

Government plans to rejuvenate the UK labour market

This article considers some of the Government's main proposals which are still to come.

14 September 2020

This article is taken from September's public matters newsletter. [Click here to view more articles from this issue.](#)

There is no doubt that the Covid-19 pandemic has already had a significant impact on the UK labour market and the overall economy. Figures from the Office for National Statistics show that for the first quarter of 2020 (January to March) there were just over 107,000 redundancies reported, with the figure for the second quarter (April to June) increasing to just under 134,000.

As of mid-August, it is estimated that upwards of 9 million jobs from over 1 million employers had been retained through the current Coronavirus Job Retention Scheme. However, as we approach the end of the third quarter, it is likely that number of redundancies will have risen again as organisations who announced in previous quarters that redundancies were to be made come to fruition and financial support schemes implemented by government begin to wind down (including the Coronavirus Job Retention Scheme which sees the level of financial support reduce each month from 1 August until it closes on 31 October and the Eat Out to Help Out scheme which ended on 1 September).

Predictions by the Office for Budget Responsibility are that up to a further 1.8 million people could lose their jobs in the months following the end of the Coronavirus Job Retention Scheme. Similarly, the Bank of England predict that the UK unemployment rate will rise to 7.5% by the end of 2020, up from a rate of 3.9% during the first and second quarters of 2020. If these predictions prove to be correct, then the unemployment rate will rise to close to the peak levels of 8.4% during the recession following the 2007-8 financial crisis.

The Government released the policy paper '[A Plan for Jobs 2020](#)' in July which outlined the new measures and schemes that will be put in place to help retain, support and create jobs. This article considers some of the Government's main proposals which are still to come.

Job Retention Bonus

The Job Retention Bonus is a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed and paid an average of at least £520 a month between 1 November 2020 and 31 January 2021 (a total of at least £1,560 across the 3 months). Further information can be [found here](#).

As payments will only be made to employers in respect of those employees who had been furloughed through the Coronavirus Job Retention Scheme, there will be little direct benefit for many public sector bodies or their suppliers who were unable to utilise the scheme. In practice it is unlikely that a payment of £1000 will be sufficient to persuade struggling businesses to retain employees where there is not a business need to maintain staff levels, meaning unemployment is likely to increase, particularly in areas which are reliant on tourism and the general hospitality trade (who typically experience lower revenue over 'off-peak' winter months).

Kickstart Scheme

The Kickstart Scheme aims to offer high quality 6-month work placements for those people who are aged 16-24, on Universal Credit and are deemed to be at risk of long-term unemployment. Central government will fund 100% of the national minimum wage for 25 hours per week (plus the employer's associated national insurance and pension contributions) for each person employed through the scheme.

The Kickstart Scheme went live for applications on 2 September 2020 and it is anticipated that the first placements under the scheme will commence in November. All types of employer can apply to be part of the scheme, but only if they are creating new job vacancies. Therefore, employers cannot use the scheme to fill existing vacant positions or planned vacancies in the future, nor can any current employees or contractors lose their employment or have their hours reduced as a result of the scheme. Instead, employers must create new jobs if they are to benefit from the scheme. Additionally, any employer seeking to apply for the scheme must be able to offer at least 30 placements, otherwise they will need to form a group with other organisations.

Although the Kickstart Scheme will primarily be administered through Jobcentre Plus (particularly at an individual level), local authorities will still have a large role in facilitating the scheme from an employer's perspective. This could arise through connecting smaller employers together to form groups enabling them to offer the required 30 placements. Likewise, local authorities could partner with other organisations to achieve the same goal and of course, as local authorities are large employers, they could apply to offer placements solely on their own. More information about the scheme and how to apply can be [found here](#).

Other notable measures

In a similar vein to the Kickstart Scheme, the government have sought to create new opportunities through the expansion of existing schemes. Examples include:

- **Financial incentives for employers to hire new apprentices.** For each new apprentice hired between 1 August 2020 and 31 January 2021, employers will be eligible to receive two payments of up to a total of £2000 (depending on the age of the apprentice and length of the apprenticeship). This incentive is in addition to existing incentives, such as the £1000 for taking on apprentices aged 16 to 18 or those aged under 25 who have an Education Health and Care Plan or who have spent time in local authority care.
- **An additional £111 million to increase the number of traineeships available.** As a result, traineeships will be expanded to cover qualifications up to level 3 (akin to a higher education diploma or A-level qualification) and be offered to individuals aged 16 to 24 (previously for those 19 to 24). Additionally, employers receive a payment of £1000 for every trainee they take on work placement.
- **An additional £17 million being invested into the sector-based work academies programme,** which aim to assist young people receiving unemployment benefits to apply for jobs and secure employment. This is achieved by providing opportunities for pre-employment training, together with short-term work experience (up to six weeks) and at the end of the placement, either a job interview for a vacant position or assistance with recruitment processes.

Observations from the above-mentioned Government proposals are that the measures are potentially too short-sighted and that they are funded from central government through existing support mechanisms (such as Jobcentre Plus and education institutions). They are based on a 'v' shaped recovery post lockdown, which did not materialise after the 2007-8 financial crisis. This recovery prediction has been criticised as overly optimistic, and the country may face a much slower recovery.

The proposals in relation to the Kickstart scheme, sector-based work academies, apprenticeships and traineeships are designed to create short term employment opportunities of up to 6 months, predominately for those aged under 25. The idea being that younger workers entering the workforce or who have lost their jobs because of the pandemic would have opportunities to train (or retrain) and try to secure permanent employment by entering sectors where there is a demand for new workers.

These schemes rely on organisations being in a position to create and sustain new jobs opportunities, so although the number of people seeking vocational training will increase, there might not be the work placements available to fulfil the schemes. Additionally, the current proposed schemes target those under the age of 25 and those who are receiving unemployment benefits. As a result, the current measures do little, at least not in the immediate short term, to assist people over the age of 25 who have been made redundant due to the impact of Covid-19.

Furthermore, monies from central government to be invested in these schemes will flow through their existing providers, which is sensible because the demand for the services of jobcentres and education and training providers should increase. Although, as of yet, no additional monies have been earmarked for local authorities to help facilitate the implementation of the schemes; adding pressure to already stretched resources. Nevertheless, as focal points for many communities, there will be an expectation for local authorities to lead the way by generating new job opportunities either directly themselves or indirectly through local investment (such as capital projects).

Contact



Sam Trevorrow

Associate

Sam.Trevorrow@brownejacobson.com

+44 (0)330 045 2531

Related expertise

Services

Employment