

# The UK's Job Retention Scheme

4 March 2021

Although the government's Job Retention Scheme (JRS) was originally expected to close on 31 October 2020, the government has extended it on several occasions. Following the Budget on 3 March 2021 it is now clear that the scheme will remain in place until the end of September 2021 (the extended JRS).

Under the extended JRS employers can place employees on furlough (temporary leave of absence) on a full time or flexible basis. They can claim 80% of usual monthly wage costs in respect of employees' unworked hours from HMRC, subject to a cap of £2,500 per employee per month. The cap is pro-rated for staff on flexible furlough to reflect the hours they are not working. Employers must pay employer NICs and auto-enrolment pension contributions on the sums paid.

From July 2021 employers will also have to make a contribution to furlough wage costs paid under the extended JRS. This will be a 10% contribution in July and a 20% contribution in August and September. Employees will still be entitled to receive 80% of their normal wages subject to the cap.

## **Employer eligibility**

All private sector UK employers are eligible for the JRS if they had an online PAYE payroll on or before 30 October 2020 and a UK, Isle of Man or Channel Island bank account. The JRS applies to all employers in the same way, regardless of whether they are open or required to close as a result of coronavirus restrictions.

The government is not expecting public sector bodies to access the JRS, although they may be able to do so in some circumstances.

Employers do not need to have claimed under the JRS between March and October 2020 to be eligible for the extended JRS.

Administrators are eligible for the extended JRS but should only use it if there is a reasonable likelihood of staff being retained in employment, for example because the administrator is pursuing a sale of the business.

From February 2021 HMRC has published the names of employers who have claimed under the extended JRS after November, including an indication of the value of their claim within banded

ranges. HMRC also notifies furloughed employees of details of claims made for them through personal tax accounts.

### **Employees that can be placed on furlough**

Employees can be placed on furlough if they were on the employer's payroll on 30 October 2020 and notified to HMRC in a Real Time Information submission between 20 March and 30 October 2020. It does not matter what type of contract they were working on and the scheme covers workers as well as employees.

Employees do not need to have been furloughed between March and October 2020 to be eligible to be furloughed under the extended JRS.

For periods starting on or after 1 May 2021, employers can also furlough employees who were employed on 2 March 2021, provided that they had been notified to HMRC in a Real Time Information Submission between 20 March 2020 and 2 March 2021. Employees do not need to have been furloughed before 2 March 2021 to be eligible to be furloughed from May onwards.

Normal equality and discrimination laws apply to decisions about which employees to furlough.

#### *Employees on sick leave*

Employees who are on sick leave or self-isolating because of coronavirus are eligible for Statutory Sick Pay (SSP). However, an employee who is on sick leave and in receipt of SSP can still be furloughed if there are business reasons for doing so. Once they are placed on furlough, they are entitled to furlough pay and not to sick pay.

If a furloughed employee becomes unwell, they are entitled to receive at least SSP. However, employers can decide whether to transfer the employee from furlough pay to SSP, or whether to keep them on furlough at the furlough rate of pay. Employers remain entitled to reclaim furlough pay from the government even if an employee is unwell (provided that they have not been transferred to SSP).

#### *Employees who are vulnerable*

Employees who are clinically extremely vulnerable or who are at the highest risk of severe illness can be placed on furlough, regardless of whether an employer is experiencing a wider reduction in demand.

#### *Employees with caring responsibilities*

Employees who cannot work because they have caring responsibilities as a result of COVID-19, such as those with children whose schools or nurseries are closed for example, can be furloughed.

#### *Employees returning from family leave*

Employees who are returning from maternity leave, adoption leave, paternity leave, shared parental leave or parental bereavement leave can be placed on furlough in the normal way.

The guidance says that if an employee wants to end maternity leave early in order to be placed on furlough, she must give the employer the relevant amount of notice (eight weeks). However, it is generally possible for an employer to agree to allow an employee to return to work without giving the required notice and the employee could then be placed on furlough.

### *Re-employing employees*

Employers can re-employ employees who were on the payroll on 23 September 2020 but who have subsequently been made redundant or stopped work and place them on furlough, provided that the other eligibility criteria are met.

Employers can extend fixed term contracts that were due to expire on or after 1 November and place the employees on furlough if they were employed on or before 30 October 2020 and the employer had made the relevant Real Time Information submission. They can also re-employ employees whose fixed term contracts expired on or after 23 September 2020.

### *Staff serving notice*

An employer is not entitled to claim a furlough grant for any employee who is serving a period of contractual or statutory notice, regardless of the reason for the notice. This means that an employer cannot claim a grant for an employee who has been given notice of redundancy, or who has resigned and is serving their notice period.

### **Mechanics of placing employees on furlough**

Employees who are fully furloughed cannot undertake any work for the employer or any linked or associated organisation while they are on furlough. There is no "de minimis" exception to this rule. They can however take part in training or volunteer for another employer or organisation.

Flexibly furloughed employees can work for their employer for any number of hours and on any work pattern. The employer must pay them for their hours of work in the normal way. They can volunteer for another employer or organisation or take part in training during their furloughed hours.

As under the JRS, furloughed employees can undertake duties as employee or union representatives or act as a pension scheme trustee.

There is no minimum furlough period but claims must cover a minimum period of seven consecutive calendar days. Flexible furlough agreements can last for any period and employers and employees can enter into more than one such agreement.

The government guidance indicates that "employers should discuss with their staff and make any changes to the employment contract by agreement". This means that employees will need to consent to being placed on furlough except possibly in circumstances where there is no obligation on the employer to offer work, such as a zero hours contract, or in circumstances where an employer will "top-up" wages to their normal level.

Employers must confirm in writing to the employee that they have been placed on furlough or flexible furlough and keep a record of this for five years in order to be eligible for a subsidy. Employees do not have to provide a written response. Employers must also keep records of how

many hours of work an employee has carried out and for how many hours they have been furloughed for six years.

### **What employers can and cannot claim**

Until July, employers will receive a grant from HMRC covering the lower of 80% of a fully furloughed employee's wages, or £2,500 per month. The full amounts claimed must be paid to employees.

From July onwards, the government grant will reduce and employers will be expected to make a contribution to the wage costs of furloughed employees. In July, employers will be able to reclaim 70% of wage costs from the government, subject to a cap of £2,187.50 for a fully furloughed employee. In August and September, employers will be able to reclaim 60% of wage costs from the government, subject to a cap of £1,875 for a fully furloughed employee. Employees remain entitled to receive 80% of wages, subject to a cap of £2,500, while they are furloughed.

If an employee is flexibly furloughed, the employer is responsible for paying for the hours worked and can claim 80% of wages for the non-worked hours from the government, reducing to 70% in July and 60% in August and September. The cap on how much the employer can claim from the government is proportional to the hours not worked.

Employers can "top up" salary while an employee is furloughed but are not obliged to do so.

The mechanics of claiming broadly reflect the process that applied under the JRS.

### **Other employment rights**

Employees on furlough remain entitled to "the same rights as they did previously", including the right to SSP, maternity rights, other parental rights, rights against unfair dismissal and to redundancy payments and to be paid at least the statutory national minimum wage for hours worked.

The guidance confirms that employees accrue and can take holiday while on furlough and that for flexibly furloughed employees, holiday should be counted as furloughed hours not working hours. Employees are entitled to their normal pay for periods of holiday and employers are obliged to pay employees who are on holiday additional amounts over the grant. The normal rules that allow an employer to require an employee not to take holiday continue to apply.

**4 March 2021**

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