



Redundancies in conjunction with the furlough scheme

Introduction

In the last few weeks, across the news there have been an increase in stories regarding redundancies amongst large employers. Just last week we were informed the High Street has seen 6000 job losses in just one week. Given the current economy this is not surprising as the world adjusts to new realities post lockdown.

Could the Job Retention Scheme be accelerating redundancies?

At the end of October, the furlough scheme will cease and from November onwards there will be no more government grants to support employment going forwards.

As of this week there are only 12 weeks left of the furlough grants being available under the Job Retention Scheme. The maximum number of weeks of Statutory Notice Period for someone being made redundant is also 12 weeks, but employees' salary should be topped up to 100%.

Updated guidance now confirms how the furlough scheme can be used by employers making staff members redundant.

The scheme's function is to try and keep businesses alive as much as possible. Some businesses will need to make redundancies and efficiency savings across all sorts of costs, but if the business can do that with government support to keep the business intact at the end of this recalibration, then it increases the number of business that will survive 2020 and help grow the economy again.

How to calculate redundancies and utilise the furlough scheme?

If you are in the position where you have to "let someone go" the furlough grant can save significant cash for you as an employer.

Redundancies have three main costs:

1. Statutory Notice Period
2. Redundancy Pay
3. Holiday Pay

Redundancy pay is the payment made at the end of the employment contract based on the employees age, annual income and years of service.

It is the Statutory Notice Period that has caused the recent drive for larger employers to make people redundant in early August. The maximum statutory notice period you might face as an employer is 12 weeks.

There is now just 12 weeks until the furlough scheme ends. To get the maximum government funding to cover the notice period you would need to have those staff members on furlough this week. This can include flexible furlough.

How much could the furlough scheme save your business?

Updated guidance and legislation have stated that when an employee enters the Statutory Notice Period while on furlough then they still must be paid their full salary. That means you must top up their salary to be the 100% figure.

If you have an employee who is normally paid £35,000 a year and their statutory notice period is 12 weeks (i.e. they have worked for you for more than 12 years). This person's 12 weeks statutory pay would total £8,077 in salary at their full rate (before employers National Insurance and Pension costs).



Assuming they are paid monthly, this would be spread over the August, September and October payslips. If they are fully furloughed for this whole period then the total that would be claimed on the Job Retention Scheme would be around £6,125, across the 3 months. Leaving the cost to you as the employer of £1,952, not including the Employers NI and pension costs.

Sometimes the redundancy payments on their own can be the factor that causes a business to become insolvent. If your business needs to make redundancies and the cost of those redundancies are more than your company can afford then your business may be insolvent, so it is very important to take any thoughts on redundancies very carefully and seek the right advice early on.

Under the insolvency process if the employer is unable to meet the burden of the redundancy payments then the employee can apply for the Redundancy Payment Service where the government will help to fund this.

If you have any questions or need advice please contact the ForrestHR team on 01892 726060 or hello@forrestr.com