

The furlough bonus scheme: possibly the biggest waste o...

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Rishi Sunak has introduced a [Job Retention Bonus](#) scheme today. The Treasury says of this:

The government will introduce a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021. Employees must earn above the Lower Earnings Limit (£520 per month) on average between the end of the Coronavirus Job Retention Scheme and the end of January 2021. Payments will be made from February 2021. Further detail about the scheme will be announced by the end of July.

One third (supposedly) of the package announced today will go in this - but that assumes every single furloughed employee will keep their job.

Will they? We know they already have not. So, this scheme will not cost the budgeted £9 billion.

The question instead is will it encourage anyone to keep a job open from October to January when they might not have otherwise done so?

The answer is no, it won't.

Why? Because the bonus is £1,000. And most people will go back to something like median paid jobs - with wages on average approaching £30,000 with total cost for three months including pension and NIC of about £10,000. Will £1,000 encourage you to pay out £10,000 you could not otherwise afford to do? No, of course it would not.

So, this scheme will reward those who would anyway have taken their staff back on.

And it will not encourage the retention of a single job that might have been lost, because there is literally no incentive to do so.

In other words, every penny paid out will be for no purpose and not one penny paid out will save a job.

What a farce.