

COVID-19: UK Government Announces Coronavirus Job Retention Scheme

23 March 2020

The UK government announced on Friday that it is launching a new arrangement allowing UK employers to access support to continue paying part of the salary of employees whose employment would otherwise have been terminated during the COVID-19 crisis.

Amount of Salary Covered. The details of the scheme are still being finalized, but the government has announced that it will give grants to reimburse 80% of wage costs of employees covered under the scheme, up to a cap of £2,500 per month. It is not yet clear whether the cap applies to pre- or post-tax earnings. The scheme will be backdated to 1 March 2020. It will be up to the employer to decide whether to top up the amounts paid under the scheme so that employees receive more than the capped amount.

Employees Covered. The new arrangement will cover employees who have been designated as “furloughed workers”. This is not a term previously used under UK employment law, but it appears that it is intended to cover employees who have been laid off for a temporary period. Unless this is permitted by an employee’s contract of employment, it will need to be agreed with the employee, although given the choice of a redundancy termination or being sent home with at least some of their monthly pay preserved, many employees will readily agree to the latter.

The brief guidance issued so far makes it clear that a formal designation as a “furloughed worker” will be required and that the employee must not work at all for the employer during the period for which payments are made under the scheme.

The new scheme will not offer any support to self-employed workers, to employees who are made redundant or to employees who have been placed on short-time working by their employer.

Timing. The scheme will be administered through the UK tax authority, HMRC. Employers will need to submit information to HMRC about the employees that have been “furloughed” and their earnings through a new online portal. The portal has not yet been set up, and the government has said it expects the first grants to be paid within

weeks. Whether that is going to be soon enough for a business facing severe cash-flow difficulties remains to be seen. Other employers may be nervous about committing to paying “furloughed” employees before the full details of the scheme are published.



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