

The Rt. Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

17 April 2020

Dear Chancellor,

Thank you for your reply of 3 April.

I would like to commend the Government for its swift action to develop and implement schemes to protect people's jobs and livelihoods and support employers during the current unprecedented crisis. Your announcement this afternoon about extending the Job Retention Scheme to the end of June will be welcomed by those organisations who feared they would have to commence redundancy consultation.

The Job Retention Scheme provides vital support to help employers avoid having to make redundancies and keep people in employment. The CIPD has been providing detailed information and support to our 155,000 members, speaking with Treasury officials frequently and linking to official Government guidance, to help them implement the scheme and furlough staff.

You mentioned in your statement today that you would continue to review the scheme so it is supporting the recovery. The CIPD believes that as part of this ongoing review there should be urgent consideration of making the scheme more flexible to enable short-time working.

One feature of the UK scheme is that unlike some other wage subsidy programmes, such as the German *Kurzarbeit* short-time working scheme, the Job Retention Scheme does not allow furloughed staff to do any work at all for their existing employer. The UK's 'all or nothing' furlough approach may be simpler and easier to administrate than a more flexible scheme which enables short-time working, but it also has drawbacks and limitations.

Firstly, it does not allow organisations to continue to use staff on reduced hours where this is possible meaning it is much harder for employers to flex their workforce efficiently, placing more pressure on remaining non-furloughed staff who often have to work harder or in unfamiliar roles too compensate. This is a particular problem for micro and small firms under most financial pressure and with fewer staffing options.

Making the scheme more flexible would also potentially reduce the cost to the public finances. Many workers who might be able to work reduced hours paid for by their employer, and would therefore require a lower level of wage subsidy, are forced to be

officially furloughed and so are eligible for the full wage subsidy of 80% paid for by the UK Government.

The JRS as currently designed also means that large numbers of furloughed staff are stuck at home not working at all. Of course, some may choose to volunteer to support the NHS while others may be able to benefit from online training, however it is likely the majority will be left without the sense of purpose that work gives, or any opportunity to contribute to their employer, wasting time and potential.

Finally, a more flexible JRS that allowed short-time working would enable employers to bring back workers gradually, on reduced hours, which is likely to be necessary if lock down measures are phased out over time and because demand in the economy is likely to recover slowly. An end to the furlough scheme as currently designed, be it on 30 June or after any further extension, risks many employers having to make significant redundancies as they might not initially have sufficient cash or demand for goods or services to take people back into full-time positions.

Of course, reforming the JRS in this way would be more complex to administer than the existing scheme and potentially more open to abuse but we think the advantages significantly outweigh the drawbacks. HM Revenue & Customs could conduct random spot checks to cut down on the chances of the scheme being misused and crack down retrospectively where there was abuse.

We would be delighted to discuss this issue further. We can connect officials to senior HR directors across different sectors to inform thinking on how the JRS could be made more flexible in this way.

Yours sincerely,



Peter Cheese
Chief Executive, CIPD