

# CIPFA response to the Department for Business Innovation & Skills consultation on Phasing Out the Default Retirement Age

October 2010



INVESTOR IN PEOPLE

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

6 October 2010

Martin Payne  
Workplace Equality Unit, Employment Relations Directorate  
Department for Business, Innovation and Skills  
1 Victoria Street  
London  
SW1H 0ET

Dear Martin

### **Consultation – Phasing out the Default Retirement Age**

CIPFA is pleased to present its comments on the government's proposals to phase out the Default Retirement Age and associated matters.

The demographic change which the UK (in common with most developed countries) is continuing to experience will see the proportion of the population aged 65 and over increase as a percentage of the whole over the coming decades with a forecast shift from a 4:1 ratio to 2:1 within the next 30 years. This shift is driven by in the most part by improving life expectancy, which means that the UK population will on the whole enjoy a longer working life that has been the case in past generations.

At a time when the government is also considering accelerating the pace at which the State Pension Age (SPA) will increase, removing a barrier to employment for those aged over 65 who wish to or need to continue working until SPA is reached removes the potential for a disconnect between the retirement age and pension age, and the prospect that employees may be removed from the workforce before they have adequate income to support themselves in retirement.

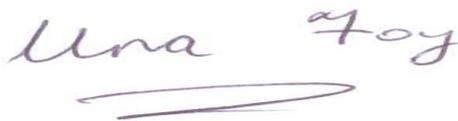
CIPFA therefore supports the proposal to phase out the Default Retirement Age.

### **Response to specific questions**

Specific comments on the questions for respondents are attached in Annex A, using the prescribed response form.

I hope that you find these comments a useful contribution to the development of the government's employment policies. If you have any questions regarding any of our comments, please contact Nigel Keogh, at [nigel.keogh@cipfa.org](mailto:nigel.keogh@cipfa.org).

Yours sincerely

A handwritten signature in purple ink that reads "Una Foy". Below the signature is a horizontal line, also in purple ink, which appears to be a stylized underline or a flourish.

Yours sincerely  
Una Foy  
Assistant Director  
CIPFA  
3 Robert Street, London WC2N 6RL

## Annex A

Please state if you are responding as an individual or representing the views of an organisation, by selecting the appropriate group. If responding on behalf of a company or an organisation, please make it clear who the organisation represents and, where applicable, how the views of the members were assembled. Please tick the box below that best describes you as a respondent to this consultation:

	Business representative organisation/trade body
	Central government
	Charity or social enterprise
	Individual
	Large business ( over 250 staff)
	Legal representative
	Local government
	Medium business (50 to 250 staff)
	Micro business (up to 9 staff)
	Small business (10 to 49 staff)
	Trade union or staff association
<b>X</b>	Other (please describe): <b>Chartered Accountancy Institute</b>

### Consultation questions

**A1.** The Government intends to remove the Default Retirement Age. Do you agree that Schedule 6 of the Age Regulations (which deals with notifications of retirement and the 'right to request' to work past retirement age) should also be removed?

**Yes - Schedule 6 of the Employment Equality (Age) Regulations 2006 exist as a consequence of the current default retirement age (DRA). If the DRA is removed, the need for Schedule 6 is also removed.**

**B1.** If Schedule 6 is removed, the laws on unfair dismissal and age discrimination will still apply. Do you have any concerns about how these laws would operate in the absence of Schedule 6?

**No - The removal of Schedule 6 should not affect an employees rights on dismissal, as any dismissal (including retirement) which might be considered unfair will still be covered by the provisions and procedures set down in the Employment Rights Act 1996, whilst age discrimination will still be prohibited under the Employment Equality (Age) Regulations 2006.**

**C1.** Thinking about retirement discussions between an employer and an employee, do you think it would be useful to have:

**[X ]** Formal guidance on how to discuss retirement in a mutually beneficial way

- ] A statutory code of practice, including guidance, which covers retirement discussions
- ] None of the above
- ] Something else (please state below)

**C2.** Please explain your answer:

Formal guidance would be a useful focus around which employer and employee can construct a mutually beneficial retirement plan, on a basis that is understood and accepted by both parties. This would also be a useful addition to the existing DWP Age Positive initiative.

**C3.** If you believe that additional guidance or a code of practice would be helpful, what topics do you think should be addressed? For example flexible retirement options, changes to duties and working hours, etc.

All of the above are good examples of what might be included. The guidance might also be used to disseminate the existing Age Positive guidance on such issues as flexible working, training to prolong employment, workforce management, redundancy etc.

**D1.** Do the proposed transitional arrangements strike the right balance between the policy aim of quickly phasing out the Default Retirement Age (and realising the benefits of doing so) and respecting the position of employers who have already made plans based on its use?

**Yes - The transitional arrangements set out in the consultation document appear a suitable compromise between the aim of quickly phasing out the DRA and allowing those who have already made plans based on its use to see through those plans. Should it be necessary to defer implementation, it should come no later than the planned increase in the State Pension Age in order to avoid a misalignment between the access to employment and the ability to access the state pension.**