

What is the Job Support Scheme and Furlough Bonus?

Updated to reflect government guidance published on 2nd October 2020 on the Job Retention Bonus and that employers will not be able to submit claims under the Coronavirus Job Retention Scheme after 30 November 2020.

The Coronavirus Job Retention Scheme closes at the end of October and is replaced by the Job Support Scheme. The new scheme starts on 1 November 2020 and runs until 30 April 2021.

The support will be provided by HM Revenue and Customs (HMRC) to employers under the Job Support Scheme (JSS), which will start on 1 November 2020 (the day after the Coronavirus Job Retention Scheme closes). The aim of the scheme is to give businesses "the option of keeping employees in a job on shorter hours rather than making them redundant".

The scheme will be open for six months until 30 April 2021 to UK employers that are small or medium sized or are large and have a reduced turnover because of coronavirus (assessed by a financial test).

To be covered by the scheme, employees will have to work a minimum of one-third of their usual hours and be paid their usual wages by their employer for these hours. (HMRC may increase this minimum working hours' threshold once the scheme has run for three months.)

For hours not worked, employers must pay the employee two-thirds of their usual wages. Employers will be able to claim reimbursement from HMRC for one-third of the employee's usual wages for the unworked hours, up to a cap of £697.92 per month. The remaining one-third of the employee's unworked hours will be unpaid.

The Government has stated that it expects that employers will not be able to top up employees' wages above one-third of usual wages for hours not worked, which means that employees will receive at least 77% of their usual wages (subject to the cap).

To be covered under the scheme, employees must have been on their employer's payroll on or before 23 September 2020. They can leave and re-enter the scheme as long as the arrangements for reduced hour working last for at least seven days. There is no requirement for the employer to have claimed under the Coronavirus Job Retention Scheme for employees.

Employers cannot make employees redundant or give them notice of redundancy while they are claiming for them under the Job Support Scheme.

Furlough bonus guidance.

The government has published details of the one-off bonus that employers can claim if they keep previously furloughed employees on their books for three months after the Coronavirus Job Retention Scheme closes on 31 October.

The guidance explains which employers qualify to claim the £1000 taxable payment for each eligible employee, which employees they can make a claim for, the minimum income thresholds and when employers must submit their claim.

Companies who have reimbursed HM Revenue & Customs money they had previously claimed under the CJRS are not eligible to make a claim for the bonus, but business who take advantage of the Job Support Scheme, details of which "will be published soon", can still claim the bonus.

Employers can claim the bonus if they furloughed employees and made an eligible claim for them through the CJRS. The employee must have been eligible for the CJRS grant for the employer to be allowed the bonus.

Employees who are continuously employed from 1 November 2020 to 31 January 2021 qualify, but they cannot be on notice of redundancy - including retirement. Employers must pay the employee they are claiming in relation to at least £1560 over the three-month period.

Businesses have to claim the bonus between 15 February and 31 March 2021, but the guidance stresses, "You do not have to pay this money to your employee"; the bonus is an incentive for employers to keep staff employed for three months after furlough ends.

Before employers can claim the bonus, they need to have reported all payments made to your employee between 6 November 2020 and 5 February 2021 to HMRC through Full Payment Submissions via Real Time Information (RTI).

HMRC says employers should take the following steps now to make sure they're ready to claim. They must:

- Still be enrolled for PAYE online
- Comply with PAYE obligations to file PAYE accurately and on time under Real Time Information (RTI) reporting for all employees between 6 April 2020 and 5 February 2021
- Keep their payroll up to date and make sure they report leaving dates for any employees that stop working for you before the end of the pay period that they leave in
- Use the irregular payment pattern indicator in Real Time Information (RTI) for any employees not being paid regularly, and
- Comply with all requests from HMRC to provide any employee data for past Coronavirus Job Retention Scheme claims.

How will the job retention bonus impact employers?

Will employers reconsider redundancies? The key question is whether this (in conjunction with the new Job Support Scheme) is enough of a subsidy to make employers reconsider redundancies, or if it will benefit only those employers who were planning to bring staff back anyway. It will have a greater beneficial impact in sectors such as retail, leisure and hospitality, where it could potentially tip the balance in favour of keeping staff on. However, for employers who have already decided that redundancies are inevitable, it is unlikely to be enough to make them reconsider.

Does any of money need to go to the employees? The payment is a bonus for employers, rather than a wage subsidy for employees. Employers will not be under any direct obligation to put the money towards the wages of their staff or pass it directly to staff (as is the case with the furlough grant).

How does it affect ongoing redundancy programmes? Employers who are currently in consultation over redundancies should put the announcement of the bonus and Job Support Scheme (if eligible) on the consultation agenda and be prepared to discuss if it could help to avoid, delay or mitigate the redundancies.

Will it prompt discussions about bringing employees back on reduced pay or hours? If the bonus is not enough by itself to avoid redundancies, an employer may wish to use it in combination with the new Job Support Scheme (if eligible) or temporary pay/, hours reductions.

Will it be paid to employers who have already brought employees back? Yes. The new guidance is clear that the eligibility criteria requires employees to have been continuously employed from the end of the claim period of the last CJRS claim for them. The bonus will therefore be payable for employees who had returned to work even before the original announcement was made, so long as they had been furloughed at some point and they meet the minimum income threshold requirement

What if overall trading conditions have not been badly impacted or have improved? A small minority of employers are even considering repaying their furlough grant in these circumstances. There are likely to be discussions about whether all employers should accept the new bonus, and a number of major employers have already said that they will not be claiming the job retention bonus. The guidance confirms that if an employer has repaid all the grant claimed for an employee under the CJRS, they will not be able to claim the bonus.

What about employees who can't come back to work? There may be some furloughed employees who are unwilling or unable to return when the furlough scheme ends in October, whether because of clinical vulnerability, concerns about travel, ongoing childcare disruption or otherwise. Employers may need to explore a range of options for these employees, including unpaid leave, but it seems that the bonus would not be payable for non-returners unless they remain employed until 31 January 2020 and are paid at least £1,560 between 6 November 2020 and 5 February 2021.

What does this mean for employers?

The bonus will be welcomed by employers that have been planning to bring back staff from furlough leave. The scheme is clearly intended to assist employers and to help avoid mass redundancies occurring when the furlough leave scheme concludes entirely on 31 October 2020.

However, the bonus payment of £1000 per employee will not be enough to offset the cost of paying staff through to the end of January. This is particularly notable in the case of higher earners, given that the bonus is a fixed sum. Therefore, it may only offer a real financial benefit in industries where the employer can foresee a genuine prospect of work levels improving.

Unfortunately, for employers who are experiencing a downturn in work, the bonus is unlikely to be enough of a financial incentive to prevent redundancy measures from being taken. We therefore do not consider that this will prevent redundancies- albeit it may offer a silver lining to help employers when planning their next steps.