# Employers’ use of furlough and job retention support in the UK during the COVID-19 pandemic.

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## Abstract

The paper examines employers’ use of furloughing and job retention support in the UK during the COVID-19 pandemic. The CJRS represents a novel departure from the UK’s traditional liberal market response to crisis. In contrast to previous crises in the UK, where employment fell in step with lower output, furloughing has helped to maintain people in jobs: firms have retained workers as opposed to making them redundant. Since March 2020, the CJRS has supported 11.4 million jobs through the pandemic, involving 1.3 million employers (HMRC, 2021). It has proved an effective policy in mitigating the effects of the crisis. There is a limited literature on the CJRS, most of which derives from analyses of policy think tanks, using official national statistics. Academic studies of furloughing, and CJRS support, have focused on workers’ experiences. This study looks at managers’ perspectives of furloughing and job retention support. It has three aims. First, it explores the nature and use of furloughing and CJRS support and managers’ perceptions of the benefits and challenges of furloughing and CJRS. Second, it examines how furloughing and CJRS is implemented within the broader context of changing working practices, with particular consideration to practices supportive of employee retention rather than redundancy. Third, it considers potentially longer-term changes to working practices, including job retention and how this may be supported by government policy. Methodologically, the paper draws from a unique online survey of 2000 mangers conducted in February 2021 and March 2021. The CJRS was seen as essential to keep businesses going through the pandemic. Managers were generally more positive about the benefits of furloughing when their organisation had used the CJRS, with furloughing seen as an essential means to retain valuable workforce skills. Furloughing without CJRS support was more likely to mean that workers returning from furlough would face a pay cut. There was support for longer-term policy for staff retention, including government support, with a quarter of managers indicating their business would introduce a self-funded retention scheme. Nonetheless, while furloughing was seen as an alternative to redundancy, the data also suggests that furloughing took place alongside redundancies, increased investment in new technology and wider workforce restructuring. Looking to the future, a third of managers see further redundancies as inevitable once the CJRS closes. The paper concludes by considering what longer-term government support for job retention should look like.

Keywords: CJRS, furlough, job retention, redundancy, technology

## INTRODUCTION

More than 11 million jobs have been furloughed in the UK during the course of the Covid-19 pandemic. Many businesses have been able to furlough workers because of direct financial support from the government through the Coronavirus Job Retention Scheme (CJRS). While a number of national-level datasets exist on the extent of furlough and CJRS support, little is known about the experiences of, and attitudes towards, furloughing and the CJRS by managers. Against this backdrop, the paper offers initial insights from a unique survey of managers on the practice of furlough, their experiences of the CJRS and wider workplace and technological change during the Covid-19 pandemic.

Following a brief introduction to the context of CJRS in the UK, the paper sets out the survey methods before the presentation of empirical findings. The findings are presented as an early analysis of data. In conclusion, the key points of interest are drawn and a case for policy change presented. The results show that the practice of furlough and the support of the CJRS has evoked positive responses from managers. There is support amongst managers for some form of job retention beyond the crisis. At the same time, however, it is evident that businesses have been restructuring during the pandemic and alongside the practice of furloughing. This suggests a degree of fragility in the benefits that may have accrued from furloughing and the support of the CJRS. Notably, there remain clear risks of higher redundancies and adverse shifts in employment practices, as the CJRS is withdrawn.

## BACKGROUND AND CONTEXT OF THE CJRS

On 20th March 2020, the UK government responded to the national lockdown of the economy imposed due to the pandemic by introducing the Coronavirus Job Retention Scheme (CJRS). The CJRS is a unique policy intervention for the UK, designed to offer support for the furloughing of workers by firms in order to limit the number of redundancies and keep unemployment down. The design of the scheme was shaped by dialogue between government, business groups and trade unions, and took some inspiration from similar 'short-time working' (STW) schemes that exist in other European nations. According to the OECD, by May 2020, as many as 50 million jobs globally were being supported by such job retention schemes, a tenfold increase compared to the Global Financial Crisis (GFC) of 2007/8 (Scarpetta et al, 2020)[1]. Countries such as Germany or France, through the *Kurzarbeit* and *Activité Partielle* schemes respectively, were able to amend and extend the coverage of pre-existing initiatives, but in the UK case the CJRS represents a novel response (see Stuart et al, 2021)[2].

Employers have been able to claim against the CJRS to pay 80 per cent of a furloughed employee's wages, up to a maximum of £2,500 per month. To do so, an employer has to discuss and agree any furloughing arrangement with an employee and confirm this in writing. As Table 1 shows, since its initial launch in March 2020, the CJRS has been revised and extended on several occasions. Originally intended to run for just four months, until the end of June 2020, the scheme is currently designed to close at the end of September 2021. In the first phase of the CJRS, workers were precluded from undertaking any productive work, and the scheme covered 80 per cent of wages and employers' National Insurance (NICs) and pension contributions. From July 2020, the second phase of the CJRS introduced an option of 'flexible furlough' to allow firms to reduce working

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[1] Scarpetta, S., Pearson, M., Hijzen, A. & Salvatori, A. (2020) 'Job retention schemes during the COVID-19 lockdown and beyond', *OECD Policy Responses to Coronavirus (COVID-19)*, 3rd August 2020. http://www.oecd.org/coronavirus/policy-responses/job-retention-schemes-during-the-covid-19-lockdown-and-beyond-0853ba1d/

[2] Stuart, m., Spencer, D.A., Mclachlan, C.J. and Forde, C. (2021). 'COVID-19 and the uncertain future of HRM: furlough, job retention and reform. *Human Resource Management Journal*. In Press.

| Table 1: Timeline of CJRS | Full CJRS (Y/N) | Flexible furlough (Y/N) | Government contribution | Employer contribution (employer NICs and pensions) (Y/N) | Employer contribution (hours not worked) | Employee receives for hours not worked |
|---|---|---|---|---|---|---|
| *March - June 2020* | Y | N | 80% up to £2,500 (including employer NIC and pension contributions) | N | 0 | 80% up to £2,500 |
| *July 2020* | Y | Y | 80% up to £2,500 (including employer NIC and pension contributions) | N | 0 | 80% up to £2,500 |
| *August 2020* | Y | Y | 80% up to £2,500 | Y | 0 | 80% up to £2,500 |
| *September 2020* | Y | Y | 70% up to £2,187.50 | Y | 10% up £312.50 | 80% up to £2,500 |
| *October 2020* | Y | Y | 60% up to £1,875 | Y | 20% up to £625 | 80% up to £2,500 |
| *November 2020 - June 2021* | Y | Y | 80% up to £2,500 | Y | 0 | 80% up to £2,500 |
| *July 2021* | Y | Y | 70% up to £2,187.50 | Y | 10% up to £312.50 | 80% up to £2,500 |
| *August/ Sept 2021* | Y | Y | 60% up to £1,875 | Y | 20% up to £625 | 80% up to £2,500 |

hours and receive a subsidy for hours not worked – this provision enabled some work to be performed by workers and removed the previous bar on productive work while on furlough. In addition, a tapered employer contribution was introduced, with employers covering NICs and pension payments from August 2020, a 10 per cent contribution (towards the 80% total payment) from September 2020 and a 20 per cent contribution from October 2020. The CJRS was scheduled to close at the end of October 2020, but has been subsequently extended in response to further national lockdowns. Since November 2020 the CJRS has again paid 80 per cent of an employee's wage, with an employer contribution scheduled to take effect from July 2021, initially at 10 per cent and then 20 per cent for the final two months of the scheme (in August/ September 2021).

Data on the CJRS are available from a number of national sources. The Business Insights and Conditions survey (BICS – previously the Business Impact of Coronavirus (COVID-19) Survey), is a real time survey that has been conducted every two weeks since the start of the pandemic, while official data of applications and payments against the CJRS are provided by HMRC coronavirus (COVID-19) statistics. In what follows we draw from HRMC data, unless otherwise specified (see HRMC, 2021[3]).

Take-up of the CJRS has been high. Since the start of the scheme, a cumulative 11.4 million jobs have been supported by the CJRS (up to March 2021) involving 1.3 million employers, with £57.7 billion of government support. The number of jobs supported has varied over the course of the pandemic. As Figure 1 shows, the number of jobs supported by the CJRS peaked in April/ May 2020 at around 8.8 million – roughly 29 per cent of the workforce in all industries - before falling to a low of approximately 2.5 million jobs in late October 2020. Since then, numbers have increased again to just over 5 million jobs supported by the CJRS in January 2021, with preliminary data from BICS suggesting that up to 5.7 million jobs were furloughed in March 2021 (ONS, 2021)[4].

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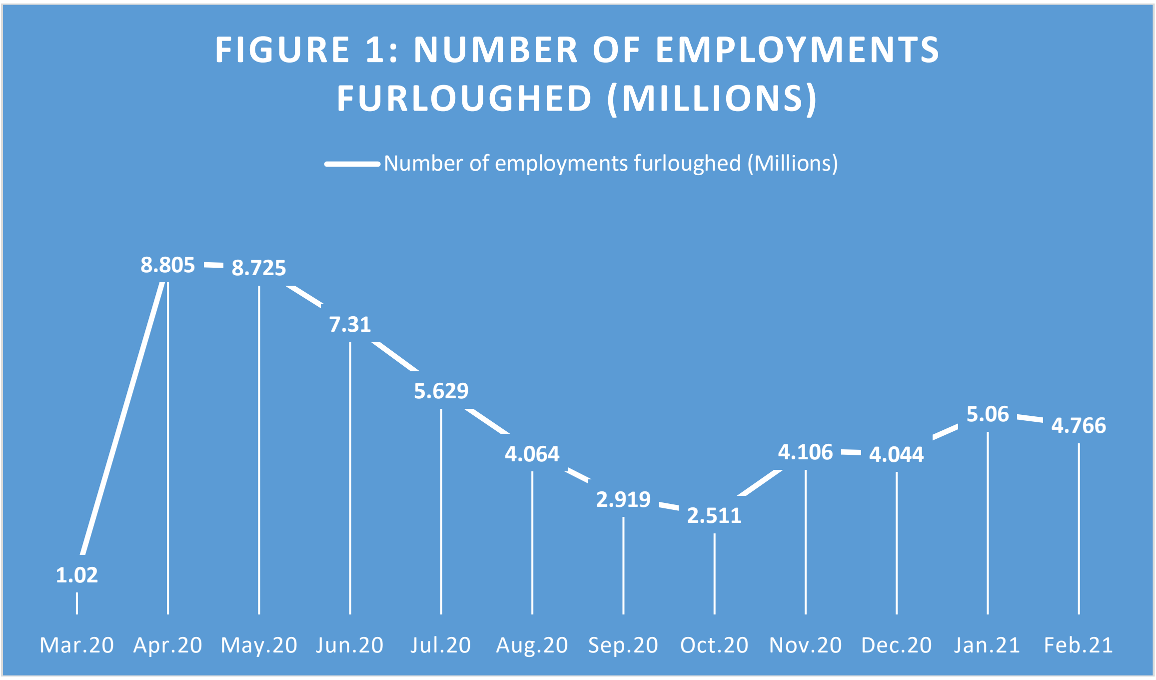
[3] HRMC (2021) Coronavirus Job Retention Scheme Statistic: March 2021. Published 25 March 2021. [Coronavirus Job Retention Scheme statistics: March 2021 - GOV.UK (www.gov.uk)](www.gov.uk)

[4] ONS (2021) Coronavirus and the latest indicators for the UK economy and society: 15th April 2021. [Coronavirus and the latest indicators for the UK economy and society - Office for National Statistics (ons.gov.uk)](ons.gov.uk)



Source: HMRC (2021). Note: figures for February are provisional only.

The number of jobs supported by full and flexible furlough has also varied over time. By the end of October 2020 the number of fully furloughed jobs had fallen to 1.36 million, with a little under one million jobs supported by flexible furlough. Since then, levels of flexible furlough have increased slightly to 1.4 million jobs by the end of January 2021, while the number of jobs supported through full furlough has increased at a higher rate to 3.3 million jobs.

At an aggregate level, accommodation and food services and the wholesale and retail sectors have furloughed the highest number of jobs, with 1.2 million and 1 million jobs furloughed in each sector respectively at the end of January 2021. This reflects the vulnerability of these sectors to lockdown, with outlets unable to open. When numbers furloughed as a proportion of all jobs are considered, the take-up rate of furlough in wholesale and retail was comparatively low by the end of January 2021 at 22 per cent, compared to the 68 per cent of jobs furloughed in the accommodation and food services sector. Most industries that made significant use of the CJRS in its first phase also experienced notable increases in furlough from November 2020 onwards; the types of jobs affected currently (May 2021) are largely similar to the start of the pandemic.

Disaggregated data highlights the variable use of the CJRS for different groups. Slightly more women than men have been furloughed, though this varies by region, with furloughed jobs at the end of January 2021 comprising 52 per cent women and 48 per cent men. A call for a temporary legal right to furlough for working parents was proposed by the Trade Union Congress early in 2021 after they discovered that seven in ten requests for furlough by working mums were being denied.[5]

In terms of age, younger workers in the 18-24 and 25-34 categories have recorded the highest aggregate number of furloughed jobs. Patterns in rates of furloughed jobs across all age groups are broadly consistent with full furlough rates over time, with 65 and over being the exception where the rate has been relatively stable throughout. Analysis by the Resolution Foundation (2021) highlights

[5] TUC (2021)Working Mums and COVID-19: Paying the Price, TUC Gender Equality Briefing, published 14th January, 2021, https://www.tuc.org.uk/sites/default/files/2021-04/WorkingMums.pdf

that employees in low paid, insecure work have also been more likely to be furloughed. [6] In addition, they estimate that some 475,000 employees have been furloughed for at least six months, suggesting some potential problems for these employees re-engaging with work once furloughing ends.

Finally, there has been some variation by region and firm size. The highest proportion of furloughed jobs have been located in London, with approximately 16 per cent of jobs furloughed at the end of 2020. Furlough is roughly inversely correlated with firm size: larger firms have been less likely proportionally to furlough workers than smaller firms. At the end of January 2021, just 10 per cent of jobs were furloughed in employers with more than 250 workers, compared to 34 per cent of jobs for employers with 5-9 workers and 36 per cent in the 2-4 employees size band.

The CJRS has no doubt prevented a catastrophic increase in unemployment. The Office for Budget Responsibility predicted in the early stages of the pandemic that unemployment would increase to 11.9 per cent by the end of 2020. This did not materialise and the OBR's current forecast is for unemployment to rise from a current rate of 5 per cent to 6.5 per cent by the end of 2021. There was a notable surge in reported redundancies during September to November 2020, with the number of redundancies per 1000 workers rising to a record peak of 14.6, higher than during the peak of the global financial crisis (which peaked at 12.20). This number has subsequently fallen to 11 per 1000 for the quarter to the end of January 2001. What is most notable, however, is that the unemployment rate increased by just 1.1 per cent (to 5%) from January 2020 to January 2021. This offers some support for the contention that firms have been encouraged by the CJRS to retain workers and that furloughing has helped to prevent higher unemployment.

In summary, the aggregate data suggests that the take-up of the CJRS has been high, with a significant number of workers still on furlough one year into the pandemic. The evidence so far supports the intended aim of the CJRS to mitigate a significant negative effect on the labour market. What remains to be established, however, is how managers perceive the CJRS and how the scheme has impacted on workforce planning and practice. This is where our survey findings seek to contribute and add new insights to the debate on furloughing in the UK.

**Method**

The findings of the study are drawn from an online survey of managers working in UK businesses employing more than three people. Questionnaire design and analysis of the data were undertaken by researchers at the Universities of Leeds and Cranfield, with survey administration carried out by the research agency Opinium. The survey was conducted online during February and March 2021. To ensure a good spread of respondents, minimum quotas of 400 responses were placed against businesses according to whether they had: 3-9 employees; 10-49 employees; 50-250 employees; more than 250 employees. A screening process ensured that only respondents that held middle or senior management positions, with responsibility for HR and/ or staffing matters, participated in the survey. The survey resulted in an achieved sample of 2,000 participating managers. The characteristics of the participating businesses that managers worked in- including region, sector, industry and size – are reported in Annex 1. All reported findings are unweighted.

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[6] Cominetti, N., henehan., K., Slaughter, H., and Thwaites, G. (2021) Long Covid in the Labour Market, London: Resolution Foundation, published 17th March 2021, https://www.resolutionfoundation.org/app/uploads/2021/02/Long-covid-in-the-labour-market.pdf

## THE CHANGING BUSINESS CONTEXT

The survey found that a majority of managers reported disruption to their businesses as a consequence of the pandemic. Just under a half (47%) of businesses had remained open throughout, with the remainder having to pause business operations for at least some time, with around half of managers reporting a decrease in turnover. The uncertain business context impacted employment levels. The total number employed in the last 12 months had decreased in three out of ten businesses (30%), with just 17 per cent stating that employment had increased.

Table 2 explores a wide range of potential employment-related changes that have taken place in response to COVID-19. Where applicable the findings are compared to the results of the 2011 Workplace Employment Relations Survey[7], a nationally representative data source that reported employers' responses to the period post-2008 economic crisis. The findings are broadly comparable with the WERS 2011 findings, with slightly fewer (20%) managers reporting that their businesses have taken no action in response to COVID-19 compared to WERS 2011 (25%).

The most common response, as in 2011, was to cut or freeze pay (35%). WERS did not ask about the introduction of new technology, but for the current survey this was a notable response reported by a quarter (25%) of the sample. A point of difference with ten years' earlier was the reduction in basic hours. Just over one fifth (22%) reported reducing basic hours as a response to the pandemic, a much higher level than in 2011.

| Table 2: *Employment-related changes made in response to the COVID-19 pandemic* (per cent) | All businesses (2021) | WERS 2011* |
|---|---|---|
| Pay freeze/ cut in wages | 35 | 41 |
| Introduced new technology | 25 | |
| Reduce basic hours | 22 | 14 |
| Freeze on filling vacant posts | 22 | 26 |
| Reduce training expenditure | 19 | 17 |
| Freeze on bonus payments | 18 | |
| Reduce agency or temporary staff | 17 | 15 |
| Voluntary redundancy | 15 | 7 |
| Internal redeployment | 14 | |
| Compulsory redundancy | 14 | 13 |
| Increase training expenditure | 10 | |
| Increase work hours | 11 | |
| Enforced unpaid leave | 8 | 3 |
| No action taken | 20 | 25 |

Source: *Leeds Survey of Job Retention*. * The WERS survey asked managers, '*which, if any, of these actions were taken by your workplace in response to the recent recession?*' (Van Wanrooy et al (2013: 18).

Significantly, the proportion of cases of compulsory redundancy as a response to crisis was nearly identical for the pandemic to the findings reported in WERS 2011, at 14 per cent. In the opposite direction, however, the proportion of businesses initiating programmes of voluntary redundancy was twice as high for the pandemic (15%) as in 2011 (7%). There was evidence that training expenditure had both reduced (19%) and increased (10%), although the aggregate response was negative.

[7] Van Wanrooy, B., Bewley, H., Bryson, A., Forth, J., Freeth, S., Stokes, L. & Wood, S. (2013). *Employment Relations in the Shadow of Recession: Findings from the 2011 Workplace Employment Relations Survey*. Basingstoke: Palgrave Macmillan

## FURLOUGHING AND THE CJRS AT WORK

The survey asked questions about the extent of furloughing and the views of managers on furlough. In total, nearly seven in ten (69%) participants to the survey reported that at least some employees had been put on furlough during the course of the pandemic. While there was no significant difference in the extent of furlough between the private and public sectors, there were marked variations across industrial sector. Furloughing was most prevalent in legal services (87%), marketing/ advertising (87%), hospitality and leisure (85%) and utilities (81%), and less common in professional services (58%), healthcare (50%) and agriculture (40%).

To probe the reach of furlough activity within businesses, the survey asked about the proportion of staff put on furlough throughout the course of the pandemic. As Table 3 shows, where furlough took place a little over half (53%) of managers reported that their businesses put at least half their staff on furlough, in just over a quarter of cases (26%) more than eight in ten staff were put on furlough. The remainder put less than half their staff on furlough to varying proportions, with just 12 per cent putting less than ten per cent of staff on furlough. The proportion of staff on furlough was highest in the hospitality and leisure sectors, where two-thirds (68%) of businesses had put more than half their staff on furlough.

| **Table 3:** ***Proportion of staff on furlough*** **(percentage)** | **Frequency** | **Percent** |
|---|---|---|
| 81-100% of staff on furlough | 352 | 26 |
| 51-80% of staff on furlough | 367 | 27 |
| 31-50% of staff on furlough | 239 | 17 |
| 10-30% of staff on furlough | 247 | 18 |
| <10% of staff on furlough | 167 | 12 |
| All on furlough | 1372 | 100 |

Source: *Leeds Survey of Job Retention*.

Furloughing in the UK context, as noted, is largely synonymous with the Coronavirus Job Retention Scheme (CJRS). It was anticipated, therefore, that where businesses had put their staff on furlough it would have been under the auspices of the CJRS. While this was the case for a large majority, a minority of businesses did not take-up the support available through the CJRS. In total, 79 per cent of cases where furlough had taken place was supported by the CJRS. There was a clear association between the take-up of the CJRS and the proportion of staff that had been furloughed: use of the CJRS was more likely the higher the level of staff furloughed.

The CJRS gives businesses the option of furloughing staff on a full-time basis or on the basis of a specified number of hours; what is known as 'flexible furlough'. Furloughing staff on the basis of full-time hours was the most common approach, with 46 per cent of those businesses that used CJRS adopting such an approach. A fifth (20%) used the CJRS to only support the flexible furlough of staff, with around a third (34%) adopting a mix of flexible and full-time furlough. Flexible furlough was much more likely to be used in the public sector (33%) compared to the private sector (17%), and was particularly prevalent in local government.

As discussed above, the CJRS offers support to businesses to cover 80 per cent of an employee's salary, up to a maximum of £2,500 per month. It is at the discretion of each employer whether they wish to 'top up' the CJRS, potentially to cover the full salary of an employee. The majority of businesses using the CJRS, seven in ten, did top-up either part or all of an employee's wage. Just three in ten did not. Where the CJRS was topped up, it was most commonly to cover the full wage of an employee, with a little under half (47%) of all businesses providing such a top-up. A small proportion of businesses (8%) offered a top-up, either partial or full, to a select group of staff. In such cases, we asked for an explanation of why there was selectivity in top-up. The reasons varied, but there was evidence to suggest that seniority, typically at management grade, length of service, and perceived value to the business were the main reasons for topping up some staff salaries and not others. A full top-up of salary was significantly more likely in the public sector compared to the private sector and for higher paid and professional workers. Trade union recognition was also positively associated with top-up to full wages.

Managers surveyed were generally positive about the value of the CJRS to their organisation. As Table 4 details, three quarters (75%) of respondents that had used the CJRS agreed (or strongly agreed) that using CJRS support was essential to keep their organisation viable during the pandemic. One potential criticism of such support schemes is that applying for funds comes at a high administrative expense. The survey strongly suggests this was not seen to be the case. Seven in ten that used the CJRS reported that applying for support was simple. Just ten per cent disagreed. In addition to allowing firms to furlough existing workers, the CJRS allows firms to rehire workers they had previously made redundant. In a little under half of cases (45%) the CJRS had been used to rehire workers that had previously been made redundant.

| **Table 4: Managers' perspectives on the CJRS** | Strongly agree | agree | Neither | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| The CJRS was essential to keep organisation viable | 33 | 42 | 17 | 7 | 2 |
| Simple to apply for CJRS support | 22 | 48 | 20 | 8 | 2 |
| CJRS enabled the organisation to rehire workers previously made redundant | 12 | 33 | 30 | 17 | 8 |
| Frequent revisions to CJRS have made long-term staff planning difficult | 16 | 40 | 26 | 15 | 3 |
| Introduction of employers' contributions meant furloughed staff were made redundant | 11 | 32 | 25 | 22 | 10 |
| CJRS does not offer long-term certainty | 19 | 44 | 25 | 10 | 2 |
| Longer-term version of CJRS would help businesses manage ongoing restructuring plans more effectively | 22 | 51 | 20 | 7 | 1 |
| CJRS has kept uncompetitive businesses open | 16 | 43 | 29 | 11 | 1 |
| CJRS has only delayed inevitable redundancies at this business | 14 | 31 | 23 | 24 | 9 |

Source: *Leeds Survey of Job Retention*; all figures are rounded, and may not add to 100%.

There were nonetheless clear challenges associated with the CJRS, related to the impact of revisions to the scheme and the uncertainty around its longevity. Just over half (56%) of managers reported that the frequent revisions made to the scheme have impacted their staff planning for the longer-term, with nearly two-thirds (63%) suggesting that the CJRS does not offer long-term certainty. Uncertainty around the scheme has potentially impacted longer-term employee retention and may have increased the likelihood of workforce redundancies. More than four in ten (43%) managers reported that the introduction of employers' contributions, through August 2020 to the end of October, 2020, meant that their organisation had made furloughed staff redundant. A broadly similar proportion (45%) reported that the CJRS has only delayed inevitable redundancies in their organisation, although a third disagreed with this scenario. There was also a clear concern that the

CJRS could have resulted in uncompetitive businesses remaining open, with 59 per cent agreeing with this statement. In this context, there was evident support for a longer-term approach to job retention, with a little under three-quarters of respondents (73%) in favour of a longer-term version of the CJRS to help businesses manage their ongoing restructuring plans more effectively. This suggests broad support for a coordinated approach to job retention beyond the crisis.

Despite the popularity of the CJRS, not all employers used the scheme to support their workforce furloughing. As noted above, in around a fifth of cases (21%) furloughing had taken place without CJRS support. The most common reasons reported for this were the existence of a self-funded company furlough scheme (31% of those not using the CJRS) and a view that CJRS criteria did not apply to their specific business case (29%).

**THE MANAGEMENT OF FURLOUGH**

Despite the widespread use of furlough during the pandemic, little is known about the experiences of businesses and the perspective of managers towards furloughing as a workforce practice. This is explored in Figure 2. Participants to the survey were asked whether they agreed or disagreed with a series of statements about the practice of furlough, measured on a five-point scale from strongly agree to strongly disagree (with neither as a mid-point). The findings show a generally positive perspective on furloughing. Nearly eight in ten (78%) respondents saw furlough as a valuable means to help retain workforce skills, with approximately three quarters considering furlough an alternative to redundancy (74%) and an essential means to remain operational (75%) during the pandemic. Where managers in businesses had experienced a significant decrease (more than 50%) in turnover during the pandemic, they were more likely to 'strongly agree' (53%) that furlough represents an alternative to redundancy compared to the survey sample as a whole (31%). Together, these findings do suggest that furlough may have had a significant role in preventing layoffs during the pandemic.

The potential business benefits of furlough were also recognised. Just under three-quarters (73%) 'strongly agreed' or 'agreed' that furlough allows for a quicker recovery as the economy moves out of the pandemic. Similarly, around seven in ten (69%) regarded furloughing as good for long-term workforce commitment to the organisation, while nearly six in ten (59%) agreed that furlough was good practice for the long-term performance of the business.

A large majority (68%) reported that staff were positively disposed towards the practice of furlough, though many recognised that furloughing could create potential tensions within the business. Notably, just over four in ten (43%) reported that tensions may arise between the business and staff over who gets furloughed, with a broadly similar proportion (44%) agreeing that tensions between staff had arisen over who did or did not get furloughed. It is important to note, however, that net levels of agreement around such tensions at work were low compared to the other issues covered in Figure 4, as just over a third disagreed that tensions had arisen either between the business and staff or between staff (35% in both cases). Finally, businesses had sought to put in place various support structures to assist staff while furloughed. Around three quarters (73%) agreed that managers had actively sought to engage with staff while on furlough, through enhanced means of organisational communication, while more than half of managers (59%) reported that additional support and resources had been made available for staff to learn new skills while on furlough. Managers that worked in organisations that made use of the CJRS reported higher levels of agreement for all the items detailed in Figure 2.

Overall, then, managers perceived that there were potentially longer-term benefits to be gained from furloughing, beyond the immediate benefits that came from being able to remain operational and reduce redundancies. Some of these benefits were perceived to come from the ability to retain staff and skills and from greater commitment levels of staff. There is also evidence that furloughing has been supported by other human resource practices, around communication and engagement.

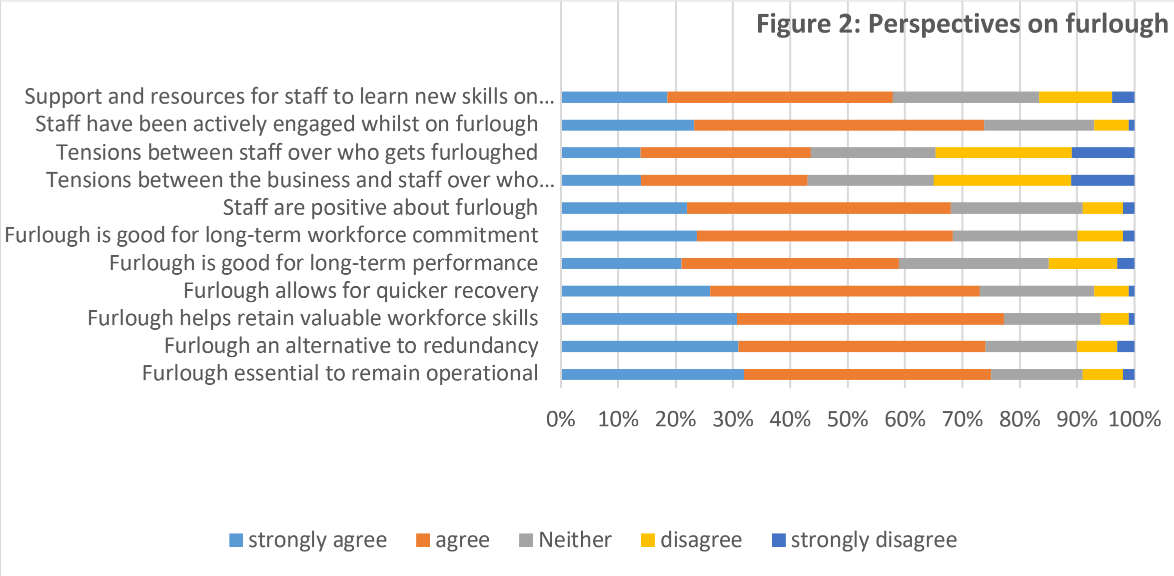

Figure 2: Perspectives on furlough

Given the numbers of workers that have been put on furlough and the uncertain economic climate, it is highly likely that businesses will face a number of challenges reintegrating furloughed workers back into work. As Table 5 shows, the vast majority (69%) of managers claimed to have a clear plan for how they would go about reintegrating furloughed workers back into work. Nonetheless, there appeared to be a degree of realism about the challenges that businesses would face. The respondents to the survey were relatively balanced in their perceptions of anticipated difficulties reintegrating furloughed workers back into the workplace: 44 per cent agreed that they would face difficulties, while 36 per cent disagreed. Perceived difficulties were reported by a slightly higher proportion of the sample that did not make use of the CJRS. There was, however, more agreement that they would face a short-term drop in performance levels as furloughed workers returned to work: more than half (52%) agreed this would be a problem, compared to a little over a fifth (22%) that disagreed. Again, the proportion (56%) that saw the likelihood of such a drop in performance was higher amongst the non-CJRS sample.

The findings also suggest that many furloughed employees are likely to face more adverse working conditions upon return to work, if they return at all. While a slightly higher proportion of businesses disagreed (42%) that workers would have to face a pay cut, a sizable minority (37%) agreed that a cut in pay would be likely. There was, however, a (statistically) significant difference between those that had made use of the CJRS and those that had not. Respondents in organisations that had made use of the CJRS were less likely (35%) to report that workers returning from furlough would have to accept a pay cut than those cases that had not made use of the CJRS (42%). This suggests the CJRS may have a role to play in preserving wage rates beyond furlough.

A cut in working hours for staff returning from furlough was an even more likely proposition, reported by 43 per cent of businesses. Half of all businesses (50%) indicated that the job roles of furloughed staff would have to be reconsidered. This could mean a restructuring of jobs with workers having to take-up new roles or it could mean a loss of jobs. In this context, a slightly higher proportion of managers agreed (42%) that furloughed staff would have to be made redundant compared to those businesses that disagreed (34%). Notably, managers in CJRS organisations were more likely (43%) to report that staff would need to be made redundant after furlough than managers in businesses that had furloughed but not made use of the CJRS (38%). This raises a question over the longer-term implications of the CJRS in preserving jobs.

| Table 5: *Returning from furlough x CJRS* (percentage) | Agree (all) | Agree (CJRS) | Agree (no CJRS) | Disagree (all) | Disagree CJRS | Disagree (no CJRS) |
|---|---|---|---|---|---|---|
| Clear plan to reintegrate furloughed staff back into work | 69 | 70 | 66 | 10 | 10 | 9 |
| Will face difficulties reintegrating furloughed staff | 44 | 43* | 45* | 36 | 37* | 28* |
| On return there will be a short-term drop in performance levels | 52 | 52* | 56 | 22 | 23 | 19 |
| Staff returning from furlough will have to accept a pay cut | 37 | 35* | 42* | 42 | 45* | 32* |
| Staff returning from furlough will have to accept less hours | 43 | 43* | 40* | 31 | 33* | 26* |
| Will have to rethink the job roles of furloughed staff | 50 | 50 | 49 | 28 | 29 | 24 |
| Furloughed staff will have to be made redundant. | 42 | 43* | 38* | 34 | 35* | 31* |

Source: *Leeds Survey of Job Retention*; all figures are rounded, and may not add to 100%; n=1320. Findings have been cross-tabulated with the use or not of the CJRS. The scale has been recoded into agree and disagree, with 'neither' omitted. * p=<0.05

**NEW TECHNOLOGY AND CHANGING WORKING PRACTICES**

There is some debate about whether investment in new digital technologies and automation has accelerated during the pandemic. While there has been an obvious increase in the use of digital communication platforms as a means to facilitate working from home, much of this technological capacity existed prior to impact of Covid-19. The survey asked managers about the extent to which investment in various forms of digital technologies and automation had accelerated or decelerated over the past 12 months, based on a five-point scale from significantly accelerated to significantly decelerated (with a mid-point of 'no change'). Figure 3 presents the findings for accelerated investment only, and details the response for the whole sample, as well as cases with and without furloughing. In no more than seven per cent of cases had investment in new technologies decelerated. Accelerated investment was most pronounced for the digitalisation of employee interactions (47% of respondents), customer channels (44%) and HR processes (39%), and slightly less so for the digitalisation of supply chains (35%). Accelerated investment was least pronounced for automation and AI, but was still reported by 29 per cent of the sample. Across all forms of technological change, acceleration was reported to be more pronounced by managers in businesses that had furloughed staff compared to those that had not.

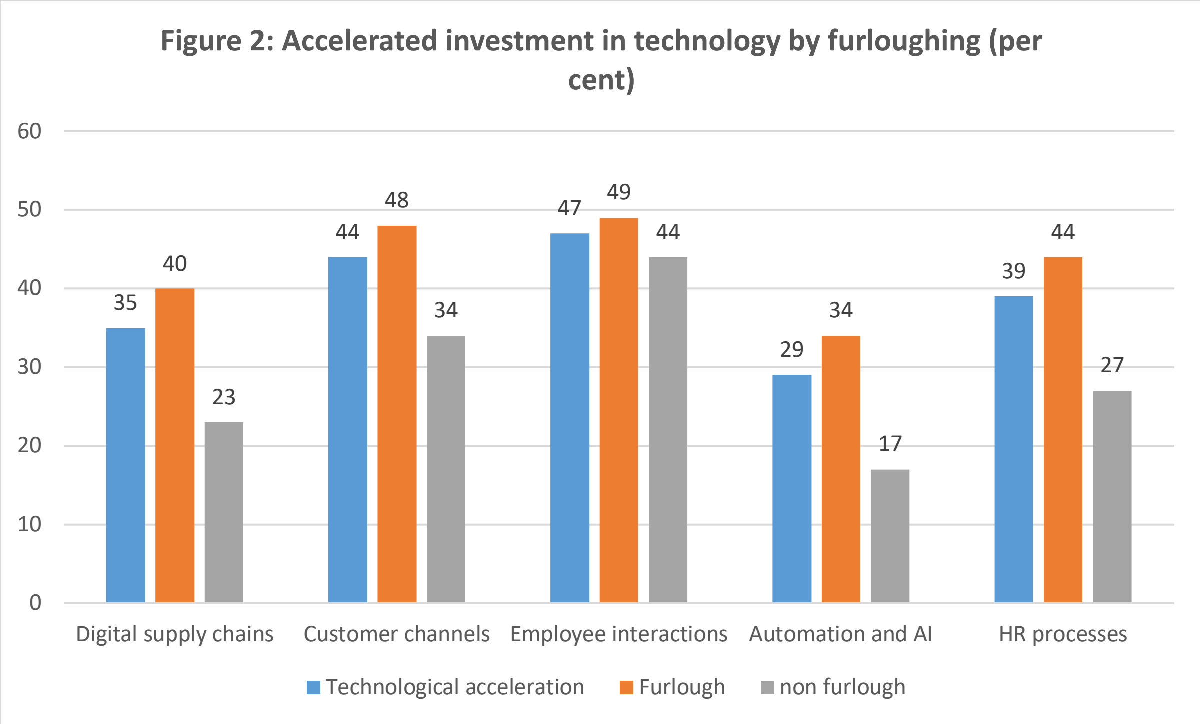


Table 6 details changes in working practices during the pandemic, in terms of the extent to which specific practices increased, decreased or stayed the same. The working practice most likely to have significantly increased was remote working, either for all or part of the week, with approximately six in ten managers reporting an increase in remote working. A majority of respondents also reported an increased emphasis on employee well-being and mental health (58%), health and safety (56%) and management communication with staff (53%). In terms of health and safety, eight in ten managers also reported that social distancing measures had been introduced in their workplace. An increased emphasis on employee engagement with staff (43%) and developing staff skills (38%) was reported by a significant minority of respondents, with the monitoring of staff performance (34%) and negotiation with trade unions (27%) the working practices least likely to have increased.

| **Table 6: Changes to working practices during Covid-19 (%)** | Significantly increased | Increased | No change | Decreased | Significantly decreased |
|---|---|---|---|---|---|
| Remote working all of week | 32 | 29 | 34 | 4 | 2 |
| Remote working part of week | 31 | 29 | 34 | 4 | 2 |
| Health and safety | 26 | 30 | 37 | 5 | 2 |
| Employee well-being | 22 | 36 | 36 | 4 | 2 |
| Management communication with staff | 17 | 36 | 38 | 7 | 2 |
| Employee engagement | 13 | 30 | 45 | 9 | 3 |
| Developing staff skills | 10 | 28 | 46 | 12 | 4 |
| Monitoring staff performance | 9 | 25 | 52 | 11 | 4 |
| Negotiations with unions | 8 | 19 | 66 | 4 | 2 |

Source: *Leeds Survey of Job Retention*; all figures are rounded, and may not add to 100%.

**TOWARDS RECOVERY: MOVING BEYOND THE PANDEMIC**

The final empirical section considers managers' perspectives on the prospects for their organisations as the economy moves out of the COVID-19 crisis and the likely impact this will have on working practices.

The survey asked managers to reflect on the competitive climate their organisations are likely to face in the post-COVID-19 period, specifically in terms of anticipated changes their organisations will either face or need to make in the two year period coming out of the pandemic. As Table 7 shows, the majority were of the view that demand for their organisations' products and services would increase (53% agreed), and there would be a need for more investment in new technology (57% agreed) and, specifically, the digitalisation of employee interactions and collaboration (54% agreed). There was a significant association between respondents that reported an increased need for new technology in the future and those that reported they had furloughed workers and had already experienced an acceleration in various dimensions of technological change.

Just over four in ten (43%) agreed that there would be increased adoption of automation and AI at their organisation. There was an association between increased investment in automation and AI and experience of furloughing, with 45 per cent of managers in organisations that had furloughed staff agreeing there would be such increased investment compared to just 32 per cent of managers in organisations that had not furloughed.

| **Table 7: changing competitive climate in aftermath of Covid-19 (%)** | Strongly agree | Agree | Neither | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| Demand for products and services will increase | 15 | 38 | 35 | 10 | 3 |
| More investment in new technology | 16 | 41 | 28 | 10 | 4 |
| Increased digitalisation of employee interactions/collaboration | 16 | 38 | 32 | 10 | 4 |
| Increased adoption of automation and AI | 12 | 31 | 33 | 15 | 9 |
| Increased use of a temporary workforce | 10 | 23 | 28 | 25 | 15 |
| Will need to make some redundancies | 12 | 23 | 25 | 23 | 17 |
| Will need to cut staff base by up to 50% | 9 | 17 | 20 | 25 | 29 |
| Will need to cut staff base by more than 50% | 9 | 16 | 20 | 25 | 31 |
| Will face shortages of skilled staff | 11 | 27 | 28 | 24 | 10 |
| Will be hard hit by Brexit | 15 | 26 | 28 | 18 | 13 |

Source: *Leeds Survey of Job Retention*; all figures are rounded, and may not add to 100%. N=2000

Other anticipated changes in the competitive climate were less prominent. Approximately one third of managers reported that their organisation would need to either make redundancies (35%) or make increased use of a temporary workforce (33%) post pandemic, although more respondents were likely to disagree with such a scenario (40% for both options). Managers in those organisations that had furloughed staff were more likely to agree (45%) than disagree (30%) that there would be the need to make redundancies: there was no association with the take-up of the CJRS. redundancies.

Just under four in ten (38%) agreed that their organisations would face shortages of skilled staff as the economy moved out of the COVID-19 crisis, although a broadly similar proportion (34%) disagreed. There was also some evidence that Brexit would have a negative effect on the competitive climate, with just over four in ten (41%) of the managers surveyed agreeing that their organisation would be hit hard by Brexit.

**CONCLUSIONS**

The paper presents initial findings from a unique, online survey of 2000 managers on the practice of furlough, their experiences of using the Coronavirus Job Retention Scheme (CJRS), and workplace change during the Covid-19 pandemic.

The findings show that furloughing was pervasive and it was supported in a large majority of cases by the CJRS. Surveyed managers were generally positive about furloughing and the support available through the CJRS. Furloughing was seen as an alternative to redundancy, and the CJRS an essential means to keep businesses operational through the pandemic. In a large majority of cases, managers also reported that their businesses had contributed to staff retention by topping-up wages that were supported by the CJRS. There was strong support, favoured by three-quarters of surveyed managers, for a longer-term version of the CJRS to help ongoing workforce planning. There was also some support amongst managers for an increased emphasis on staff retention to help their businesses navigate the post-pandemic period.

A notable finding of the study was that a small proportion of businesses chose to support staff retention during the pandemic through self-funding, rather than relying on state support via the CJRS. Similarly, looking to the period post-pandemic, around a fifth of managers reported that their businesses would look to introduce a longer-term, self-funded furlough scheme once CJRS support comes to an end. Overall, then, the report offers evidence that the CJRS and furlough have helped to protect jobs, and there is support amongst managers for some form of job retention beyond the crisis.

At the same time, however, it is evident that businesses have been restructuring during the pandemic and alongside the practice of furloughing. There was some evidence of accelerated investment in new forms of digital technology and this seems set to continue post-pandemic. Such investment is likely to facilitate further trends towards new working practices established during the pandemic, most notably in terms of remote and more flexible forms of working.

There is also the evident risk of higher redundancies and adverse shifts in employment practices as the economy moves out the pandemic and the CJRS is withdrawn. A small minority of businesses had reduced workforce numbers during the pandemic, either through compulsory or voluntary redundancy programmes. The risk of higher redundancies is likely to intensify post-pandemic. Just under half of managers surveyed reported that the CJRS had only delayed inevitable redundancies, with workers returning from furlough either likely to lose their jobs or experience cuts in pay or hours. Given this context, it was notable that a little under half of surveyed managers were looking to the government to provide ongoing support for staff retention or focused support for those workers made redundant.

The paper presents, therefore, a mixed picture. There is strong support for the practice of furloughing as a means to prevent redundancy, but there remains a high likelihood that businesses will shed labour once furloughing, notably through the support of the CJRS, comes to an end. It is important that the benefits of furloughing and the significant investment of the CJRS are not lost. The focus on job retention and the value of this to workers, businesses and the economy should be maintained longer-term. This suggests, we would argue, the following agenda for policy makers.

1. A long-term furlough scheme should be introduced, supported through appropriate employment legislation, and involving ongoing tripartite dialogue between government, employers and trade unions as a means to mitigate the effects of downturns and prevent higher unemployment on an ongoing basis. Such a scheme should be modelled on international examples of best practice.

2. Businesses should be encouraged to use furloughing as an alternative to redundancy and to adopt job retention as a long-term human resource management (HRM) practice. Good practice codes for furloughing should be developed by ACAS as part of existing codes around workforce

restructuring and redundancy, so that furlough should be a consideration, alongside internal redeployment, when proposing redundancies. Similarly, the Chartered Institute of Personnel and Development should look to develop a guide for managers on the benefits that furloughing has to offer as a meaningful and productive practice of HRM. Guides and codes should also look to encourage and embed genuine workplace dialogue around furloughing and job retention. This would imply enhanced rights for employees to seek legal protections against dismissal and enhanced redundancy pay.

3. The UK government should look to introduce a post-Covid-19 employment recovery plan that not only includes support for education and training, but a comprehensive programme of support for workers made redundant as a direct result of the Covid-19 crisis. A recovery plan should be built on new social partnerships and should allow for a levelling up in labour standards.