Proposed new Civil Service Compensation Scheme

The Civil Service Compensation Scheme (CSCS) sets out the level of compensation that Government departments can pay their staff if they leave under a voluntary or compulsory redundancy scheme.

Following commitments made in the Coalition agreement, in July this year the Government introduced the Superannuation Bill to Parliament to support reform of the compensation scheme. At the same time it opened negotiations with the Civil Service unions on a proposed new scheme. The Civil Service unions are currently balloting their members to see if they are willing to accept this scheme.

Why do we need a new scheme?

The previous scheme was no longer fit for purpose and had to change. It was unaffordable, way out of line with private sector and many public sector schemes and, because of the way it was set up, meant that it was often the lowest paid and those with the shortest length of service who lost their jobs.

The proposed new scheme, which we hope will be in place before Christmas, has been drafted based on proposals brokered with five of the six civil service union negotiators (FDA, Prospect, POA, GMB, Unite) and gives extra protection to the lower paid, while limiting payments for higher earners. This proposed new scheme is fair, affordable in the long term and protects those who most need support.

Why does the Government need the Superannuation Bill if it has already negotiated a proposed new scheme with the unions?

The Bill was intended to be an initial step to limit the costs incurred under the scheme – providing the Government with the opportunity to consult on a long-term comprehensive package of reform. It will also remove the ability of any union to veto changes to the scheme, and so helps to break the deadlock.

The unions are currently balloting their members on support for the proposed new scheme. The Bill also provides a fall-back position (the caps on compensation) if for any reason the Government cannot implement the new proposals.

How is the negotiated proposed new scheme different from the proposed effect of the Superannuation Bill?

The key facts about the proposed new Civil Service Compensation Scheme are set out on page 4. This scheme will replace the caps set out in the bill.

The Superannuation Bill caps the amounts payable at 15 months' pay for voluntary redundancies and 12 months' pay for compulsory redundancies. However, the Government's preferred outcome has always been to reach a negotiated settlement – hence discussions with five civil service unions which have resulted in a package of proposals which are comparable to the rest of the public sector and the best of those on offer in the private sector.

This proposed new scheme will replace the caps contained in the Bill.

What happens next?

Subject to Parliamentary consideration of the Superannuation Bill on Tuesday 14 December, the Bill will be ready to receive Royal Assent soon afterwards. This would allow the Government to implement the terms of the proposed new scheme immediately. The Government would repeal the caps in the Bill before the introduction of a new compensation scheme.

What extra protections have been put in place for the low paid and those closest to retirement?

The key facts about the proposed new Civil Service Compensation Scheme are set out on page 4.

The proposed new terms are fair, affordable and sustainable; they offer protection to the lowest paid and those nearing retirement, and put a cap on the total amount which can be paid out to any one individual.

These terms are far more generous than the statutory redundancy scheme, which many low paid workers in the private sector are on, and outstrip the norm in the wider private and public sector. In particular, the deemed salary of £23,000 is an important protection for the lower paid, and one which will benefit more than half of the civil service. In addition, the ability of those approaching retirement to be able to access an unreduced pension is another significant element of the scheme.

How constructive were negotiations with the unions?

The Coalition Government's aim was to reach a negotiated agreement with all six Civil Service unions. Negotiations have been taking place since July (and indeed for three years before that) with a view to agreeing a sustainable and affordable long-term successor scheme to the current Civil Service Compensation Scheme. Five of the unions put forward proposals in September. The Government has listened to them, and their proposals form the basis of the proposed new scheme.

What about the PCS?

All of the unions except PCS put forward concrete proposals to help develop the proposed new scheme. Unfortunately the PCS did not do so and offered only "outline suggestions". The outline suggestions which the PCS put forward would in fact have worsened the terms for the lowest paid civil servants, many of who are members of PCS. The Government could not support any proposal that undermined protection for the lower paid. The PCS has indicated that it will not recommend the scheme to its members.

The Government has proceeded with the new scheme based on the concrete proposals developed with the other five unions.

Cabinet Office

Proposed new Civil Service Compensation Scheme

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Key facts about the proposed new scheme:

Voluntary Redundancy

- Below normal pension age - one month's pay per year of service up to 21 months. All staff will be given three months' notice.
- Above normal pension age - one month's pay per year of service up to a maximum of six months.
- Staff who have reached minimum pension age (either aged 50 or 55) can choose to opt for early retirement on their current pension entitlement. Staff will be asked to surrender some (or all) of their severance payment to meet the cost of receiving this pension early.

Pay thresholds

- All staff earning less than £23,000 (on FTE basis) will be treated as if they earn £23,000 for the purpose of calculating their redundancy payments.
- There will also be an upper pay threshold of £149,820. Staff will have their salary capped at this figure for the purpose of calculating their redundancy payments.

Compulsory Redundancy

- One month's pay per year of service up to 12 months. All staff who may face compulsory redundancy will first have had the opportunity to exit under voluntary terms.