



FURLOUGH IS OVER WHAT NOW

What do employers do when furlough ends?

When furlough ends and lockdown restrictions are lifted, in an ideal world, one might expect employees to return to a full normal workload again. The reality, however, is more likely to be that employees return but their workload only slowly returns to normal over a longer period of time.

Employers taking advantage of the furlough scheme have, effectively, managed to delay making longer-term financial decisions. We strongly recommend organisations start considering the options available to them, summarised below, for when furlough ends.

Continue furlough with no government support

Employers can consult with employees to remain on furlough for a longer period of time. They may elect to reduce the 80% salary cap to a lower amount. While furlough is a relatively new addition to employment law, lay-off is not. As such, employers could look at historic lay-off legislation and work within these guidelines if they wanted to explore this possibility.

Short-time working

Where firms wish to see all their employees return but do not have the workload to occupy them at this time, they may elect to consider short-time working. This is a reduced working schedule and could take several different forms. Firms may ask employees to work fewer days per week, reduced hours but still do a five-day week, or even some form of rotation, such as working one week on and one week off.

Pay cuts

This is always an option when cash flow reduces and employers want to retain all their employees. The

severity of the proposed pay cut depends on the level of saving the company requires. Asking everyone to continue to work full-time and reduce their pay by, say, 5% is going to be much easier to influence than asking them to accept a 25% reduction. Additionally, 5% for one employee may be a relatively small amount but significant for others. The length of the pay cut is also a factor. If employees see it is only for a few months, they are more likely to agree, whereas more permanent arrangements may be less favourable.

Deferred pay

Similar to pay cuts, employees agree a reduction in their salaries for a period time but get the reduced amount returned to them in the future. Some employers may not wish to offer this unless they are sure business will return to normal. Firms with limited cash flow but full order books are most likely to consider this option.

Redundancies

Employers really do not want to consider this, however, many may have to, unfortunately. If the firm is not able to administer any other alternative, redundancies may be the only option. Employers should consider the timing for this. There is a consultation period and this could be done during the furlough period to allow employers to reduce their costs earlier.

Start planning now

It may be that offering shares or future bonuses is possible. However, employers are advised to start planning now for furlough ending.