

Reforms to the Coronavirus Job Retention Scheme announced

On 29 May 2020 the Chancellor of the Exchequer [announced](#) how the Coronavirus Job Retention Scheme (**Scheme**) will change between 1 July 2020 and 31 October 2020 when the Scheme will close. There are three key changes:

- Flexible furloughing will be introduced.
- The Scheme will be closed to new entrants.
- Employers must begin sharing the costs of paying furloughed staff.

These three changes are considered in more depth below. Detailed guidance on the changes is due to be published on 12 June 2020

Flexible furloughing

From 1 July 2020, employers will be able to bring furloughed employees back to work on a part-time basis, meaning that they can be furloughed for part of the week or month and work for part of the week or month. There will be no restriction on the amount of time or working pattern that the employee works, save that the new arrangement must be agreed with the employee and confirmed in writing.

Employers will be wholly responsible for paying the employee for any time spent working. For example, an employer wishes to bring an employee back to work for 3 days per week and furlough them for 2 days per week. In this scenario, the employer must pay the employee her normal pay (as per her employment contract) for the 3-day period, together with the associated employer National Insurance Contributions (**NICs**), employer pension contributions and any other contractual benefits. The employer can then make a claim under the Scheme for 80% of the employee's pay for the remaining 2-day period. Over time, the Government's contribution to the employee's pay for that 2-day period will taper down from 80% to 60% (see below).

Closure to new entrants

The Scheme will close to new entrants on 30 June 2020. From this point onwards, employers will only be able to furlough employees who have already been furloughed for a full 3-week period prior to 30 June 2020. In other words, the last date for a new entrant to begin a period of furlough for the first time will be 10 June 2020. From 1 July 2020 onwards, the Scheme will only be available to employers who have previously used the Scheme and in respect of employees who have previously been furloughed. Although not explicit, this suggests the Scheme will remain open to employees who are not furloughed for the period 10 to 30 June 2020 but who have been furloughed before that date (e.g. if they had been furloughed on rotation).

Employer sharing of costs

From 1 August 2020, the Government’s contribution to the costs of paying furloughed employees will reduce each month until the end of the Scheme on 31 October 2020. In tandem, employers will be required to cover the shortfall so that furloughed employees still receive 80% of their pay throughout the life of the Scheme. In addition, employers will have to assume responsibility for paying the employer NICs and employer pension contributions on the furlough pay.

The furlough pay will remain capped at £2,500 per month, however, if the furloughed employee undertakes work for the employer, the cap will be adjusted so that it is proportionate to the time spent on furlough. For example, if an employee works for half the month and is furloughed for half the month, the employer will be able to claim 80% (or 70% in September and 60% in October) of pay for the half of the month spent on furlough, but the cap would also be reduced by half to £1,250 (or £1,093.75 in September and £937.50 in October).

The table below sets out the detail of how the Government’s and employer’s contributions will change.

Month	Can the furloughed employee work?	Government payments	Employer payments* <i>*excluding any payments that the employer elects to make</i>	
1 – 30 June 2020	No	<ul style="list-style-type: none"> ▪ 80% of pay up to maximum of £2,500 per month ▪ Employer NICs on the 80% of pay ▪ Employer pension contributions on the 80% of pay 	<ul style="list-style-type: none"> ▪ Nothing 	
1 – 31 July 2020	Yes	<ul style="list-style-type: none"> ▪ 80% of pay up to maximum of £2,500 per month ▪ Employer NICs on the 80% of pay ▪ Employer pension contributions on the 80% of pay 	Time spent on furlough: <ul style="list-style-type: none"> ▪ Nothing 	Time spent working: <ul style="list-style-type: none"> ▪ 100% of normal pay, employer NICs, employer pension contributions and other contractual benefits
1 – 31 August 2020	Yes	<ul style="list-style-type: none"> ▪ 80% of pay up to maximum of £2,500 per month 	Time spent on furlough: <ul style="list-style-type: none"> ▪ No contribution to wages ▪ Employer NICs on the 80% of pay ▪ Employer pension contributions on the 80% of pay 	Time spent working: <ul style="list-style-type: none"> ▪ 100% of normal pay, employer NICs, employer pension contributions and other contractual benefits
1 – 30 September 2020	Yes	<ul style="list-style-type: none"> ▪ 70% of pay up to maximum of £2,187.50 per month 	Time spent on furlough: <ul style="list-style-type: none"> ▪ 10% of pay up to maximum of £312.50 per month 	Time spent working: <ul style="list-style-type: none"> ▪ 100% of normal pay, employer NICs, employer pension contributions

Month	Can the furloughed employee work?	Government payments	Employer payments* <i>*excluding any payments that the employer elects to make</i>	
			<ul style="list-style-type: none"> ▪ Employer NICs on the 80% of pay ▪ Employer pension contributions on the 80% of pay 	and other contractual benefits
1 – 31 October 2020	Yes	<ul style="list-style-type: none"> ▪ 60% of pay up to maximum of £1,875 per month 	Time spent on furlough: <ul style="list-style-type: none"> ▪ 20% of pay up to maximum of £625 per month ▪ Employer NICs on the 80% of pay ▪ Employer pension contributions on the 80% of pay 	Time spent working: <ul style="list-style-type: none"> ▪ 100% of normal pay, employer NICs, employer pension contributions and other contractual benefits

Action points for employers

In light of these imminent reforms, employers who are currently using, or intend to use, the Scheme should consider the following steps:

- Assess whether there are any employees that you wish to furlough for the first time and ensure that the furlough agreement is in place and the period of furlough begins no later than 10 June 2020.
- Decide which, if any, furloughed staff you wish to bring back on a part-time basis from 1 July 2020 or thereafter. Bearing in mind that the flexible furlough arrangement must be agreed with the employee, it would be sensible to consider this now and begin negotiations as soon as possible.
- Thought should be given to how you will respond to any requests to stay on full-time furlough (e.g. if the employee has caring responsibilities or is in a vulnerable group).
- Where staff are to be brought back on flexible furlough arrangements, new furlough documentation will be needed. A template agreement can be prepared in advance.
- Consideration should be given to how you will meet the additional furlough costs which will apply from August - October and whether (and, if so, when) you will need to make staff cuts and how the redundancy consultation process will work.

BDBF is currently advising many employers and employees on the challenges presented by the coronavirus. If you or your business needs advice on furlough or other coronavirus-related matters please contact Amanda Steadman (amandasteadman@bdbf.co.uk) or your usual BDBF contact.