

CORONAVIRUS JOB RETENTION SCHEME

Advice for employers

On 20th March 2020 the government announced unprecedented support measures for employers affected by the current crisis. The new Job Retention Scheme allows employers to access a grant for up to 80% of wages in order to avoid making permanent redundancies which would otherwise have occurred as a result of the coronavirus outbreak. It also introduced new terminology (to furlough employees), new procedures and a flurry of questions from our clients.

There are still many unresolved questions, and information is being updated daily. The following guide outlines our current understanding. To keep up to date, please sign up via the Contact Us page on our website (www.herts-hrcircle.co.uk).

Which businesses are eligible?

All UK employers – ie anyone operating a PAYE scheme - will be able to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off during this crisis. All employees on payroll on 1 March 2020 are covered.

What should employers do right now?

1. Identify if your organisation is affected to the extent that you would be forced to lay off staff as a result of the coronavirus outbreak, if no financial support were available. Some businesses will be impacted more than others.
2. If job losses are a serious threat, consider the government's Job Retention Scheme, and begin to identify which employees could be 'furloughed' – ie asked to stop working for a temporary period of time, with the intention of bringing them back to active service at a later date.
3. Check out the information available here and via the government website about how to implement the Job Retention Scheme
(<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>)

4. Map out your HR processes, ensuring you fully understand your specific contractual obligations with your employees and have a clear, fair and consistent communication plan.

What are furloughed workers?

Furloughed workers are those whose employers cannot cover staff costs due to coronavirus, and therefore have been asked to stop working, but have not been made redundant. It can only apply to people who are paid through PAYE payroll.

What should employers do?

To access the support, businesses must:

- appoint affected employees as 'furloughed workers,' and notify employees of this change – usual employment law applies
- submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (not yet built)

How does the process work?

To access the financial support, businesses must follow appropriate HR procedures and relevant employment law in order to identify furloughed workers. This will depend on:

- employment contracts in place
- consultation with the employees
- reasonable business case
- fair and consistent process

What flexibility is there for employers and furloughed workers?

Furloughed workers will not be able to undertake any work during a period of furlough. For some employers, who have been told to close all together, all employees will be affected. For others, where there is a drop in demand for their goods or services, employers will have to decide which roles, and how many, are to be affected. The question of which employees you decide to furlough will be a matter for consultation and employment law. You will need a good HR process to manage this fairly.

We hope that the scheme will be designed to allow some flexibility – specifically to allow furloughed workers to be brought back into work to provide cover for any working employees who fall sick. The finer details of the scheme have yet to be released.

How much will the employer receive?

HMRC will reimburse up to 80% of furloughed workers wage costs (including NI, pension contributions etc), to a cap of £2,500 per month per employee. 'Wages' will be determined by reference to a set period. The scheme can be back-dated to 1 March 2020 and will be in place for at least 3 months.

Do employers have to top-up the wages to the full amount?

Broadly there are three options here, depending on:

- If you can afford to continue to pay your employees as normal, and claim the government subsidy
- If you can mutually agree with your employees a lower monthly amount (e.g. the amount you can claim back minus the employment costs for NI, pensions etc) during the furlough period
- If you need to make some employees redundant and lay them off permanently

Your obligations under employment law remain in place: changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation. We can help you ensure that you get the appropriate advice to make an informed decision.

When will the grant be paid?

Employers will be expected to continue paying salaries in the usual way – ie paying the employee and HMRC PAYE/NI contributions. Payments will be made directly back to the employer but there is no defined timescale for this at present. Businesses may be able to access a short-term cash flow support via a Coronavirus Business Interruption Loan.

About Herts HR Circle

HR Circle provides expert HR advice to small businesses in Hertfordshire - whenever its needed and for the same price irrespective of whether you contact us once a month, once a week or more often than that. Our aim is to give business owners the support and confidence to manage their teams professionally, particularly during these uncertain and unprecedented times.

We are going to be updating our FREE resources, including template letters for employers, on the Coronavirus outbreak regularly, so please email us if you'd like to receive updates. hello@hertshrcircle.co.uk