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Furlough ending – what are my options?

After a year and a half, the furlough Scheme will end on the 30th September 2021. When the scheme ends, employees should be put back on their pre-furlough terms and conditions.

Many employers, especially those who have been unable to return to pre-covid trading levels, and those burdened with repayments on Covid related funding, may not be able to cover employee costs.

Supporting a return to work

It will be important for employers to manage the proposed return to work. There may have been changes in personnel, change to the business, new procedures, and protocols. Some long-term furloughed employees may be suffering from mental health and wellbeing issues. Those who have had little human contact or have underlying health conditions may be anxious to return to a pre-covid working environment.

A supporting employer should implement procedures to make the transition back to work as easy and stress free for their staff.

Redundancy

Many employers will have no option other than to make redundancies. Research undertaken by The British Chamber of Commerce suggests that 1 in 5 firms are considering redundancies post-furlough.

Redundancy can be a costly option as employees are entitled to redundancy and notice pay. Employees may have accumulated holidays when on furlough. Entitlement is based on age, weekly pay, and the number of years in the job. Gov.uk have a redundancy calculator at:

<https://www.gov.uk/calculate-employee-redundancy-pay>

Careful consideration is needed before making redundancies as to avoid potential liability for unfair dismissal. We would always encourage seeking HR or legal advice in such circumstances.

For those companies facing large redundancy claims, a Company Voluntary Arrangement (CVA) could allow the company to trade whilst restructuring its debt. If a CVA is approved by a company's creditors, the redundancy cost could be paid out by the Government's Redundancy Payments Office.

Reducing hours or reducing pay

An employer could enter discussions with their staff to reduce their hours or their hourly rate. This would need to be discussed and agreed in writing by the employee. Employees would often consider reduced pay if the alternative were to be made redundant and face the prospect of finding a new job.

Reassignment

An employer could seek to reassign staff on a temporary or permanent basis. This may prove difficult for small businesses.

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Refusal to return to work after furlough

We are aware of instances where employees are reluctant to return to work after being on long term furlough. Refusal could lead to an unauthorised absence and result in disciplinary action.

Employees could claim that they have genuine reasons not to return, for example when there is a threat to their health and safety due to vulnerability. Under these circumstances, the employer may only be required to pay statutory sick pay. (Currently £96.35 a week)

It will be important for employers to carefully consider what actions to take. There is a lot of Government guidance on this matter. If an employer assesses the risk, takes advice, implements measures to protect the employee, it puts them in the best position to avoid potentially costly claims from employees.

Acas is a good source of information for both employers and employees. Their dedicated advice page can be found at:

<https://www.acas.org.uk/coronavirus>

In summary, a responsible employer should:

- Plan ahead for a return to work
- Take HR or legal advice if planning redundancies
- If you have any concerns over cashflow, talk to your accountant or seek advice from an insolvency practitioner

If you need any further assistance or guidance, please do not hesitate to contact our Accountancy and Insolvency Director, Mark Evans.