

Job retention bonus

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04 August 2020

Please note: the information contained in this legal update is correct as of the original date of publication.

On 8 July, the Chancellor outlined his plans for a Job Retention Bonus, with details of the bonus scheme due to be published by 31 July. True enough, further details were released on 31 July, albeit that these further details refer to there being further further details (or detailed guidance) to be released in September.

The aim of the bonus is to incentivise businesses to retain employees who have previously been furloughed when the Coronavirus Job Retention Scheme (CJRS) finishes at the end of October 2020.

What are the basic principles?

- The Government will pay a one-off payment of £1,000 for every employee who was previously furloughed and for whom a claim was submitted under the CJRS who remains continuously employed through to 31 January 2021. The payment will be taxable.
- Eligible employees must earn at least £520 per month between 1 November and 31 January; this can be averaged but there must be at least some earnings each month. At National Living Wage rates, this is just shy of 60 hours per month.
- Claims can only be submitted after PAYE has been completed for January; payment will be made in February.
- Employees cannot be serving a contractual or statutory notice period which commenced prior to 1 February 2021.
- Detailed guidance as to what will count as earnings will be provided in September; however, only earnings recorded through HMRC Real Time Information will count.
- Employers may be able to claim for those employees who transferred to them as a result of TUPE or under PAYE business succession rules, or where there has been a transfer of a business in compulsory liquidation. However, the new employer must have furloughed the transferred employees and claimed under the CJRS.

Although well received by some businesses, the bonus has also come under some criticism, with Labour calling for a review on whether the bonus scheme represented value for money for the taxpayer. The Institute for Fiscal Studies said that most of the money allocated for this bonus scheme would be spent in respect of jobs which were “safe”. This is because all businesses who have furloughed staff will be eligible, regardless of whether they had any plans to make redundancies. Research conducted by IFF Research concluded that whilst three quarters of businesses who had furloughed staff anticipated claiming the bonus, only a fifth expected it to have any impact on the numbers of staff they brought back. A number of employers have publicly stated that they won't claim the bonus with others stating that they would await full details of the scheme before reaching a decision.

Given the amount of the bonus and the length of continued employment required to be able to claim it (1 November to 31 January, plus the length of the contractual/minimum statutory notice period), it remains to be seen how effective this will be as a tool for avoiding (or delaying) redundancies.

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