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Reforms to Public Sector Exit Payments

The government announced in 2015 that it wished to reduce further cost of the redundancy payments and bring about greater consistency for public sector workforces having already committed to introducing a £95,000 cap on public sector exit payments.

The GMB has opposed the government approach but they remain of the view that it is would be appropriate to "reform" (i.e. reduce) exit payment arrangements across the public sector.

The government believe that the most appropriate way of taking their view forward is for the departments responsible for the different public sector workforces seek to reach agreement on packages of reforms appropriate to those workforces, within an overall, centrally-set framework. The framework allows for

- A maximum tariff for calculating exit payments of three weeks' pay per year of service. Employers could apply tariff rates below these limits
- A ceiling of 15 months on the maximum number of months' salary that can be paid as a redundancy payment. Where employers distinguish between voluntary and compulsory redundancies there may be a case for maintaining a differential by applying a lower limit. Likewise, where employers offer voluntary exit packages that are not classed as redundancies there may be a case for applying a different maximum. Employers could apply lower limits, as some do at present
- A maximum salary on which an exit payment can be based. As a starting point the government will expect this to align with the existing NHS scheme salary limit of £80,000
- A taper on the amount of lump sum compensation an individual is entitled to receive as they get closer to their normal pension retirement age
- Action to limit or end employer-funded early access to pension as an exit term. As part of an overall package the government will consider proposals appropriate to each workforce, including proposals to:
    - Cap the amount of employer funded pension 'tops ups' to no more than the amount of the redundancy lump sum to which that individual would otherwise be entitled
    - Remove the ability of employers to make such top ups, or offer greater flexibility to employers to determine the specific circumstances in which they would be available

- Increase the minimum age at which an employee is able to receive an employer funded pension top up, so that this minimum age is closer to or otherwise linked more closely with the individual's normal pension age in the scheme in which they are currently accruing pension benefits or to which they would be entitled to belong if they were accruing benefits

Please note the reforms are not going to level up to the terms outlined above.

Process and Timeline for Reform

The government expects departments to put forward proposals for reform by December 2016 and then consult on the proposals with Trade Unions and other workforce representatives in order to seek agreement and implementation by June 2017.

GMB will keep all members in all sectors updated.

Who is affected?

- Current and future public sector employees
- The major workforces covered by existing statutory compensation schemes and other contractual exit arrangements are expected to begin reforms immediately. These are the Civil Service, NHS, Local Government, Teachers, Police, Firefighters and (taking account of the unique nature of the occupation) Armed Forces
- Those covered by any new compensation schemes set up for public sector employees
- In other areas, and for smaller public sector workforces, the government would encourage reforms consistent with the principles set out in this response

Implementation

- The government expects departments to produce packages consistent with the above, commence consultation and complete negotiation (to include transition arrangements) within 9 months of September 2016

The Governments full response can be found at https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments