

Covid-19 Practical Guidance: The Coronavirus Job Retention Scheme (CJRS)

This document provides some key facts about the CJRS, information about how to access the scheme, and a sample furlough letter.

Key facts

- Temporary scheme open to all UK employers for at least three months starting from 1st March 2020 – regardless of size or sector who have created and started a PAYE scheme on or before 28th February 2020 and have a UK bank account.
- Designed to support employers whose operations have been severely affected by Coronavirus (Covid-19).
- The grant will be available through Her Majesty's Revenue and Customs (HMRC).
- Employers can use an online portal to claim up to 80% of furloughed employees (placed on a temporary leave of absence) usual monthly wage costs, up to a cap of £2,500 per employee, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage. Fees, commission and bonuses are not included.
- Employers can choose to top up employees' wages further, but there is no obligation on them to do so.
- Furloughed employees must have been on an employer's payroll by 28th February 2020.
- The scheme will also cover employees who were made redundant since 28th February 2020, if they are rehired by the employer.
- For employees whose pay varies, the employer can claim for the higher of (i) the same month's earning from the previous year (eg earnings from March 2019); or (ii) average monthly earnings in the 2019-20 tax year.
- Employees on sick leave or self-isolating should be entitled to Statutory Sick Pay, but can be furloughed after this.
- Employees who are shielding in line with public health guidance can be placed on furlough leave.
- An employer can only submit one claim at least every three weeks, which is the minimum length an employee can be furloughed for.

- If a business needs short term cash flow support, it may be eligible for a Coronavirus Business Interruption Loan Scheme (CBILS). For more information about CBILS, please see: <https://www.nibusinessinfo.co.uk/content/coronavirus-coronavirus-business-interruption-loan-scheme-small-businesses>

How to access the scheme

Employers will need to:

- Designate affected employee(s) as 'furloughed workers' (employee(s) are kept on an employer's payroll, rather than being laid-off or made redundant). Consider whether they need to consult with employee representatives or trade unions. Notify employees of the intended change. Changing the status of employees' remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal expected to be operational by the end of April 2020.

Most employment contracts will not permit an employer to reduce pay, provide no work or change employment status without agreement. Therefore, the employer will have to seek agreement from the employee(s) to designate them as furloughed. However, faced with the alternatives which is likely to be unpaid leave, lay-off or redundancy, the majority of affected employees are likely to agree to be placed on furlough leave.

An employee will remain employed while furloughed, but they must not work for their employer during the furlough period. They are however, permitted to undertake training and carry out volunteer work, provided they do not provide services to or make any revenue for their employer.

Providing furlough is the right option for the business, details of the proposed changes should be put in writing to the affected employee(s).

Sample furlough letter

The sample furlough letter below can be customised to meet the needs of the business.

[Employer - Letter Headed Notepaper]

[Date]

[Employee's Name]

[Employee's Address]

Dear [first name]

Temporary Furlough Leave – Proposed Changes to your Contract of Employment

Following our meeting/announcement on [date], you will be aware that due to the ongoing COVID-19 pandemic and the current restrictions which the government has imposed, [insert name of employer] is unable to operate the business as normal. For the foreseeable future we are [operating on a reduced capacity] or [have temporarily ceased all operations].

If the information is available, it may be appropriate to provide more detail specific to your organisation's circumstances. Some businesses will have to close completely on a temporary basis, meaning that all employees will be furloughed. Other organisations may operate on a reduced capacity, with some employees furloughed and others continuing to work.

It may be helpful to provide some background information about the scheme and support available.

Set out clearly the proposed changes to the contract of employment.

It is important to inform and consult with appropriate representatives (eg trade unions/employee representatives) of the proposals.

Your post will be furloughed with effect from [insert relevant date] for an initial period of [three months] although this period may be extended or curtailed subject to the (three week minimum period) as the need arises. In agreeing to be classified as a furloughed worker, you will be placed on a period of temporary leave. During this period you will remain employed by us and kept on the payroll, but you are not required to attend your usual workplace or carry out any work on our behalf. Continuity of service will be preserved. This action is being taken on a temporary basis and is an alternative to lay-off or redundancy as a result of the Covid-19 pandemic. You will resume paid employment at the end of the furloughed period.

During the furlough you will be paid at the rate of [insert pay rate] per [confirm relevant pay period]. Tax, National Insurance contributions and any other statutory deductions will be deducted in the usual way, and your salary will be payable on the normal monthly payment date, directly into your bank or building society account.

Make sure that the employee receives at least 80% of their normal pay, or £2,500 per month, whichever amount is lower. Remember that you are allowed to increase the amount paid to an employee by topping up the amount provided by the CJRS grant, though you do not have to.

If your salary is reduced as a result of being furloughed, you may be eligible for support through the welfare system, including Universal Credit. For more information, see <https://www.gov.uk/universal-credit>

You will continue to accrue holiday leave in the normal way while on furlough.

Further clarity/guidance on the position of holiday leave is awaited. Until such times, given the uncertain inter-relationship with how the amendments sit with the existing case law position, it is difficult to be certain or definitive on this matter.

We do not yet know when the temporary period of furlough will come to an end. We will review the situation by [insert date] and update you at that point.

You are not required to undertake any work during this period of furlough leave. Please ensure [insert name of line manager] has up to date contact details for you so that you may be contacted during this period via the following methods: [insert contact methods here] (except during any periods taken as holiday in the usual way). In circumstances, where the Government find it necessary to refine aspects of the Scheme, we will keep you informed of these changes.

Consider the most appropriate method of staying in contact with furloughed employees, remembering that not everyone will have access to email or social media. You should not require an employee to check work emails as they will not be undertaking any work.

If you provide a welfare service or employee assistance programme, remind the employee that they will continue to be able to access these services while on furlough leave.

Inform the employee that the remaining terms of his/her contract of employment will be unaffected by the changes.

Insert details reminding employees of particular key clauses in their contracts which will continue to apply, such as confidentiality and restrictive covenants.

If you agree to these changes, please indicate your acceptance by signing and returning the enclosed copy of this letter to [insert name] by [date]. The changes shall be immediately effective from the date of your signature. You should keep your signed copy of this letter safe, together with your Contract, which shall be amended by this letter.

Thank you for your contribution to the organisation. If you need to contact me, it is best to do this by [insert appropriate method here, e.g. telephone or email].

Please continue to take measures to protect yourself during the period of this pandemic. I look forward to your return to work.

Yours sincerely

[insert name]

This document may be updated as more information becomes available. See the links below for further information:-

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19>

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

This guidance does not constitute legal advice and specific advice should be sought in respect of particular cases.

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