Coronavirus Job Retention Scheme: UK Government Announces Significant Financial Support for Employers

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The UK Government has announced unprecedented financial measures intended to support UK employers that are struggling to pay employees during the COVID-19 pandemic.

It is introducing a Coronavirus Job Retention Scheme through which it will provide a grant to those employers of up to 80% of an employee’s wages (subject, that is, to a maximum grant of £2,500 per month).

The scheme will open to all UK employers before the end of April and will cover the cost of wages backdated to 1 March 2020. It will be open for at least three months, though longer “if necessary”.

The move is intended to enable employers to lay off / furlough employees and keep them on the payroll, rather than make them redundant, so that they can readily return to work in due course.
Full details of the scheme are awaited and have been promised “shortly.”

UK employers whose revenues are being adversely affected by the pandemic will wish to factor this development in to their financial forecasting from now.

Given the proposed £2,500 per month contribution cap, it appears that this scheme will be of most benefit in relation to those employees earning a salary of £37,500 or less, in respect of whom an affected employer ought to be able relieve itself of 80% of monthly pay. The amount of relief for employers will be proportionately less, however, in respect of employees earning above that level. For instance, in respect of an employee on an annual salary of £60,000 who is furloughed under this scheme, the relief will cover only 50% of their £5,000 monthly pay. In addition, the 6 week roll out period will still mean that there is a likely to be a significant cash flow hurdle for affected employers to overcome before money can be recovered under the scheme.

For some employers, therefore, the new scheme may still not be enough to avoid more drastic or additional measures needing to be considered.

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