



**Federation of Small Businesses**  
The UK's Leading Business Organisation



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## **Short-term wage subsidies could support up to 600,000 workers a year**

With UK job losses mounting twice as fast as the rest of Europe, the TUC and the Federation of Small Businesses (FSB) are today (Monday) calling on the Government to set up a fund for companies moving to short-term wages and temporary lay-offs that could provide immediate support for up to 600,000 workers a year.

The TUC and FSB believe this fund will help businesses save costs and give them a better chance of survival. Wage subsidies can also prevent mass redundancies and the resulting loss of essential skills. The proposal would therefore help viable companies survive the downturn and ensure they are well placed to compete and expand once their financial situation improves, say the TUC and FSB.

The TUC and FSB will use their presence at the Government's Regional Economic Council to press ministers to introduce wage and training subsidies as soon as possible.

The TUC and FSB believe that a wage subsidy package should be targeted where it can have the greatest impact and where there is most need. Any support package should therefore be based on the following principles:

- subsidies should be time limited;
- the total subsidy per worker plus their Job Seekers Allowance (JSA) entitlement should amount to 60 per cent of their previous wages;
- employers should meet workers' National Insurance contributions during the lay-off or the reduction in hours;
- where employers are able to make additional contributions to workers' pay, the Government subsidy should not be reduced;
- access to the scheme should be contingent upon long-term business viability and genuine need (as assessed and agreed by union, employer and Government)

representatives), and

- workers facing reductions in their hours or a temporary lay-off should be given access to Government-funded training.

Proposals based on these principles would cost the Government approximately £1.2 billion a year, say the two organisations. The £3.3 billion cost of wage subsidies, based on paying 600,000 workers 60 per cent of median wages for three to six months, would be offset by savings of £1.2 billion in reduced unemployment benefit and £850 million in increased tax income, which would not be collected were these workers unemployed.

Short-term wage subsidies are already operating successfully across Europe in countries including France, Germany, Italy and Spain. A subsidy scheme in Wales, agreed in November 2008 by the Welsh Assembly, has been fully operational since January, showing that short-term wage subsidies can provide support to businesses and workers very quickly.

As part of the subsidy package, the TUC and FSB have also called for the temporary suspension of a benefit rule that forces workers who are on reduced hours or have been temporarily laid-off to give up their existing jobs and be available for new work in order to claim benefits after 13 weeks.

Temporary lay-offs and short-time working agreements in the current recession are often lasting longer than 13 weeks. The TUC and FSB therefore want the rule suspended so that these hard-pressed workers are not forced to give up real jobs to search for new roles that may not exist.

TUC General Secretary **Brendan Barber** said: "UK unemployment is spiralling fast and we are now losing jobs twice as fast as the rest of Europe. The Government must act quickly and introduce a wage subsidy scheme for businesses to help stem the flow of job losses.

"Temporary lay-offs and short-time working agreements are a last resort for employers. But where they are needed, wage subsidy schemes provide a quick and effective way to cut costs for struggling businesses and vital financial help for hard-pressed employees.

“Wage subsidy schemes are already working well across Europe and are preventing many thousands of unnecessary job losses. The Government must provide support for UK businesses and workers too.”

National Chairman of the Federation of Small Businesses **John Wright** said:

“The Government must address the threat of unemployment by putting in place the principles the TUC and FSB are proposing to retain jobs and keep the economy moving. We must follow the lead of Wales, and other European countries, and give viable small businesses the support they need to keep people in jobs and pull the country out of recession.

“This scheme would begin to alleviate the cash flow crisis that is engulfing many small businesses and will enable them to join in a recovery when it comes so should be regarded as a national investment which will eventually pay for itself.”

**NOTES TO EDITORS:**

- The ProAct scheme in Wales provides employers with a £2,000 wage subsidy for workers on short-term hours. Employers receiving the wage subsidy also receive a £2,000 training subsidy per worker, which they can use to provide workers with training as a means to increase business productivity. The scheme is currently funded for one financial year.

- The TUC/FSB costed proposals for short-term working wage subsidies are available at [www.tuc.org.uk/extras/wagesubsidies.pdf](http://www.tuc.org.uk/extras/wagesubsidies.pdf) and at [www.fsb.org.uk](http://www.fsb.org.uk)

- A national temporary employment subsidy (TES) was available in the late 1970s. Where at least ten redundancies were threatened, the TES programme offered a subsidy of £20 a week for up to 12 months for each job saved.

- Union leaders invited to attend the Regional Economic Council include TUC Deputy General Secretary Frances O’Grady, GMB General Secretary Paul Kenny, Unite Assistant General Secretary Gail Cartmail, USDAW General Secretary John Hannett and UNISON Regional Secretary Cliff Williams.

- The FSB will be represented at the Regional Economic Council by FSB Head of Public Affairs Stephen Alambritis.

- All TUC press releases can be found at [www.tuc.org.uk](http://www.tuc.org.uk)

- Register for the TUC’s press extranet: a service exclusive to

journalists wanting to access pre-embargo releases and reports from the TUC. Visit [www.tuc.org.uk/pressextranet](http://www.tuc.org.uk/pressextranet)

- The FSB is the UK's leading business organisation with over 215,000 members. It exists to protect and promote the interests of the self-employed, and all those who run their own business. More information is available at [www.fsb.org.uk](http://www.fsb.org.uk)

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