

Consultation on a Public Sector Exit Payment Cap

Consultation document summary:

Consulting on proposed legislation for a £95,000 total value on exit payments in public sector employment.

To: HM Treasury: Consultation on Exit Payment Cap,
Workforce, Pay & Pensions Team

Response by: The Intergenerational Foundation

Date: 26 August 2015

Who we are...

The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations in order to protect the interests of younger and future generations at risk of being ignored by current policy-makers.

Question 2: Do you agree that the government should introduce a cap on the value of public sector exit payments on the basis set out above?

Our response...

Yes, because...

From an intergenerational point of view, a cap of £95,000 in the total value of exit payments would be welcome. The Intergenerational Foundation advocates that any public expenditure has to be seen through the lens of the long term, and should be assessed in terms of its effect on younger and future generations. Excessively large “golden goodbyes” in the public sector smack of older generations rewarding themselves disproportionately with other people’s money – i.e. income from taxpayers. They increase the deficit and hence the national debt, which will have to be paid off by future generations already overburdened with the accumulated debt and pension liabilities of previous generations.

The Intergenerational Foundation, however, acknowledges the argument that the cap can be construed as gesture politics. Some of the language in the consultation document may be misleading, in that it suggests that the policy will target “disproportionately large exit payments” to “highly paid individuals”. But the £95,000 cap will also affect more modestly paid public servants if the cost of early access to unreduced pensions and other benefits is included: careful calculation is required to achieve the right 2/...

balance here, so that the scope of the cap does not undermine the attraction and acceptability of redundancy packages designed to reduce the workforce and overall burden of public expenditure. As the consultation document suggests, efficient redundancy is “important to employers’ ability to reform and react to new circumstances”; it allows younger generations to reshape organisations more easily, according to need.

The savings of the proposed scheme are estimated to be relatively moderate. As reported in [the Financial Times](#), the Treasury calculates that the cap would have saved £200 million in the two years between 2011 and 2013. (The obligations of transparency outlined under 4.1 “Compliance and enforcement” would be welcome in this respect.)

Notwithstanding, a cap sends out a strong signal that public sector “golden goodbyes” need to be reined in. If the BBC, the Bank of England and other public financial corporations are not obliged to follow suit, the cap will at least act as an indication of the direction of travel and provide a lead on what is socially and morally acceptable to the current taxpayers – and to future generations – who will foot the bill.

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For more information about the Intergenerational Foundation and its work please visit www.if.org.uk or email Liz on liz@if.org.uk