



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 20th¹.

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

New Starters Excluded from the Coronavirus Job Retention Scheme (CJRS)

Overview

An unfortunate consequence of CJRS was that those in between jobs and starting new jobs were excluded from the scheme who fell within the following parameters:

- employees who were between jobs ie. were not on payroll on 19 March 2020
- people due to start a new job after 19 March 2020 whose new employers could not or refused to furlough them

The two options available for those affected at this point were:

1. Asking their previous employer to furlough them

This was optional for employers and we know that some did refuse.

2. Accessing the welfare system by way of Universal Credit and/or Job Seekers Allowance

Universal Credit and Jobseeker's Allowance are means tested so claimants with savings would not be eligible. For those who were eligible, they would not have been in receipt of 80% of their previous wages. Consequently, welfare has not provided a safety net for those ineligible for CJRS.

How many are affected?

According to the Treasury Committee report of 15 June 2020, ONS figures for 2019 state ~1 million people "started being employed each quarter having not been employed before, with a further 800,000 moving from one job to another"³. It is not accurate to only go on the basis of HMRC RTI data as this also refers to limited company directors whose situation falls under a separate category of exclusion.

There are significant variables relative to this category with regard to gross employment outflow and inflow where other factors will have given rise to HMRC RTI numbers having fallen during the course of the pandemic (eg. those moving into unemployment or inactivity – dismissals, redundancies, resignations, family or personal reasons).

ExcludedUK has worked on the basis of an estimate around the figure of 300,000, although this number could be as high as 600,000.

CJRS was being gradually wound down but subsequently extended, currently running up to 30 April 2021. Hence the RTI date was moved to 30 October but again, for those whose new employment fell after the RTI date was missed, or for anyone paid after this date without their RTI being submitted, this would mean they were ineligible for CJRS. As the UK went into a second lockdown in November, it has inevitably led to yet more new starters being excluded at that point.

Case Study Examples

³ <https://committees.parliament.uk/publications/1446/documents/13238/default/>

- Someone who left a job after several years on 13 March started her new job three days later but was not put onto the payroll until after 19 March so could not be furloughed
- Someone who worked as a seasonal worker at a caravan holiday park started her job on 5 March but the job came to an end on 31 March. Her RTI was submitted on 28 March and was therefore ineligible for furlough. She could not rely on Universal Credit as her and her husband had some savings intended for their retirement, and which they ended up using to get through this period. She was ineligible for Jobseeker's Allowance as her NI contribution was insufficient due to her cancer diagnosis being unable to work regularly due to treatment. She had zero income from 26 March to 31 July. She returned to her job in early July but on reduced hours. She is now furloughed on those reduced hours

Potential solutions

1. Smarter use of data

HMRC could have responded to the situation by having more flexibility over the RTI date. Had they done so in March 2020 this would have enabled ~300,000 people to access financial support.

2. Evidence based submissions

These would have allowed people to evidence that their jobs existed and were accepted prior to the announcement of CJRS on 20 March 2020 by way of the following types of documentation.

- issued offer of employment
- signed acceptance of job offer
- signed employment contract
- previous tax/employment records
- e-mail trails of recruitment process
- proof of training, interview attendance, enrolment processes etc.
- proof of employee submission into a company's pension scheme
- company identifications including work related e-mail accounts, accounts made on a multitude of employers' computing software

The Treasury Committee report of 15 June 2020 stated the following which was fully supported by ExcludedUK:

"We urge the Government to find a way to extend eligibility criteria to all new starters, perhaps by further extending the cut-off date to 31 March, or widening access by accepting alternative forms of evidence that can demonstrate an individual's employment, such as a signed contract of employment."⁴

⁴ <https://committees.parliament.uk/publications/1446/documents/13238/default/>

3. Backdated payments

For those who were unjustly denied furlough due to starting a new job at the wrong time – people who were simply furthering their careers – it would be only fair and just to compensate them for the support they would have received, had there been more flexibility on the RTI date.

Conclusion

New starters were unfairly caught out by the RTI cut off date which effectively denied hundreds of thousands of employees due to start new jobs from accessing support. As such, many people in this situation have faced losing their jobs at the onset of the pandemic and have been unjustly prevented from furthering their careers.

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