

Job retention bonus scheme

How does it work and will it make employers re-consider redundancies?

*“...we’re introducing a new policy to **reward** and **incentivise** employers who successfully bring furloughed staff back”*

Rishi Sunak
Chancellor of the Exchequer
8 July

How does the bonus work?

➤ **£1,000** bonus paid to employer for each employee brought back from furlough (even if you always intended to bring the employee back)



➤ Employee **must be continuously employed** for 3 month period throughout November 20, December 20, January 21



➤ And earn an average **£520 per month** over that time



➤ Bonuses will be paid from **February 2021**



Whilst the retention bonus can be used as a wage subsidy, the contribution remains lower than the furlough scheme. The bonus is much more significant for lower earners:



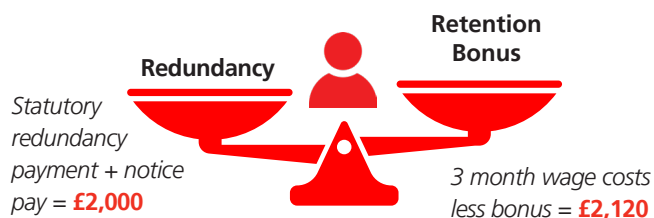
Key

- 3 month wage costs
- Current furlough grant (over 3 month period)
- Retention bonus for 3 months continuous employment

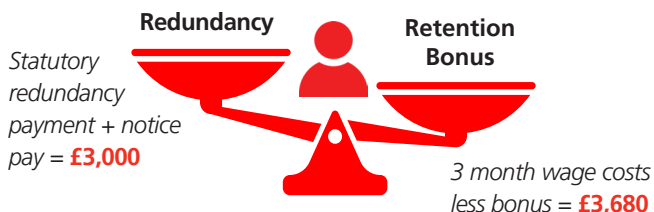
Is the bonus scheme enough of an incentive to avoid redundancies?

- Costs of redundancies include statutory (and possibly enhanced) redundancy pay, notice pay and costs of collective consultation (where 20+ redundancies proposed).
- Even taking account of the bonus, wage costs from November to January will be greater than redundancy costs in many cases unless the employee earns below-average wages:

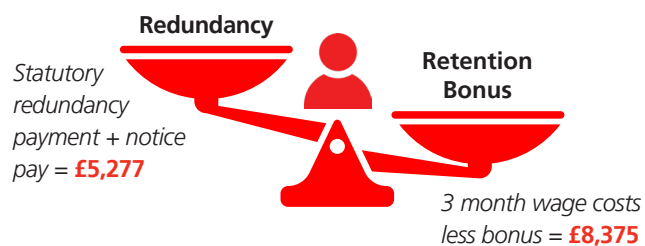
If the employee is 28 years’ old, has 4 years’ service, 1 month’s notice and earns £12,480:



If the same employee earns £18,720:



If the same employee earns £37,500:



Key considerations

- Already in collective redundancy consultation? Availability of bonus should be added to agenda – will it avoid, delay or mitigate redundancies?
- Trading conditions improving? Consider whether appropriate to claim bonus at all – some employers have said they will not claim it.

