



EXCLUDED

PAYE Employees Excluded from Meaningful Government Covid-19 Financial Support - Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) was set up for employers to utilise providing their employee(s) had a PAYE Real Time Information (RTI) submission on or before March 20th.¹

The furlough scheme was implemented in order to protect jobs, enabling employees to receive 80% of their salary whilst not working during the pandemic, up to a maximum of £2,500. There was no cap on earnings to be eligible for the scheme, as there was for SEISS (capped at £50,000).

Office for National Statistics (ONS) employment data for June 2020 showed a reduction of 612,000 employees paid by an RTI event between March-May 2020². These figures would include figures that accounts for new starters (jobs that effectively could not be taken up/employers retracted new contracts of employment due to lockdown), those denied furlough, and the outflow of workers moving from employment into unemployment or inactivity (dismissals, redundancies, resignations, family or personal reasons). If an employee was furloughed, they would still be showing up on the RTI data. This data therefore includes those who have been excluded from CJRS.

¹ This has now been updated to 30 October 2020. However, if made redundant or if one stopped working, if the last PAYE RTI submission was on or after 23 September 2020, one could be re-employed and furloughed
²

www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2020

PAYE Employees Denied Furlough

Overview

The onus as to whether an employee would be furloughed rested with the employer, rather than this being down to eligibility criteria set by the Government as with the Self-Employed Income Support Scheme (SEISS), and therein lies the fundamental flaw in this scheme – allowing employers to choose whether to furlough employees or not.

Employees who were refused furlough include:

1. Zero hour contracts workers

2. Parents due to childcare arrangements with schools closed, but who could not be furloughed so took unpaid leave (often single parents)

3. Those having to shield

4. Public sector workers

5. Those whose maternity leave period coincided with lockdown

6. Those made redundant

There were no other available sources of support for the employed to turn to, such as loans or grants, other than mortgage holidays and the eviction ban for renters. However, this has only led to more debt and being reduced to zero support during the pandemic has forced more families into poverty.

Benefits were not an option for many employees. Many have tried to apply for benefits but unless already in receipt of Universal Credit (UC), the majority were refused due to having a partner who worked, or not having been given a P45, so still classed as employed. If one chose to leave their employment in order to be able to claim, this would have required a 12 week wait with such individuals being classed as making themselves intentional unemployed. Those told to shield who were denied furlough were entitled to claim statutory sick pay (SSP) only at £94/week. In the case of childcare, parents would have been required to take unpaid parental leave. Only those already in receipt of UC will have had an automatic increase in payment to reflect loss of wages.

How many are affected?

The number of those denied furlough will be within the ONS June figure of 612,000, and there may be others who were denied furlough at the time of later extensions to the scheme.

We can assume that at least 100,000 employees were denied furlough for whatever reason, but the actual number could be higher.

Case Study Examples

- A self-employed agency worker – carpenter, worked for the council through an agency with 20% tax deducted under CIS. He was laid off on 20 March 2020 due to being clinically vulnerable with a heart condition. The agency attempted to get furlough through the council. Unite also pursued but both were unsuccessful. He was able to reclaim tax for year ending March 2020 amounting to £2,100 + working tax credits of £280/month + SEISS grants of £149 each (low due to being an irregular earner and with low turnover. His total earnings this year so far have been £540. Furlough would have provided £400/week and therefore £19,000/year
- Someone who was employed on a fixed-term contract for maternity cover in a law firm had an interview set up for another role within the company. On the day of the interview (late May) all hiring was frozen and she was then advised that ending her contract was not due to Covid and was not furloughed
- Someone who is clinically extremely vulnerable and advised to shield was eligible but denied furlough in late March by his employer who advised they were under no obligation to furlough anyone. He took Statutory Sick Pay. He had to rely on credit cards and borrow money to pay bills. He returned to work when shielding advice changed as per government guidance and was then told to shield again. His employer said he could get 6 weeks' sick pay which ran out on 21 February. He is in debt and his job is not secure
- Someone was advised they had lost their job due to Covid on 13 March by an agency and given 1 week's pay and then holiday pay. The agency sent an e-mail with links to government guidance on furlough on 27 March. When people clicked on the links, they were advised they were eligible, making employees think they were being furloughed. On the deadline in June when he was expecting pay, in the short term he was advised they were denying furlough as government guidance was too vague. This left him on zero income and no access to benefits for 10 weeks (which cannot be backdated). This was followed by P45s and redundancy the following day. He incurred debt during these 10 weeks as he was expecting to be paid

Potential solutions

The objective of the Denied Furlough group (working alongside ExcludedUK) is to achieve parity for employees who were denied furlough by their employers, providing support including backdated support, of 80% of wages to those denied furlough for the reasons set out above from March 2020 or from the point at which they qualified for furlough but denied this by their employers. In addition, any holiday entitlement should be added to this amount.

This can be implemented by HMRC using March 2019 income or an average of income over 2019-2020 tax year wages.

In order to implement this, those who have been denied furlough could approach HMRC directly to apply, rather than having to go through employers/ex employers. The risk of fraud in this situation is minimal as PAYE records can easily prove loss of income. Any

benefits or SSP received over the course of the duration of the scheme period could be deducted from the final sum.

Conclusion

CJRS needs to be re-examined and amended to include all employees who needed support and for there to be alternative income available for anyone who falls into the denied furlough category in the future.

For those facing a loss of household income, it will take years to recover their losses and leave many in situations such as homelessness, severe debt and credit issues in the future, alongside the emotional toll on every individual and family forced into this position. Without financial support, the effects will be long-lasting and catastrophic for many.

Report prepared by Sonali Joshi (Founder - Director of Policy & Communications, ExcludedUK), Helen Ball (ExcludedUK), Nicola Cromwell & Alice Britton (Denied Furlough)

sonali@excludeduk.org

www.excludeduk.org

© ExcludedUK

22 February 2021