoes Townsend's sentiments entirely.

### **SMEs and Public Policy: Contrasting Perceptions**

This research conducted 26 interviews with owners of Canterbury SMEs (23 of which were based in Christchurch city) between 4-7 months after the February event.<sup>13</sup> Respondents were first approached through

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<sup>11</sup> Those businesses that received insurance payments for the same claims they had already filed through ESS were obligated to pay back the ESS subsidy.

<sup>12</sup> Emphasis added

<sup>13</sup> It should be noted that, as the situation following a natural disaster is uncommonly dynamic, conditions present at the time of an interview might well have changed shortly thereafter. As the interviews were conducted over a period of time, the later respondents had

local business organisations and, when this failed to produce sufficient interview numbers, through extended personal and professional networks. Interviews were semi-structured and whenever possible took place on the firm's premises. Firms ranged in age from 1½ to 60 years, and in size from 1 to 30 full-time employees.<sup>14</sup> Although the sample was not sector specific, all standard industry classifications were represented, and an attempt was made to balance respondents across sectorial fields.<sup>15</sup>

Table 1.1  
Interview sample by size

FTEs	Number	Percentage
1-5	11	42%
6-49	13	50%
50-99	0	0%
99+*	2	8%
<b>Total</b>	<b>26</b>	<b>100%</b>

\*Both firms with over 99 FTEs were in the manufacturing sector

Table 1.2  
Interview sample by age of firm

FTEs	Number	Percentage
<5	6	23%
6-10	4	15%
11-20	12	47%*
20<	4	15%
<b>Total</b>	<b>26</b>	<b>100%</b>

\*Artificially rounded up to reflect a full 100%

Additional demographic data not represented above includes:

- Nine respondents (35%) had previously run other firms prior to their current business, of which 7 had owned other firms only in Canterbury.
- Only 2 respondents (9%) were women
- Only 1 respondent (4%) had ceased operation since February 2011

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recovered for almost twice as long as those who were interviewed earlier in the process. Such recovery with time is a natural process and controlling for it in such a small study was not realistic.

<sup>14</sup> Two firms, both in the manufacturing sector, had 125 and 500 full-time employees, respectively.

<sup>15</sup> Sector definitions are based on Department of Labour's simplified "industry grouping" of the more detailed ANZSIC classifications (DOL, 2012) (StatNZ, 2012).

Interviews focused on the overall public policy experience of SME owners, covering such topics as: experience with policies and government programmes, recent policy changes and associated obstacles, relationship to and strategies regarding compliance costs, and the effects of one or both earthquakes on all of the above. Respondents were also asked to assess their own individual patterns of interaction with public policies, including: self rank of 'up-to-dateness', most valued information sources for policy information, the interaction of their individual business challenges/successes with the policy picture, impressions of which government level made most policy decisions, and respondent level of involvement with representative business organisations. Transcript data was coded according to the theoretical framework guiding interview questions (Gunn, 1978; Mazmanian & Sabatier, 1983; Montjoy & O'Toole, 1979), with a focus on the policy experience of SME owners. Several of the key findings are summarised in the tables below.

Table 2.1<sup>16</sup>

Self rank	'Up-to-dateness' on policy changes
0-3*	12%
4-6	15%
7-10	73%
<b>Total</b>	<b>100%</b>

\*One respondent answered 0, the reason for its inclusion here.

Table 2.2

Response	Belongs to business association	Has taken policy action (letter writing, phone calls)
yes	62%	73%
no	38%	27%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Table 2.3 – Sources for policy information

Ranked	Business /	Internet/	Accountants/	Friends/	Other	No	Total
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<sup>16</sup> Respondents were asked to rank themselves on a scale of 1-10 in terms of current policy knowledge, where 1 meant 'not at all up to date' and 10 meant 'very up to date'. This technique is common in qualitative research and is valid so long as the scale against which respondents are answering is clearly explained to them (Gschwend & Schimmelfennig, 2007; Krosnick & Fabregar, 1997).

usefulness of sources	industry association	websites	lawyers	industry colleagues		response	
Primary	35%	19%	4%	0%	35%	7%	100%
Secondary	27%	12%	8%	19%	19%	15%	100%
Tertiary	15%	8%	19%	4%	15%	39%	100%

Additional findings not represented above include:

- 73% felt that changes generally occurred at a national, rather than at a regional or local level
- 62% belonged to sector-specific or general business associations

Both the high occurrence of letter writing/phone calls, and the involvement with representative organisations, indicate a degree of active engagement amongst the respondents. In this sense, the interview sample did not represent passive recipients of public policies.

Although interviews focused on SME relationships to public policy in general, several questions explored how this relationship had changed following one or both earthquakes. From these, ESS emerged as a deviant case, distinguishing itself by the markedly positive reaction respondents exhibited towards it, compared to the negative attitudes towards nearly all other public policies. In order to highlight the divergence in respondent reaction to the ESS as opposed to other public policies, the negative comments are presented first, followed by the contrasting positive statements surrounding the ESS.

Negative policy perceptions referred not only to government ministries but also to organisations such as Business NZ and New Zealand Trade and Enterprise (NZTE), as well as public sector employees in general. These types of responses clustered around several key themes, nearly all of which displayed a common characteristic of negative SME owner attitude towards the policy issue at hand. One motif took the form of cynicism towards government actors, with a reoccurring belief that policy makers had no true desire to improve the business climate for SMEs.

I think accountability of bureaucrats is our biggest problem. There is zero accountability (Interviews, 2011, Interview 2).

I don't think there's any great desire to make life simple! (Interview 21)

[Policy is] compliance driven rather than what is a good client outcome here, what are the boxes to be checked here. I just despair at this type of approach to be quite frank (Interview 10).

Another, related theme focused on what respondents saw as a lack of experience amongst policy actors.

Many of the policy developers are politicians who haven't run businesses and are dealing with the problem from the problem's perspective rather than dealing with the problem from the business and operations end perspective (Interview 16).

[Policy makers are] people sitting behind desks who don't actually understand it (Interview 20).

An especially distinct theme was a lack of clear communication channels coming from policy sources, a reflection of Stevenson and Lundström's aforementioned 'information gap'. Sometimes SME owners perceived this to be in the form of insufficient communication, at other times it was information overload, or unclear presentation of policy details. One respondent characterised this as "iffy, iffy information" (Interview 1). Others spoke about their perception of policy information shortcomings.

They're probably falling a bit short in the communication side of it, or if it's not short in the communication side then maybe it's short on the nuts and bolts of what beverage providers are actually looking for from such an initiative, which is route to market, distribution hook ups (Interview 3).

In terms of information, when I go to Govt.NZ, any one of their sites, it would be great to have a user friendly site ... something less formal than what they've got now, where you end up trying to read something and you have to read about 20 pages. You end up thinking ok, I've only got 10 minutes and I'm only doing this because someone told me I should do this but it's often just too hard to find it. But if there was an avenue to get to the bit you were interested in quickly, you would read it then (Interview 5).

There are policies out there that businesses aren't aware of (Interview 11).

It is important to note that even the few comments that were not of an explicitly negative nature were at best neutral, perceiving the public policy process as an inevitability, though without praising it.

But really we don't have much say in it ... we just have to comply with those costs and make that happen (Interview 12).

They [policies] come out, We abide by them and just carry on.... There isn't really anything that comes into play that is really detrimental to us (Interview 25).

The clear picture that emerges is that SMEs tend to be sceptical about the benefits of public policy initiatives and overtly cynical about the motives of public officials. In this negative context of SME policy perceptions, respondents' positive reactions to ESS look decidedly odd.

### **SME Perspectives of ESS**

In contrast to other policies discussed during interviews, reactions to the ESS stood out as having a favourable rating amongst those who had participated in the scheme. Especially notable was business owner approval for the policy's implementation efficiency (though it is important to note that there can be a big difference between efficiency and effectiveness), which they considered atypically prompt.

Of 26 respondents 19 were eligible for ESS, 5 of which cited their participation in the subsidy programme.<sup>17</sup> Every single business that participated in ESS spoke well of the programme, highlighting their appreciation of what ESS did for their businesses, through statements such as:

The speed of the decision to provide the subsidy was a critical factor in us not making any staff redundant. If the situation had gone on longer we would have inevitably had to make some decisions about staff levels given the current work levels and likely work levels going forward. The decision to provide the employee subsidy meant that the status quo could be maintained until we could assess work levels going forward (Interview 21).

I was particularly impressed around interruption grants for our staff, we were able to pay our staff while we were shut, and we got paid that night! It was great, it took the pressure off (Interview 11).

The subsidy we received helped greatly and was a major contributing factor in saving our business (Interview 5).

That really saved bedlam out there. It just gave people breathing space, so it was good (Interview 15).

Business owners who received ESS also recognised its importance beyond their individual firm, especially in terms of overall health of the regional workforce.

The government subsidy was sensational. I don't think a lot of businesses wouldn't have got by without it (Interview 9).

Quite apart from sustaining our business, the subsidy meant that employees had confidence that they would continue in work and that no hasty decisions had to be made. Given the above, quite apart from the economic benefits, there was a huge social benefit in taking the employment worry from the front of employees' minds and allow them to focus on getting their lives sorted to the extent that it was possible (interview 21).

Subsidy recipients linked receipt of the subsidy to the government in a positive way, praising decisions made at a national level in a way radically different to perceptions of public policy more generally.

The general response from the government around the earthquake has been fantastic, that could be then adopted into lots of different areas, because it was communicated well, it was easy, all the things that policy around business usually isn't, so that was a good benchmark... I think it's the first time I've felt any support and ease in dealing with the government since I went into business (Interview 11).

And finally, comments from some SME owners showed that they understood the long-term policy importance of ESS:

When the subsidy finally ended we were in a far better position to make decisions about staffing levels and the amount of work going forward. Decisions could be made in a more objective and analytical style rather than an emotional reaction to a disaster (Interview 21).

When set in the context of SME perceptions of public policy more generally, these positive perceptions of

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<sup>17</sup> Of ESS eligible firms 26% received the subsidy.

ESS appear as a deviant case. Compared to other policy measures, the ESS was unusual in being well received by SMEs. What factors contributed towards this high approval for ESS compared to other public policy initiatives?

## **Discussion**

The most obvious explanations of ESS as a deviant case are probably the combination of ESS's low entry barriers and relatively high returns, as well as the programme's very rapid implementation. Accessing the ESS was a simple, straightforward process. The short application process would have been attractive in any circumstance, but had an added advantage during times of extreme crisis when SME owners were under huge personal pressure. Thus, ESS had very low *transaction costs* for applicants. Moreover, policy *content* (and, therefore, incentive structure) was also important in that the ESS combined two key policy design features particularly favourable to SMEs which were absent in either the United States or Australian examples. First, the subsidy was in the form of a direct grant rather than a loan. Secondly, the grant was available for all businesses experiencing a decrease in trade, regardless of direct physical damage. For SMEs, the ESS was a perfect piece of policy design, namely very low transaction costs and widely available, attractive cash returns.

Effective communication processes were a further factor contributing to SME owner approval of the ESS. Communication output surrounding the ESS was especially concentrated, accessible through the Ministry of Social Development and its associated Work & Income website, further strengthened by frequent national press releases. Considering that interview respondents commonly complained about difficulty finding general policy information within decentralised sources, the consolidation of ESS communication output would have been a welcome difference. A further, earthquake-related factor was that people all over Canterbury had become 'information seekers' and were more tuned in to information channels than previously. Thus, not only was the messenger (government) behaving differently, but so were the intended recipients. Word of mouth no doubt played a role as well, as interview data shows that many respondents consider informal networks one of their main information sources. Business networks and associations also played a key role in spreading information about the ESS (see below).

Another likely factor is the positive psychological impact of a policy like the ESS. This type of benefit is more difficult to quantify, but probably played a supplemental role to the direct financial assistance in 'saving' the business community. Although this research does not explore in depth the emotional responses connected with receiving the subsidy, the sense of support experienced by ESS recipients was probably not limited to monetary support. For many SMEs who participated in the ESS scheme, receiving those payments for 6, 8, or 14 weeks demonstrated that there was concern for their plight. In an SME policy environment where the sense is so often that the government does not care enough, the ESS no doubt appeared as an infrequent, and welcome, example of the government protecting its small firms. Several local stakeholders, both the Canterbury Employer's Chamber of Commerce (CECC) and Recover Canterbury, worked closely with recovering businesses, gaining an intimate

knowledge of how ESS was impacting local SMEs. Both have drawn attention to these positive psychological side effects.

Over a year after the subsidy had ended, Recover Canterbury Business Manager, Michaela Blacklock, said of the ESS:

Recover Canterbury had contact with around 8400 Canterbury businesses, many of whom received the Earthquake Support Subsidy. The overwhelming response we had from businesses that received this subsidy is that it was one of the most critical pieces of support they received following the February earthquake, with some businesses going so far as to say it was the subsidy that saved their business from certain closure. The key aspects of the subsidy that made it so highly effective was the fact it was implemented so quickly following the earthquake, and the simplicity and flexibility around the application process. The fact that the subsidy went to the business for them to pass on to staff also empowered employers and helped keep employment relations intact. The psychological impact of the subsidy can also not be underestimated. At a time of immense need and trauma, the subsidy demonstrated to the business community that the Government was right behind them, providing immediate support and encouragement to overcome the disaster we had all faced (RecoverCanterbury, 2012b).

And CEO of CECC, Peter Townsend, speaking at the Faultline Forum in October 2011, elaborated on the early stages of the ESS as a positive impact on the business community.

Post February 22nd, the Government pumped 200 million dollars into the Christchurch business community, binding the businesses and employees together and ensuring that the businesses can concentrate on things other than survival. They can think about relocation, they can think about their markets, they can think about adapting their business models, they can think about renewing their supply chain (Bell et al., 2011).

The importance of both organisations may also be viewed in light of the aforementioned 'positive effects' of community action, as the impact of both organisations no doubt contributed to a greater sense of regional recovery.

### **Other Support Measures**

Recover Canterbury and the CECC both also provided additional support measures for affected businesses: free business planning advice; the Canterbury Business Recovery Trust Fund, which provided a "cash injection" to eligible struggling businesses (RecoverCanterbury, 2012a),<sup>18</sup> and working with Red Cross funds to set up the Independent Advice for Small Business grant.<sup>19</sup>

Local business assistance initiatives were not limited to CECC and Recover Canterbury. Westpac set up a Business & Community Hub to provide office and administrative resources (WestpacBusinessHub, 2012b),<sup>20</sup> and

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<sup>18</sup> At the time of this article's writing, the Trust had administered grants or loans to 352 businesses, totalling \$5.5 million. This information was provided through conversations with Recover Canterbury (RecoverCanterbury, 2012b).

<sup>19</sup> This particular grant was limited to firms with fewer than 10 full-time employees, and at the time of writing, 250 businesses had receive the one-off payment of up to \$750 (RecoverCanterbury, 2012c).

<sup>20</sup> The Hub opened in August 2011, with an original plan to be open for 18 months (NZPM, 2011). At the time of writing, 16 months on from opening, it was still in operation (WestpacBusinessHub, 2012a).

the Inland Revenue Department (IRD) extended tax return deadlines on a rolling, case by case basis for affected Canterbury businesses (IRD, 2011). The Ministry of Economic Development (MED), together with New Zealand Trade & Enterprise (NZTE) also created a series of measures, including an exporters fund and promoting internationally the message that Christchurch and Canterbury were still open for business (NZGovt, 2011a; RebuildChristchurch, 2011a).

This article mentions these additional measures in order to emphasise the fluidity of the post-earthquake business support environment. Although specific research has not yet been conducted on the connections between different support programmes, their *interaction* effects with the ESS should be considered as possibly contributing to a general 'feel good' factor. Positive SME owner experience with any of the available business assistance options could have resulted in positive feelings towards all such programmes. During the unique time period following the February earthquake, SME owners may not have differentiated too much between sources of assistance, a factor which could also have contributed to the high approval rating of the ESS itself.

### **Limitations of the research**

As with any research, this study has its limitations. Gender distribution across interviews was imbalanced, with only 2 females amongst the 26 respondents. Additionally, only 1 of the 26 respondents interviewed had been forced to close his business following the earthquake. This latter issue represents a wider knowledge gap concerning post-disaster business surveys in general. Most research projects base their findings almost exclusively on businesses that are still operative, with virtually no data available for businesses that receive support and then cease to operate shortly thereafter. This shortcoming is not unique to the Christchurch case, the same weakness is acknowledged in similar studies (Dahlhamer & Tierney, 1998; Webb et al., 1999). This lack of data is understandable and gathering it may not be a practical undertaking. The methodology alone of how to locate previous owners poses a problem, to say nothing of possible emotional reactions, or simply a general reticence amongst failed business owners to discuss the issue. However, understanding how financial assistance policies work to promote small business recovery after a natural disaster could be much improved if empirical data existed for this group of virtually non-surveyed businesses.

Additionally, most post-disaster business surveys do not contextualise their results in terms of firm representativeness and conditions prior to a given event. Despite knowing a lot about how Christchurch businesses are coping with post-earthquake difficulties, little is known about firms' answers to the same questions on 3 September 2010, before the first of the earthquakes began. Trying to gather control data in anticipation of a natural disaster requires either endless amounts of time or good fortune. But the question must be asked, regardless, just how solid current understanding of business support measures truly are, considering everything that still is not known. At the very least, follow-up reports and surveys to business subsidies such as ESS should

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be more forthcoming with where lacking data may be presenting an inaccurate picture. In order to more fully assess the impact of post-disaster business assistance policies, these types of missing data are imperative.

## **Conclusion**

However, none of this mars the fact that the sample of interview respondents from this research viewed the ESS in a positive light, a position which was in direct contradiction to prevailing SME attitudes towards other public policies. The quick activation of the ESS was a key factor, as was the fact that the New Zealand Government designed the ESS above and beyond post-disaster assistance levels provided to small businesses by other governments. Local business networks and additional recovery initiatives also played a key part in supplementing the ESS' impact.

How do the positive opinions of those business owners who benefitted directly from the policy translate into a larger assessment of policy impact? Will the ESS contribute to long term economic gain or does it represent more of an 'agenda management' policy, where the speed of solving the problem takes precedence over all else? By incorporating these more theoretical questions into the empirical data presented here and in other studies, researchers may begin to answer the most important questions relating to the ESS' lasting effects on Christchurch SMEs. Did the policy save businesses that might better have been left to fail? Might the funds spent on ESS have been used more efficiently through other channels? As longer term effects become more identifiable with time, answers to these questions may become clearer.

If, on the basis of the evidence which we have, the ESS was a 'success', can we draw any conclusions about the extent to which its two key characteristics might be replicated, so that public policy generally is better received by SMEs? Clearly, lowering transaction costs is a major requirement if public policy is going to help SMEs. Similarly, creating an effective incentive structure is equally important. The former is likely to be easier to achieve than the latter. Lowering transaction costs might be achieved through a more customer focused (bottom up) policy-making process. However, replicating the very attractive incentives in the ESS raises much bigger problems for governments. Handing out public cash so easily, with no proper evaluation of its additionality or effectiveness, is high risk. In the Christchurch case, the Government had little option. It had to be seen to 'do something' and even a policy which might have been a mere placebo (Richardson, 1982) was politically necessary. These quick moves by the government, combined with recipients' positive policy perceptions sets the ESS apart from an SME owner's typical policy experience. Thus, the ESS remains an interesting case and certainly has important lessons for governments in post natural disaster situations.

Despite not yet being able to comment on its overall economic impact, there is plausibility about the argument that the ESS indeed saved many Christchurch businesses from having to close their doors permanently. It allowed firms space to take stock of the difficulties facing them, while maintaining their most valuable asset, their staff. And it allowed employees to deal with their own earthquake-related issues, without the added stress of

pay cuts or redundancies. For those SMEs who received it, the ESS also represented a rare positive experience with government policy initiatives. This of itself may be a noteworthy outcome of the ESS, as the positive impression it left on beneficiaries may resonate into the future.

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