

Insights

CORONAVIRUS: UK TARGETED FURLOUGH SCHEME FOR THE HOSPITALITY SECTOR – KEY DETAILS FOR EMPLOYERS

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Less than two weeks after the announcement of the Job Support Scheme (“JSS”) and with just over 3 weeks until the Coronavirus Job Retention Scheme (“CJRS”) ends, the Chancellor of the Exchequer has, today, made an announcement setting out the details of a targeted furlough scheme designed to support businesses that are legally required to shut their premises as part of further lockdown measures.

Although it has been labelled by the Chancellor of the Exchequer as an expansion of the JSS, it looks very much like an extension of the CJRS, albeit in a more limited and targeted form.

KEY DETAILS OF THE LOCAL FURLOUGH SCHEME

The key details of the scheme, which will apply to all of the UK, are as follows:

- It will apply to employees who are unable to work as a result of their employer being forced to shut its premises as part of local or national lockdown measures over the winter months. These are likely to be businesses in the hospitality sector – particularly, bars; restaurants; pubs and clubs.
- The government will pay two thirds of the salary of those employees who are furloughed under this expanded JSS, up to a maximum of £2,100 a month.
- Employers will not be required to contribute towards wages, but will be required to make National Insurance contributions and pension contributions.
- Employers will only be eligible to claim the government grant while they are subject to lockdown and employees must be off work for a minimum of seven consecutive days.
- The scheme will begin on 1 November 2020 and will be available for six months, with a review in January 2021.

- In line with the rest of the JSS, payments to businesses will be made in arrears

These new measures will sit alongside the original JSS – which is designed to support businesses that are facing low demand over the winter months - and the £1,000 Job Retention Bonus which encourages employers to retain employees into 2021.

IMPLICATIONS FOR EMPLOYERS

- In the first instance, the scheme is likely to apply to those areas in the North of England and Scotland which are currently experiencing high levels of infection. However, it serves as a blueprint for government support that will be offered as and when further local lockdown measures come into force in other areas of the UK as we head into the winter months.
- More government guidance is needed to clarify precisely how the scheme will work in practice. Past experience of the development of the CJRS suggests that this may only become clear in a piecemeal fashion over time.
- The scheme is less generous to employees than the CJRS, which provides for 80% of basic pay (up to a capped amount). Despite the government maintaining that employers will not be required to contribute towards wages, from an employment law perspective, if employers do seek to rely on the scheme and cannot afford to top up salaries, they will need to obtain the consent of their employees. This may make the scheme unattractive for many employers.
- Employers who are facing partial or full closure will need to consider whether it makes economic sense to rely on the scheme, rather than to make redundancies.

BCLP has assembled a COVID-19 Employment & Labor taskforce to assist clients with employment law issues across various jurisdictions. You can contact the taskforce at: COVID-19HRLabour&EmploymentIssues@bclplaw.com

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