

New law to ensure furloughed employees receive full redundancy payments

- New law will ensure that furloughed employees receive statutory redundancy pay based on their normal wages, rather than a reduced furlough rate
- changes will mean those furloughed under the Coronavirus Job Retention Scheme are not short-changed if they are made redundant
- the changes will also apply to statutory notice pay and other entitlements, providing some reassurance during this difficult time

Furloughed employees who are then made redundant will receive redundancy pay based on their normal wage, under new laws being brought in today (Thursday 30 July).

Throughout the pandemic, the government has urged businesses to do right by their employees and pay those being made redundant based on their normal wage, rather than their furlough pay, which is often less.

The majority of businesses have done so, however, there are a minority who have not.

Today the government will bring in legislation to protect workers and ensure all furloughed employees who are being made redundant receive their full entitlement.

Employees with more than 2 years' continuous service who are made redundant are usually entitled to a statutory redundancy payment that is based on length of service, age and pay, up to a statutory maximum.

This legislation, which will come into force from tomorrow (Friday 31 July), will ensure that employees who are furloughed receive statutory redundancy pay based on their normal wages, rather than a reduced furlough rate.

Business Secretary Alok Sharma said:

The government is doing everything it can to protect people's incomes through our Coronavirus Job Retention Scheme, which is now supporting over 9 million jobs across the UK.

We urge employers to do everything they can to avoid making redundancies, but where this is unavoidable it is important that employees receive the payments they are rightly entitled to.

New laws coming into force today will ensure furloughed workers are not short-changed if they are ever made redundant – providing some reassurance for workers and their families during this challenging time.

These changes will also apply to Statutory Notice Pay, which is where employees must be given a notice period before their employment ends, varying from at least one week's notice up to 12 weeks' notice, depending on how long they have worked for their employer. During this notice period, employees must be paid.

This legislation will also ensure that notice pay is based on normal wages rather than their wages under the CJRS.

Other changes coming into force will ensure basic awards for unfair dismissal cases are based on full pay rather than wages under the CJRS.

In March, the government established an unprecedented package of support for companies of all sizes across sectors, to protect businesses, jobs and incomes during the pandemic.

Through the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Bounce Back Loan Scheme, more than one million loans have been approved.

We have also introduced a new Job Retention Bonus to encourage firms to keep on furloughed workers, with a one-off payment of £1,000 being provided to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021.

- an employee will be entitled to statutory redundancy pay if they have been working for their employer for 2 years or more
- the new legislation will ensure that pay received in relation to statutory redundancy pay is calculated based on an employee's normal pay, rather than furlough pay (potentially 80% of their normal wage)
- calculating statutory redundancy pay for employees relies on inputting average weekly pay, alongside other factors such as length of continuous service and the employee's age. Average weekly pay is usually worked out by adding the pay received over the 12 weeks up to when the employer notifies the employee they are being made redundant, and dividing by 12 to get the average. This legislation ensures that employers must treat any weeks an employer spent on furlough over the 12-week reference period as if they were working, and on full (100%) pay
- this legislation does not impact any enhanced redundancy pay that may be stipulated in the terms and conditions of an employee's individual employment contract, but applies to basic statutory redundancy pay entitlements
- the legislation also covers other employment rights that rely on average weekly pay, including notice pay, unfair dismissal, and short-time working