



# RealityHR

People Driven Business Growth

# CORONAVIRUS GUIDANCE FOR EMPLOYERS

## REDUCING EMPLOYEE COSTS

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GET IN TOUCH TO FIND OUT HOW WE CAN HELP...



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Your business is likely to be facing some serious cost pressures at this time. We have pulled together the following guidelines to help you reduce employee costs in the short term:

# FURLOUGH WORKERS

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On Friday 20 March, the government announced it is setting up a new Coronavirus Job Retention Scheme. Under this scheme, the government will step in and help pay the salaries of employees who would otherwise be laid off without pay or made redundant as a result of the Coronavirus crisis.

Under the Job Retention Scheme, any such employees would be “furloughed” (i.e. only temporarily laid off).

## What we know so far

- Any employer (whatever size) will be eligible for the scheme, including charitable and non-profitable organisations.
- The scheme is being backdated to 1 March and initially will run for three months.
- Where there is no work, employers should fairly select designated workers to be furloughed. You should provide as much communication to employees as possible about the reasons and impact of furlough, then notify them in writing. NB if employees DO NOT have a layoff clause in their contracts, then you must get written agreement from each employee to be designated as furloughed.
- The employee will usually return to their job role afterwards unless their role is made redundant.
- Employees who get furloughed will not work at all during the period of furlough, but will remain on your payroll, being paid at 80% of their salary, capped at £2500. Employers can choose to top up the extra 20% but it is not mandatory.
- Employees will remain employed, and length of service will continue to accrue. It is not yet clear whether holiday entitlement, other benefits and pension contributions will continue to accrue.
- It will cover workers who have already been laid off or dismissed. Please contact Reality HR for advice if employees have already been laid off or made redundant.
- Employers will access the reimbursement scheme through an online portal (not yet available). You will be asked to provide details (earnings, employee’s NI number) of the affected furloughed employees online and submit the information to HMRC.

- The reimbursement is likely to start within the next few weeks, but there is not a confirmed date yet.

## REDUCED HOURS - SHORT-TIME WORKING

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There is another option if you need some or all your employees to work, but on reduced hours. Remember, furloughed employees cannot do any work for the organisation.

If your contracts of employment contain a layoff and short time working clause, you can require that employees work part time or flexible hours with a commensurate reduction in pay and benefit.

Where there is no layoff and short time working clause, you can consult with your staff to explain how the situation is impacting the business and propose they agree to a temporary reduction in working hours or part-time or flexible working arrangements to protect the future of the business and their employment. Such changes would have a commensurate reduction in pay and benefits.

## OTHER COST SAVING IDEAS

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- Implementing a pay freeze so that all or certain categories of employees will not receive a pay rise following the annual pay review.
- Reducing overheads, for example using less electricity and renegotiating contracts with suppliers.
- Reducing or stopping giving work to employees on zero hours contracts.
- Reducing or stopping bonus payments for all or certain categories of employees.
- Reducing or stopping overtime payments for all or certain categories of employees.

## REDUNDANCY

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If all measures have been exhausted, you may need to consider redundancy, however, the Government is strongly advising against making redundancies at this time and encouraging employers to use the Coronavirus Job Retention Scheme (Furlough) instead. You should take specific advice if you wish to go ahead with redundancies for any reason.