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UK Government Announces New Job Support Scheme

24 September 2020

In the House of Commons today Chancellor Rishi Sunak announced the new "Job Support Scheme" that will come into force in November 2020 as part of his Winter Economy Plan. It began unpromisingly – "I cannot save every business", he said, "I cannot save every job".

As anticipated, the Coronavirus Job Retention Scheme will close at the end of October 2020 and the many whom this new scheme will not help will then be on their own. It would be "fundamentally wrong to keep people in unviable jobs", said the Chancellor though some may see his effective treatment of anyone still on full furlough at the end of October as in such a job as a significant over-simplification of that question.

At this stage we do not have all the details, which will no doubt be many and complicated and issued piecemeal by tweet, but the underlying principles are relatively clear. The new JS scheme is designed to encourage employers to retain staff on shorter hours rather than make them redundant at a time when many businesses are still facing huge financial pressures, especially in light of the new coronavirus restrictions announced by the Prime Minister earlier in the week.

There are three key principles behind the new scheme:

1. **To support "viable" jobs**. The government is now targeting support at those businesses that have been impacted by coronavirus and who can support their employees doing some work, but need more time for demand to recover. This scheme will therefore not provide much relief to those sectors (hospitality and leisure/live entertainment) most heavily impacted by the current economic downturn caused by the pandemic which may still not have sufficient work for their staff to do in the next six months.
2. **To support those firms that need it the most**. All small and medium-sized enterprises will be eligible. Larger businesses will be required to demonstrate that their business has been adversely affected by COVID-19. Apparently this will take the form of a financial assessment test – further details presumably to follow on what that will involve. The Chancellor mentioned a downturn in turnover in his speech this morning. Furthermore, the Plan says that "the government expects that large employers will not be making capital distributions (such as dividends) while using the scheme", which implies a more forensic approach to entitlement than was applied to the furlough allowance.
3. **It will be open to all employers across the UK, even if they did not use the CJRS**. Companies that retain furloughed staff on shorter hours qualifying for support under this scheme will still be eligible to participate in the Job Support Scheme and the Job Retention Bonus Scheme.

Who will be eligible?

Under the new scheme, employees will need to work at least 33% of their usual hours for their role to be treated as "viable" for these purposes. This minimum threshold will be kept under review by the government and may increase after the first three months. For every hour of the employee's usual hours **not** worked, the employer and the government will each pay one third of the employee's usual pay, but the government's contribution will be capped at £697.92 per month, the equivalent of about £38,000 per annum. The relevant tweet gives an example – take an employee doing 33% of normal hours. He gets paid for these as usual. He is therefore not working for 66% of normal hours (ignore the missing 1% -- if it is precise enough for Mr Sunak…).

The employer must pay for a third of this (i.e. 22%) at his normal rate. The government pays another third of the unworked 66% at normal rates, but subject to that cap. Employees on or under £38,000 per annum will therefore receive at least 77% of their pay (33+22+22%), while those on more will get 55% of normal pay from the employer plus the £697.92 government contribution. Where the employee is doing more than 33% of normal hours and the government's contribution is consequently less than 22%, the £679.92 is likely to be pro-rated. By the time the employee is on 80% of normal hours, it will be scarcely £100 per month even for someone on a notional £38,000. There may well then be practical questions about whether it is worth the administration associated with making the claim.

Employees will be able to "cycle on and off the scheme" and will not have to work the same working pattern each month, but each short-time working arrangement will have to cover a minimum period of seven days and be for at least 33% of their normal hours over that period.

Once again, employers will have to agree any new short-time working arrangements with their staff, making any necessary changes to their terms and conditions of employment. And – new thing – the agreement must be made available to HMRC on request. It is likely to remain the case that (subject to employer consent) employees will be entitled to take up other jobs to fill in all or any of the missing 66% without thereby losing the right to support under the JSS.

According to the factsheet that was released this afternoon, to be eligible employees must be on their employer's PAYE payroll on or before 23 September 2020. This means (here we go again) that a Real Time Information (RTI) submission notifying payment to that employee to HMRC must have been made on or before 23 September 2020. **Note**: Employers will not be able to claim in respect of any employees who have been served with redundancy notices. Unlike the CJRS, therefore, the government is expressly linking the support to the retention of jobs

What will the grant cover?

An employee's "usual wages" will be calculated in a similar way as for the CJRS. Something to look forward to, then! Full guidance will be published ("shortly", apparently) on the detail of the new scheme. We know that the grant will not cover Class 1 employer NICs or pension contributions, which will remain payable by the employer. Employees moving onto the JSS from full furlough will have their usual pay and/or hours calculated by reference to their pre-furlough wages. As under the CJRS, employers will be reimbursed in arrears for the government contribution.

Will it work?

Initial press coverage queries both whether it will be enough and whether as a nation we can afford it (estimates suggest it will cost £300m per month), but there is another issue with the JSS which may cast a more immediate question mark over its suitability for purpose. Let us go back to the government's example above, under which the employer has to pay 55% of the employee's salary for 33% of their time. If it has three such employees, the equivalent of one FTE, it is therefore paying 165% of the going rate for that work. Surely there must then be a material temptation to make two of the three redundant and keep the other on for just the normal 100%?

The Winter Economy Plan contains a number of other measures to support businesses, including an extension to the Self-Employed Income Support Scheme, help for the hospitality and tourism sectors through a continuation of the reduction in VAT and an extension to the application period for certain government-backed loans.

We will of course share further details on the mechanics of the scheme, as and when they become available.

Contacts

In the meantime, if you have any queries about the scheme or the implications for your business, please speak to your usual contact or one of the following:

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