

With Phaseout of Wage Subsidy Scheme, UK Announces Rehiring Bonus

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Original post [here](#).

On [July 8](#), to compensate for the phaseout of its wage subsidy scheme for furloughed employees, the UK announced a Job Retention Bonus program that incentivizes firms to return those furloughed employees back to work.

In response to the COVID-19 pandemic, the United Kingdom announced the wage subsidy program, the Coronavirus Job Retention Scheme (CJRS), on [March 20](#). [Wage subsidies](#) are designed to prevent widespread and permanent layoffs by temporarily supporting employers that face challenges paying employees with the expectation that such employers will be able to resume operations and pay employees after lockdown measures end and the economy begins to recover.

As policymakers ease lockdown measures and roll back support for companies and individuals, they face the challenge of minimizing the negative economic outcomes. If a wage support program ends and employers cannot pay employees or return to pre-COVID hours, a surge of layoffs is likely, exactly what these schemes were designed to prevent.

The United Kingdom has announced that its wage subsidy scheme will end on October 31. In order to incentivize employers to rehire employees and mitigate the risk of an increase in layoffs, it has paired the phase out of the CJRS with a rehiring bonus for employers that hire back furloughed or laid-off employees. However, this program has been met with some concern and criticism.

Coronavirus Job Retention Scheme (CJRS)

Under the CJRS, employees that are furloughed receive 80% of their salary, up to GBP 2,500 per month. Furloughed employees are those that take a temporary leave of absence and do not work, but are kept on the payroll. This wage support is channeled from the government through the employer to the employee. During the second phase of the scheme, which begins in August, employees continue to receive 80% of their salary but employer contributions increase every month while government contributions decline. The CJRS is scheduled to end on October 31.

Job Retention Bonus

On July 8, HM Treasury released “[A Plan for Jobs 2020](#),” which includes a GBP 1,000 Job Retention Bonus to encourage firms to return furloughed workers to work. This bonus is a one-time payment for eligible UK employers that rehire furloughed workers as of November and maintain their employment through the end of January 2021.

The [Job Retention Bonus](#) is available only for employees that were furloughed under the CJRS. Such employees must earn at least GBP 520 per month on average between November 1 and January 31, 2021. Employers can claim the bonus for each eligible employee beginning in February 2021. As there are 9.4 million individuals covered under the CJRS, the total expenditure under the Job Retention Bonus could reach GBP 9.4 billion. HM Treasury provided additional information regarding the Job Retention Bonus on [July 31](#) and will publish full guidance in September.

Some have raised the concern that the retention bonus will not be necessary in many cases. In the days following the initial announcement, [some companies](#) pledged not to claim the bonus, as they had already planned to return employees from furlough. A [top official](#) in HM Revenue and Customs [released a letter](#) in which he acknowledged that while there is “sound policy rationale” for such a scheme there is uncertainty regarding the “value for money of this proposal.”

[Others](#) have raised concerns that the bonus amount may not provide sufficient or timely support to struggling companies to rehire workers, as the amount of the scheme and the February 2021 receipt date do not provide immediate relief for firms in hard-hit industries. According to a [recent survey](#), 66% of UK firms view the measure as helpful for the overall economy, while only 54% view the scheme as helpful for their own business.

Seventy-five percent of firms with furloughed staff expect to claim the bonus, but only 20% of these firms expect it to influence the number of employees they rehire from furlough. Those results raise the question whether the aid could be targeted in such a way to have a greater effect on job outcomes and hiring decisions. The survey also asked businesses what further measures they would support. Fifty percent of respondents said they would like a cut in employer social insurance contributions, 31% would like an extension of the furlough scheme, and 24% would like rent support.

It is also important to note that the winding down of programs prematurely is a risk, given the uncertainty of a second wave and other negative public health outcomes. Some countries are currently facing a peak number of cases and are not yet ready to consider winding down such programs. The UK is not currently seeing an uptick in COVID-19 cases or deaths, but uncertainty regarding a second wave of the virus remains. As the bonus is dependent upon rehiring decisions in November and cannot be claimed until February 2021, the scheme may require amendment or updates based on future economic or health data.