

Summer 2020 Economic Update

On 8 July 2020, the Chancellor delivered the Summer 2020 Economic Update, which sets out several announcements that are of interest to employers.

Job Retention Scheme / Job Retention Bonus

The furlough scheme will close as planned at the end of October 2020. However, the Government will pay a Job Retention Bonus of £1,000 for each furloughed employee who is still employed as of 31 January 2021.

The bonus will apply to workers who are paid at least the lower earnings limit for national insurance purposes, which is £520.00 per month.

There is a question mark about whether this will apply to every single employee who has previously been furloughed and who remains employed on 31 January 2021. For example, if someone was furloughed for three weeks only in April, will they be entitled?

The Government's "Plan for Jobs" document (available [here](#)) is not explicit about this. The document states that the total cost of the Bonus could be £9.4bn, and that "this presents the maximum possible cost if the bonus is paid to all 9.4 million jobs furloughed at any point during the scheme, for claims received by 5 July. The final cost will depend on the number of qualifying furloughed employees that are retained. Costs will be lower than the maximum presented in this table."

Firstly, the guidance refers to "qualifying employees", secondly, it states "costs *will* be lower than the maximum" and, thirdly, it states "Further detail about the scheme will be announced by the end of July." Businesses will need to wait for this guidance before assessing the financial impact of the Bonus and may also delay decisions about bringing furloughed workers back until the guidance is published. Payments will be made from February 2021.

Kickstart Scheme

A Kickstart Scheme, worth £2 billion, will create an unlimited number of 6-month work placements aimed at those aged 16-24 who are on Universal Credit and are deemed to be at risk of long-term unemployment. Funding available for each job will cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions and auto-enrolment contributions.

Employers are able to top up the government's contribution, with the scheme opening in August for the first work placements to start in the Autumn.

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Apprenticeships and Traineeships

An additional £111 million will be provided to fund traineeships and sector-based work academy placements for 16-24-year olds. The government will fund employers who provide trainees with work experience, at a rate of £1,000 per trainee.

A payment of £2,000 will be offered to employers for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1st August 2020 to 31st January 2021.

These payments will be in addition to the existing £1,000 payment the government already provides for new 16-18-year-old apprentices, and those aged under 25 with an Education, Health and Care Plan – where that applies.

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