



The furlough scheme has been extended to 30 September 2021

The extension until September 2021 means employees will continue to receive 80% of their salary for hours not worked until the scheme ends. The current 80% government contribution will continue until the June 2021 then this contribution will be tapered with employers contributing 10% in July, increasing to 20% in August and September.

What is furlough?

The word 'furlough' generally means temporary leave of absence from work. This can be due to economic conditions affecting one company, or matters affecting the whole country. The expression had previously not carried any meaning in UK employment law but was temporarily introduced in response to the unprecedented situation presented by the COVID-19 pandemic. This does not mean that the fundamentals of employment law have changed, simply that this scheme adds to them.

Furlough leave temporarily provided employers with an option to keep employees on the payroll without them working at all. Under the flexible extensions to the furlough scheme (from July 2020 onwards) employees may either cease working completely or work reduced hours. As the furloughed staff are kept on the payroll, this is different to being laid off without pay or being made redundant. The ability to furlough employees was designed to support employers who are severely affected by coronavirus.

The scheme and some other measures provide employers with other options when reviewing the circumstances of their business, and may be an alternative to implementing redundancies or lay offs without pay. Each employer will need to review options carefully (alongside legal advice) to pursue the best option for them.

Postponed ending of the scheme

The Coronavirus Job Retention Scheme was originally introduced at the beginning of lockdown in March 2020 and scheduled to finish at the end of June 2020. It was then extended five times with extensions to June 2020, then October 2020, followed by a last-minute extension to the end of March 2021, and then April and then September 2021. A different Job Support Scheme (JSS) was due to start on 1 November 2020, but this has been postponed indefinitely. Further guidance as to whether the JSS will be modified and start in October 2021 is awaited.

It is critical for employers to understand the relevant dates and the fine detail. The key dates are outlined below.

Extended furlough scheme

The extended furlough scheme will operate as the previous one, so for hours not worked by the employee, the government will pay 80% of wages up to a cap of £2,500. The government announced in March 2021 that the 80% government contribution will remain at that level until June 2021. Then the government contribution will be reduced as previously planned:



From July 2021, the government will contribute 70% and employers will have to pay 10% for hours not worked plus NICs and pension contributions.

In August and September 2021 the government will pay 60% and employers 20% plus NICs and pension contributions.

The grants must be paid to the employee in full. The grant is claimed for the hours that employees are not working, calculated in proportion to their usual hours worked in a claim period as under the previous furlough scheme.

Extended furlough scheme grant

Furloughed employees can get 80% of their usual pay for hours not worked up to a maximum of £2,500. Employers need to fund the employer NICs, pension costs, top up holiday pay and make the 10 % contribution in July rising to 20% in August and September.

Employers claim for a minimum period of seven consecutive calendar days and need to work out the hours worked and compare this to the usual hours an employee would work in that claim period. Employers pay for any worked hours as normal and pay the tax and NICs due on both worked and unworked hours.

Employers can top up employee wages above the scheme grant at their own cost if they choose to, but they do not have to.