



A FSB and TUC Proposal for a Short-time Working Subsidy

FSB One Pager

We believe that Government needs to provide more support to viable firms struggling with short-term economic difficulties during the recession. While we welcome recently announced measures to support those facing unemployment of over six months we believe that further action is necessary to prevent jobs from being unnecessarily lost in the first place.

A short time working subsidy would enable employers to avoid immediate redundancies and retain essential staff and skills - making business success more likely in both the short and longer terms. It would also reduce the personal and social costs incurred by long-term unemployment and increase economic demand by limiting the income reductions faced by workers on short-term hours or temporary lay-offs.

We believe for a cost of around **£1.2 billion annually (excluding training costs) up to 600,000 workers each year could receive support.**

ProAct in Wales

The experience from Wales shows that such a short-time working scheme could be introduced quickly – ProAct was conceptualised in November 2008, and began operation in January 2009.

In Wales employers can receive a training subsidy of £2,000 for each worker, in addition to a wage subsidy of £2,000 per worker.

Employers must demonstrate that they are currently on short-hours working to a minimum of 20 per cent of normal employee hours and that they are seriously considering redundancies. Funding is limited to a maximum of 100 employees per company.

The programme initially prioritised the automotive industry but will be rolled out from April 2009 to other key sectors.

Applications are assessed by an independent panel using agreed criteria, including workforce engagement and the extent to which the training can be shown to enhance long term business viability.

Businesses in France, the Netherlands and Germany are also able to access a short time working scheme.

Our Proposal

- 1) Reform benefit rules that force workers who are on short-term hours or have been temporarily laid-off to look for new work after 13 weeks on benefits.
- 2) Introduce a Government subsidy for firms moving to short-term hours or temporary lay-offs.
 - subsidies should be time-limited;
 - the subsidy plus JSA entitlement should guarantee that workers receive 60 per cent of their previous wage for non-working days or weeks;
 - the subsidy should be available for part-time workers;
 - employers should be responsible for meeting workers' National Insurance contributions during the lay-off or reduction in hours;
 - access to the scheme should be contingent upon long-term business viability and genuine need, as assessed and agreed by an independent panel which would enable Government to take advantage of trade union and employer expertise;
- 3) Extend new flexible access to Train to Gain to all workers receiving a wage subsidy.

For further information

Lynsey Brooks, Policy Advisor

Federation of Small Businesses
2 Catherine Place
London SW1E 6HF
Tel: 020 7592 8100