

Coronavirus Job Retention Scheme

Under the Coronavirus Job Retention Scheme, all UK employers 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 – known as Furlough leave.

All UK businesses are eligible and can access this scheme:

Businesses will need to:

- Designate effected employees as 'furloughed workers,' and notify these employees of this change - changing the status of employees remains subject to existing employment law and, depending on their employment contracts, may be subject to negotiations.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required)

Under Job retention Scheme, HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. HMRC are working urgently to set up a system for reimbursement. Existing systems are not yet set up to facilitate payments to employers.

Options available to your team

- Make staff redundant (but there may be no cash to pay statutory)
- Reduce staff hours - pro-rata accordingly
- Furlough - they cannot do ANY work during this period.

Some basic points of Furlough that I gleaned from some of the information I read - All subject to seeing the legislation)

- This cannot backdated if employees have been working – it only applies from the date of the furlough
- The mechanism for getting the money back from government won't be in place until at least May (probably) because there is nothing in existence already. If payroll is processed as furlough in April, but an employer does not have the cash to pay the staff, , the business may have no choice but to wait until received. So whilst the payroll wil need to be physically processed, the employee may have to wait for their salary
- The cap per person is £2,500 including NI/Pension etc - some details still need to be clarified on this though
- Pension would still need to be paid
- Its unclear as to if you put them on Furlough but then take them off, whether you would be able to put them on again
- If someone isn't working for another reason e.g. childcare, then you cannot Furlough. They would be on unpaid leave.
- It generally won't be available to standard sole-directors/partnerships - but if any of the directors cannot work - not even on admin, then they could be put on Furlough
- You have to have a fair process e.g. can't send your friend home on 80% of the pay, but keep someone else doing a full job for just 20% more without a process
- There may be provision in an employment contract already about terminating employment, but if not then the employee can agree to it via a letter. It's generally thought it will be more attractive to the employee to agree
- Employee will still accrue holidays etc
- Upon return if you were to then make them redundant, they'd be entitled to normal statutory (or whatever their contract says)
- An employer is not obliged to pay the additional 20%

Employment tribunals (if an employee feels they have been treated unfairly) won't be held for at least 6-12 months.

Furlough Letters Guidance

PLEASE NOTE: At Liric we are not employment law specialists and at the point of issuing this notice, we are still awaiting full details of the scheme to be issued by HMRC.

FURLOUGH LETTERS

An employee furlough refers to a temporary leave or modification of normal working hours for a specific amount of time. It's a leave of absence given to an employee with the promise that they will still have their job once the leave is over.

Employee furloughs are becoming common practice in both public and private-sector organisations. There are numerous reasons why employers implement a furlough employee policy, such as plant shutdowns, seasonal work, company reorganizations and reduced demand due to COVID-19.

Don't rush into implementing an employee furlough policy without talking to your lawyer or HR specialist first.

If you decide that putting employees on furlough is the best option for you and your employees, then you need to prepare a notification letter. Your furlough notice letter should contain the following:

- Address - This is a formal letter, a furlough notice should clearly state the date, employee's name, and their address.
- Purpose – State the purpose of the letter. Get straight to the point. Include the employee's position, department, reason for the furlough, and information about any changes to employee benefits. It is advisable to tell the employee that this action does not reflect dissatisfaction in job performance.
- Detail - Explain what a furlough is, determine the length of the furlough, and communicate employee benefits during this period to employees.
- Future communication - Offer a way for the employee to keep in touch. End the letter on a positive note.

EXAMPLE TEXT [NOTE: RUN THIS PAST YOUR HR SPECIALIST]:

[Send to employee's address]

COMPANY/BUSINESS NAME

AGREEMENT FOR FURLOUGH LEAVE

Employee Name: XXXX
NI Number : XXXX

This is a variation to your contract of employment, designed to implement and take advantage of the government's Coronavirus Job Retention Scheme.

1. We agree that from [DATE] you shall be on Furlough Leave. This means your contract of employment continues, but you shall not be required to come into work. We will pay you [80%] / [80% subject to a maximum liability for us of £2,500 per month, including employer's national insurance contributions and employer's pension contributions] [100%] of your salary during that time.
2. Your Furlough Leave shall end on the earliest of the following events:-
 - (a) the government's Coronavirus Job Retention Scheme ending
 - (b) either you or us ceasing to be eligible for funding under that scheme; or,
 - (c) us deciding to cancel Furlough Leave and bring you back to work.
3. During your Furlough Leave, you may not work for any other organisation, or on your own account. If you do, you must tell us, and you may be liable to repay any sums we have paid you under this scheme if we become liable to repay it to the Government.
4. When your Furlough Leave ends, while we will always endeavour to provide you with work, in the event of insufficient work being available you agree we are entitled to place you on short time or lay you off without any pay except for statutory guarantee payments.

Thank you for your contributions to the business and if I can offer assistance in any way, please contact me

Signed: _____ Date _____
(Employer)

Signed: _____ Date _____
(Employee)