

## Insights

# **CORONAVIRUS (UK): IMPACT OF THE BUDGET ANNOUNCEMENT ON THE FURLOUGH SCHEME FOR THE HOSPITALITY SECTOR – KEY POINTS FOR EMPLOYERS**

Mar 03, 2021

The extended Coronavirus Job Retention Scheme (“CJRS”) had been expected to continue until the end of April 2021. However, in light of the UK government’s recent announcement in relation to the gradual lifting of lockdown restrictions with indoor hospitality not re-opening until 17 May 2021 at the earliest, the CJRS has been further extended until 30 September 2021.

## **KEY DETAILS OF THE GOVERNMENT’S BUDGET ANNOUNCEMENT ON THE CJRS**

The Budget includes the following changes to the CJRS:

- The CJRS will be extended until 30 September 2021.
- Until 30 June 2021, the government furlough grant will continue to pay 80% of wages for hours not worked, capped at £2,500 per month. Employers will be liable for employer National Insurance contributions and employer pension contributions only.
- Progressively, with effect from 1 July 2021 until the cessation of the CJRS on 30 September 2021 the following changes will be made:
  - From 1 July 2021: employers must contribute 10% towards the pay of furloughed employees, with the government grant reduced to 70%. The 80% furlough pay will continue to be capped at £2,500 per month.
  - From 1 August 2021: employers must contribute 20% towards the pay of furloughed employees, with the government grant reduced to 60%. The 80% furlough pay will continue to be capped at £2,500 per month.
- With the above changes in mind, employers need to make early assessments as to whether, and if so how, they will continue to furlough employees going forward. Even with the initial re-opening of the hospitality sector from 12 April 2021, the requirement to shoulder some of

the CJRS costs from 1 July 2021 is likely to bring the prospect of redundancies into sharp relief for some employers. Others may need to consider contractual variations to existing employee furlough arrangements.

- Employers will (depending on the circumstances) need to be mindful of their obligations to collectively consult. In particular, there will be a “cliff-edge” date for conducting 30 or 45 days collective consultation prior to 1 July 2021 (if the 10% employer contribution is not viable) and the obligation to commence collective consultation can begin before that date if a proposal is already in place.

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