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Sunak mulls German-style jobs scheme as mass layoffs loom

Rishi Sunak, the UK chancellor, is looking at plans to replace the current furlough measures with the type of wage subsidies seen in Germany to avoid huge job losses when the current scheme next month.

So far, the UK government has laid out £57bn through a range of support measures for companies struggling to cope with the impact of coronavirus.

Furloughing has been the most expensive and cost around £40bn so far.

Reports today suggested the chancellor is now drawing up an alternative to extending the measures already in operation, especially the furlough scheme.

Struggling firms are expected to start handing out redundancy notices at the start of October to comply with 30-day notice requirements and business leaders and unions have warned of mass layoffs unless support is extended.

Sunak is said to be looking hard at the German Kurzarbeit system, which was recently extended until the end of 2021.

This allows an employer to reduce the hours an employee works but still keep them on the payroll, while the government pays for some or all the time an employee is not needed.

The Treasury is said to favour a scheme such as this, especially where workers undertake training or further education in return for government payments.

Discussions are said to have taken place between businesses, unions and other interested parties in recent days.

Sources quoted this morning said the new scheme might be part of a wider support package that will also encompass the four loans schemes set up to help businesses cope with the coronavirus pandemic.

All of these are due to finish by the end of November, with three set to close to new applications by the end of the month.

An announcement on new support measures had been expected from The Treasury the end of next week and before firms start to act on furlough schemes.

Following the new measures announced by PM Boris Johnson yesterday shutting pubs at 10pm and encouraging people to work at home, speculation has grown a new support package might now be unveiled within days.

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