

Holiday entitlement for furloughed workers

Background

The introduction of the Coronavirus Job Retention Scheme (CJRS) was by necessity a rushed process and many of the rules that governed the scheme were not known when business-critical decisions were being made. This was the case with holiday entitlement where rules were not clarified until nearly two months after employers put staff on furlough.

In the absence of clear information (which was only published shortly before the portal opened) UKHospitality put out advice to members based on the publicly available information and discussions with senior officials. As part of these talks UKH was informed that employees on furlough would not accrue holiday, where contracts were amended through the furlough notification. A template letter was made available on the UKH website to this effect. A number of members used the template letter and/or informed staff that they would not be entitled to accrue holiday while on furlough. The guidance evolved as more information was made available.

Current situation

Government has since published further information on holiday entitlement, with [this note](#) following being produced on 13th May. The critical extract is below:

Workers who have been placed on furlough continue to accrue statutory holiday entitlements, and any additional holiday provided for under their employment contract. Use the [government holiday entitlement calculator](#) to calculate a worker's statutory holiday entitlement.

Essentially, full holiday entitlement will accrue if no adjustment was made to contracts through the furlough notification. Only statutory holiday entitlement will accrue if other (or all) holiday was declared not to accrue.

The statutory entitlement is set out in the document and is at 5.6 weeks.

How to deal with holiday accrual

A build-up of annual leave for employees could be damaging as businesses start to re-open. Employers are able to request that their staff take their leave while on furlough, without this breaking the period of furlough. As this is within furlough Government will continue to pick up 80% of the staff costs and the employer will top up the extra 20%. More details on pay is in the guidance referenced above. This may be preferable to picking up the full cost of the holiday pay, though it will affect cashflow. This is a decision for individual businesses to take.

For businesses that have attempted to prevent the accrual of holiday through an adjustment of contracts, this is likely to be overridden by subsequent Government guidance and businesses should adjust their staffing plans accordingly.