

Job Retention Scheme - Furloughed workers update and suggested proforma letters

Under the Coronavirus Job Retention Scheme, all employers in the UK will be able to access support to continue paying part of employees' salaries who would otherwise have been laid off during the ongoing crisis.

Furloughed workers are employees whose employers cannot cover staff costs due to coronavirus, and as such they have been asked to stop working but have not been made redundant.

Such employers are now able to access support to continue paying part of their staff's wages, to avoid redundancies and so they can retain their teams.

To avoid fraud, there are expected to be cross-checks between the applications for grants against PAYE records for each employer.

Employers will be required to make one claim for the entire workforce, record how many workers are covered and will need to keep records.

How the scheme works

- The employer should discuss with affected employees and notify them (preferably in writing) that they have become 'furloughed workers'. ACAS have a suggested information that should be included that we have adapted and is at the bottom of this article with suggested letters.
- The employer can claim a grant of 80% of workers' wages up to £2,500 a month once they have been furloughed.
- The employees remain on the payroll deducting tax and national insurance under the pay as you earn (PAYE) system.
- If employers want to top up pay levels, they can, but will not be able to claim for more than 80 per cent of £3,125.
- The employer could choose to fund the differences between this payment and employee's salary, but does not have to.
- The furloughed workers should not undertake work for their employer while they are furloughed.
- The scheme is available to all employees.
- The employer needs to get agreement from the worker to do this, unless it's covered by a 'lay off' clause in the employment contract.
- The employer needs to submit information to HMRC about the employees that have been furloughed and their earnings. The submission will be through a new online portal which is expected before the end of April (HMRC will set out further details on the information required).
- If an employee's salary is reduced as a result of these changes, the employee may be eligible for support through the welfare system, including Universal Credit.
- For employees on zero-hour contracts, the employer can use the monthly pay in February 2020 as a benchmark for each person's pay when furloughed. If any employee did not work in that month, they should claim Universal Credit.
- If employees have to stay at home to look after young children, the employer is likely to be allowed to claim compensation if they furlough these workers.

The Coronavirus Job Retention Scheme will run for at least 3 months from 1 March 2020 but will be extended if necessary.

HMRC are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

It is expected that employers borrow or self-fund in the short term to provide the wage package.

If a business needs short term cash flow support, it may be eligible for a [Coronavirus Business Interruption Loan](#).

HMRC guidance on:

- COVID-19 support for businesses can be accessed [here](#)
- COVID-19 guidance for employees can be accessed [here](#).

Suggested wording (drawn and adapted from the ACAS suggested content).

The furlough agreements should be in writing and it's a good idea to include:

- the date furlough starts
- when it will be reviewed
- how to keep in contact during furlough,
- A statement that a worker will stay employed while they are furloughed, but they must not work.

Suggested letters

Letter 1

Dear xxx

As discussed, and [agreed/under terms of contract] to keep our business running we are placing a number of members of our team into the government backed Coronavirus Job Retention Scheme. This will allow us to keep you on the payroll and as a business we receive a grant of 80% of workers' wages up to £2,500 a month. We will be paying a salary of £xxxx

The date you will be placed under the scheme is xxx and it will be reviewed with you at xxx. We will keep in contact during the period by [insert method].

During this period you will stay employed but a condition of the scheme is that you must not undertake work for our business.

Letter 2

Employee Name

Employee address

Re: Notice of Furlough

Dear [employee name],

We regret to inform you that because of the current level of work available as a result of COVID-19, we have opted to place you on furlough (temporary layoff) during the next [number] weeks. You are not authorised to work during the furlough without advance written authorisation from your [manager, supervisor, or director].

The furlough will begin on [date]. We are hopeful that we will be able to restore you to your prior position with our company on or around [date]. However, it is important to note that we reserve the right to change this date based on our business needs.

During this period:

1. You will retain your seniority with the company.
2. You may be eligible for unemployment benefits during this time.
3. [Remove if not applicable] If you have available holidays time that you would like to use during this time, you are welcome to use such time, but are not required to do so. If you would like to use some or all of your available holidays during this time, contact [insert name].
4. It is important to us that your transition into furlough and back to work goes as smoothly as possible. Therefore, if you have any questions or concerns regarding these transitions, contact [insert name].

We very much appreciate your contributions to the organisation this year. We wish you all the best during this unprecedented time and are looking forward to your return to work following this furlough period.

Best regards,

HR Department/Director

Company name