STRATEGIC PLANNING FOR THE UK PUBLIC SERVICE WORKFORCE

OECD, Rabat

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Summary – the challenge and the strategy

UK Society is changing...

- The population is ageing and growing increasingly diverse
- Expectations and incomes are changing
- As are attitudes to family, community and country

How do public services best support this changing society?

- Change Face – greater diversity – gender, race, ability, background, age in workforce and increasingly in senior posts
- Change our outlook – greater focus on localised operational delivery
- Change the way we do things – workforce planning based on outcomes, customer delivery, efficiency and reform
- Attract and keep the workforce we need – clear public sector pay policy, reward strategy, articulate and communicate the benefits of working in public services
- Prepare for the known and the unknown…
  …in the context of the recession investment in public services: training, skills and leadership is even more important
The UK demographic is changing significantly and rapidly, as are people’s expectations and needs

- Projected population increase from 60.6m in 2006 to 71.1m by 2031
- By 2020 number of pensions = 13m in a total society of 67m
- By 2030 number over 80 increase from 2.9m (2010) to 5.3m

- Richest 10% electoral wards have 13 more years of healthy life expectancy than those in poorest 10%
- Regional divergence - the population of England is projected to increase by 19% by 2031, Northern Ireland by 15% and Wales by 11%. The projected increase for Scotland, where fertility and life expectancy levels are assumed to remain lower than in the rest of the UK, is 5%.

- Citizens have more complex identities and affiliations at family, community and national levels
- Household structure – 32% households single person in 2006, 37% in 2031 (DCLG)
- Marriage declining but co-habiting increasing

- Greater expectation on public services
- Public expects standards equivalent to private sector, but without paying at the point of delivery:
  - Use of technology
  - Choice
  - Accessibility
- Public services must fit in with diverse working patterns

The changing face of the UK poses a challenge to public services

The Challenge of inequality

Demographic-driven demand

Rising citizen expectations

Shifting identities
Public service reform is driven by an understanding of these social, political and economic factors…

Radical reform of public services and the nature of the state will aid the UK in coming out of the recession a stronger and fairer society e.g. Investment in skills and apprenticeships

Renewed, reformed public services are the key to strong communities and a more socially mobile society e.g. increased use of technology and E-Government

Professionals leading innovation and efficiency, boosting skills and attracting talent e.g. Teachfirst scheme

We should put people first, placing power in the hands of those who use public services, responding to local priorities not national targets e.g. access to doctors at times that suit communities

“Excellence and Fairness” – June 2008, UK Government
…and the UK public service workforce is changing to meet these public service reform challenges

UK Public Service Workforce

Almost 6 million; 0.5 million Civil Servants

- This amounts to 1 in 5 of the total workforce
- 64.6% of public sector workers are female (45.7%)
- 8.4% are from ethnic minority backgrounds (9.5%)
- 11.7% have some degree of disability (10.9%)

(Brackets = comparison to economically active population as a whole)

[Source: ONS, quarter 3, 2007]
The civil service has had to change in structure to reflect this…

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<thead>
<tr>
<th>Civil Service Size and organisation</th>
<th>Workforce numbers</th>
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<tr>
<td>487,000 civil servants – the lowest number for almost a decade (highest ever: 1.1m in 1944)</td>
<td>+365,000</td>
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<td>2% of UK employment and around 9% of public sector employment</td>
<td>+259,000</td>
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<td>Almost three-quarters of civil servants work outside of London and the South East</td>
<td>+43,000</td>
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<td>Seven out of ten work in operational delivery roles; only 5.3% in policy delivery and 1.8% in strategy.</td>
<td>-30,000</td>
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<td>Majority (60%) of full-time permanent civil servants earn less than £25,000</td>
<td>-13,100</td>
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<td>Almost three-quarters of permanent civil servants work at one of the four largest departments (Department for Work and Pensions, Ministry of Defence, Ministry of Justice, HMRC)</td>
<td>Since 1997 there has been increased investment in frontline services, and a decrease in traditional civil service roles:</td>
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...with an increasing focus on operational delivery...

Civil Service Statistics show that seven out of ten civil servants (where profession is known) work in an ‘Operational Delivery’ post. Operational Delivery relates to posts delivering front-line services to the public. For example: contact centre staff and personal advisers.

The professions covered within ‘other’ include economists, engineers, procurement experts, vets, scientists, communications professionals, psychologists and numerous others.

Source: Civil Service Statistics 2008, ONS
Note: Approximately 80% of civil servants have a known profession recorded
The **Professional Skills for Government** (PSG) competency framework is a structured way of thinking about the skills UK civil servants need to do their jobs well and is divided into four separate but supporting areas:

**Leadership:**
Provide direction; deliver results; build capacity for current and future challenges; and act with integrity.

**Professional skills:**
Job-specific professional skills (e.g. training in policy development, operational delivery or corporate services), or expert training (e.g. in science, economics & communication).

**Core skills:**
People management; financial management; analysis and use of evidence; programme and project management; and (at the more senior levels) communications and marketing; and strategic thinking.

**Broader experience**
Depth and breadth of experience are also important and increasingly so at more senior levels, whether in a range of Government departments, sectors or professions.

…and an understanding of the skills needed to deliver excellent public service at every level
The make-up of the UK civil service reflects the wider demographic, but still gives us some challenges...

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<th>Civil Service Demographics and comparators</th>
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<tr>
<td>Civil Service is ageing. The median age of Civil Servants increased from 38 to 44 between 1997 and 2008</td>
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<td>Increasingly diverse; the proportion of women is increasing (46% in 1991, 53% in 2009); the percentage of ethnic minority civil servants has increased by almost 50% since 1997; the proportion of civil servants with a disability has more than doubled since 1997.</td>
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</table>
| Women in civil service – 53%  
  Women in Public Service – 54.6%  
  Women as a percentage of all economically active adults – 45.7%  
  Women in UK private sector – 40.2% |
| Representation of ethnic minorities broadly comparable, disabled people – lower than average (6.8%) though across public service (11.3%) |

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<tr>
<th>Challenges</th>
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<tr>
<td>Need to have more younger people; build on the civil service brand of Graduate FastStream; better balance in grade composition to focus on improved service delivery and value for money for taxpayers, senior leadership capacity, increased use of technology.</td>
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<tr>
<td>The proportion of women, ethnic minority and disabled people in the Civil Service, generally decreases as grade increases.</td>
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<tr>
<td>Representation in workforce may not reflect representation in UK society – barriers for some?? Is civil service accessible?</td>
</tr>
<tr>
<td>Capability review – publicly reported assessment of every dept. highlighted need for greater investment in building capability, planning (resources and change), effectively designing roles and responsibilities.</td>
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To reflect the new public services reform challenges, a robust workforce strategy is needed, linked to service delivery.

Since 1998 the UK Government has set out its priorities for continuous improvement of public service delivery in terms of Public Service Agreements (PSAs). In 2007 the Government announced 30 new PSAs setting out a vision for a better, more cohesive society and opportunity for all. These 30 include:

**PSA 2** – Improve the skills of the population on the way to ensuring a world class skills base by 2020.

**PSA 8** – Maximise employment opportunity for all.

**PSA 10** – Raise the educational achievement of all children and young people.

**PSA 16** – Increase the proportion of socially excluded adults in settled accommodation and employment, education or training.

**PSA 18** – Promote better health and wellbeing for all.
The Government has set a clear approach and criteria for this.

In 2002 there was a recognition that a lack of resolution of pay and workforce issues (retention, skills gaps etc) threatened the delivery of challenging Public Service Agreement (PSA) targets.

Departments were tasked with developing pay and workforce strategies that:

- Are closely integrated with business and delivery planning (PSA targets critical to this)
- Show a clear understanding of capacity needed to deliver reform
- Focus on requirements of customers and the principles of reform (as then were) : standards, devolution and delegation, flexibility, expanding choice
- Are evidence and data rich and include robust market analysis.
- Include milestones, targets and measures to track performance; risk management

Signed-off by Treasury and departmental ministers

A Pay and Workforce Co-ordination Group was established at the centre of government to co-ordinate strategic planning, approve individual strategies and review on a 6 monthly basis.

The planning process was in four stages:

1. Define existing and future service needs (PSA targets)
2. Determine skills and competencies required to deliver those services
3. Gap analysis in numbers of staff required and skills base of existing workforce
4. Determine strategy for restructuring the workforce, providing training and education if appropriate and ensuring retention and productivity of redesigned workforce – competitive pay, expanded career development opportunities.
Strategic workforce planning has a number of advantages for Government departments, but challenges still remain…

Requiring departments to submit workforce strategies centrally has a number of strengths and weaknesses, listed here.

They are no longer required to do this, but other supporting mechanisms exist:

- The Public Sector Pay Committee (more later) requires quantitative and qualitative data from departments
- The Public Services Employers Forum helps to identify the cross-cutting issues
- The Public Services Forum brings together Government and trades unions

Success criteria for a good workforce strategy

- Capacity required, including:
  - numbers
  - skills and workforce diversity
  - organisational structure
  - specific regional requirements
- Rewards, recruitment, retention, working practices and workforce development approaches
- Drivers, assumptions and risks with the strategy
- Milestones, targets and measures

Strengths

- Gives a cross-services and cross-government overview
- Encourages cross sector working
- Links workforce development to delivery and spending plans
- Raises the profile of workforce planning in the public sector
- Promotes wider government policies such as diversity
- Useful for government to have a broad overview of what is happening across the public sector workforce and to understand the areas of overlap between the different service workforces and the cross-sector issues which benefit from collective consideration.

Weaknesses

- Lack of data
- Little integration of strategies with delivery and implementation of services on the ground
- Requires ongoing monitoring and development
- Requires trade union and employee involvement
- Creates multiple information requests on departments
- Tendency for departments to focus on the workforce rather than pay reform, whereas they should be closely linked.
Some departments have responded with excellent strategies. One example is *Agenda for Change* in the National Health Service (NHS)…

1. Define existing and future service needs

Following March 1999 Health Select Committee, **major review of workforce planning instigated by NHS**. Aim of reforms to **deliver the workforce the NHS now needs**

- Greater integration of workforce planning and development arrangements aligned with service planning.
- Central co-ordination of skills, holistic approach to primary, secondary and tertiary care with NHS delivering in a way which is central to needs of the patient.

2. Determine skills and competencies required

Flexible workforce, able to transfer skills to suit changing needs of patients

3. Gap analysis

Wholly inadequate pay structure for 1.1 million NHS workers – functional, inconsistent, restrictive, minimal tie in to themes of workforce flexibility and career progression - particularly in less skilled jobs (this does not include consultants, dentists and some other NHS jobs)

4. Determine strategy for restructuring workforce

- Full job evaluation completed for all roles, creation of new knowledge and skills framework
- Following job evaluation, introduction of a single pay spine tied into to KSF and linked to performance
- New system increases flexibility in career progression

**Outcomes:**

- Pay system is equitable, transparent, and compliant with existing Equal Pay legislation
- Workforce more responsive to changing needs of the population (new pay structure allows for easier creation of new roles)
- Evidence of increased retention of skilled staff, less dependency on short term solutions to workforce issues (e.g. agency staff)
- Evidence of hugely increased job satisfaction (NHS staff survey results – 2003-2009)
...another is the Department for Work and Pensions developing Jobcentre Plus...

1. Define existing and future service needs
   - Five objectives (best start for children, promote work as best form of welfare, combat pensioner poverty, improve rights/opportunities of disabled people, modernise welfare delivery) = 10 Public Service Agreement (PSA) targets.

2. Determine skills and competencies required
   - Creation of two new delivery arms – Job Centre Plus and Pension Service.
     - Job Centre Plus – movement from passive to active welfare delivery service
     - Potential for fewer offices but more focused help and intervention (one to one)
     - Need for more skilled workforce to carry out that changing role
     - Pension Service – greater telephony based contact reduction in face to face contact.

3. Gap analysis
   - Insufficient appropriately skilled staff to carry out more interventionist approach
   - Variations in performance and productivity nationally

4. Determine strategy for restructuring workforce
   - Reduction of 34,000 from baseline of 130,000 staff but with 16,000 new recruits with appropriate skills to reflect greater customer focus in Job Centre Plus
   - E-business implementation to free up staff from admin tasks to customer engagement roles
   - Reduction in number of frontline sites – 1,600 to 1,000
   - Workforce development plan prioritising performance and project management and customer relations skills
   - New pay strategy – devolved accountability to local leaders and geographical pay differentials reflecting local markets
   - New reward strategy – focus employees on criticality of deliverables and the importance of their personal contributions as well as that of the team. Reward both individual and team performance.

Outcomes:
- Increased proportion of front-line staff compared with non-customer-facing roles
- Reduced headcount = increases in staff productivity: projected increase of 11% over 2004-2008.
- 4000 jobs moved out of London and SE to other parts of Britain to enable better customer engagement
...and a more innovative cross-sector approach is the Children’s Workforce Strategy.

**Objective**: Every member of the children’s workforce should have the skills and knowledge to do the best job they possibly can to help children and young people develop and succeed at being safe, staying healthy, enjoying and achieving, making a positive contribution and reaching economic well-being.

**Collaboration** with partners from all sectors as well as Department of Health, the Department of Culture, Media and Sport, the Home Office and Ministry of Justice – Innovative and hugely challenging.
It is clear that the size of the public sector workforce means Government must have a clear policy on public sector pay...

Aim is to **recruit, retain and motivate** public sector workers in a way that is:

- Affordable
- Non-inflationary
- Value for money
- Reflects recruitment and retention issues of each workforce

**4 principles of public sector pay**

Current Comprehensive Spending Review (CSR) allows for spending growth below 2% overall

- Tightest in 10 years
- Challenge to manage Over CSR period
- Non-pay pressures also constraining pay growth
- Pay absorbs half of CSR resource budget

Therefore, if not managed, public sector pay potentially a **significant driver of future inflation**

Public sector accounts for 1 in 5 of all workers
...and Government therefore operates a number of systems to manage the paybill across public services

Pay in the public sector is determined in one of three ways...

Collective bargaining between unions and employers

Remit Process: Bargaining following HMT guidance

Independent Pay Review Bodies

Local Government

Civil Service

NHS, teachers, armed forces, prison service, senior salaries, senior civil service

...and the Public Sector Pay Committee supports this by:

Assessing pay awards and changes to pay systems - The PSPC takes an active role in assessing proposals on pay structures (pay scales and rates of progression) as well as pay increases and does this using the full spectrum of pay metrics. It also requires Departments to assess the long-run costs of pay decisions (including their pensions implications).

Radically improving Government’s information base. The PSPC is co-ordinating the information Government holds on past pay decisions and demands high quality evidence from Departments to support future pay decisions.

Articulating the Government’s strategic direction on public sector pay. It addresses issues such as the role of regional and local pay, multi-year deals, monitoring the Government’s progress on solving equal pay problems, identifying overall affordability parameters and monitoring how public sector pay, as a whole, is moving relative to the private sector.

Improving the consistency of pay decisions across the public sector. Ensuring as far as possible, that all future pay deals fit in with the Government’s overarching pay strategy.
Falling inflation means that the pressure on employers for positive real terms settlements may reduce, but we need to manage the uncertainty…
…and the economic downturn means that average earnings in the public sector are favourable against the private sector…

Important to understand the difference between average earnings (AEI) and settlements. AEI includes **progression** and **drift**. Public sector earnings therefore compare favourably to private sector earnings.
…but unemployment continues to rise, and will lag behind economic recovery. Public services will need to improve productivity.

The employment picture continues to weaken
The recession therefore means that employers need to look at innovative ways of keeping costs down whilst continuing to motivate staff...

Despite recession, overall growth in average public sector pay in recent years

Pay not the only (or main) cause of recruitment and retention problems

Total reward package improving: Institute of Fiscal Studies estimated public sector pensions worth 25% of basic pay

Proportion of private sector workers covered by a pension dropping, relative coverage in public sector increasing

The Total Reward approach could deliver:

**Improved organisational performance**
Helping organisations align their investment with employee expectations and needs, to recruit and retain high quality staff, winning their engagement by optimising motivation and morale, and thereby securing better value for money and greater productivity.

**A better deal for employees**
Responding to employee preferences and values to create an environment that brings out the best in the workforce – a financial and non-financial reward package that will make existing employees want to stay with the organisation, and attract potential employees to join it.

Total Reward acknowledges that pay is not the main driver of recruitment and retention

**Improved customer service**
A motivated and engaged workforce delivers demonstrably higher standards of customer service.

Period of real cash restraint means need to focus on the other elements of the reward package
...and a *Total Reward* approach helps staff to understand the total value of their reward package at a time of fiscal restraint.

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<td>Total Reward</td>
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<td>Work/Life balance</td>
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<td>Inspiration/Values</td>
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<td>Enabling Environment</td>
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<td>Growth/Opportunity</td>
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<td>Tangible benefits e.g.</td>
<td><strong>Active Benefits</strong></td>
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<td>Cars</td>
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<td>Annual Incentive</td>
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<td>Base Salary</td>
<td><strong>Base Cash</strong></td>
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<td>Hourly Wage</td>
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**Intrinsic**

Elements which contribute to internal value or motivation.

**Extrinsic**

All the things to which we can assign a monetary value.
Total rewards

This Toolkit is an online guide about how to develop a total rewards strategy and how it can support improved service delivery in public service organisations.

A **Total Reward strategy**, can help you:

- Improve employee commitment and engagement
- Improve employee retention.
- Reinforce organisational values and culture.

By enhancing employee motivation, contribution and performance, the Total Reward approach will lead ultimately to improved service delivery and better overall organisational performance.

The Toolkit uses the **Engaged Performance** model developed by **Hay Group for the UK public service** (pdf, 124kb), to help users analyse, develop and implement a Total Reward strategy.

Addressing all the **Elements of Total Reward**, comprising both tangible and intangible benefits, this Toolkit offers a methodology for assessing current organisational practice, pointers for action across all elements of total reward, and for combining and communicating all these aspects. The three main steps in this **Process** are:
The economic downturn also means that we need to continue to invest as a sector in improving and maintaining skills…

Leitch review of skills (2006) named skills as the **single key lever for prosperity and fairness**. Its recommendations included:

- Increase adult skills across all levels.
- Increase employer engagement and investment in skills.
- Increase people’s aspirations and awareness of the value of skills to them and their families.
- Strengthen employer voice by creating a new Commission for Employment and Skills.
- Ask employers to voluntarily pledge to train all eligible employees up to Level 2 in the workplace.

The Government’s Public Services Forum has responded with a **Learning and Skills Task Group**. Its report tells us:

- Good quality skills will produce good quality public services.
- Government has made some good progress in skills across the UK as a whole.
- Public services should be leading by example.
- Where public services could be doing more with its partners – employers, trade unions and beyond – to deliver real progress together.

**Policy framework to deliver world class skills**

**Adult social care - example of skills pressures.** The L&S task group commissioning study of learning and skills in adult social care.

The Department of Health has also produced an **Adult Social Care Workforce Strategy**, to help the sector respond to new challenges such as personalisation.
…and having the right leadership to drive this forward is fundamental

The government’s public service reform agenda has emphasised the importance of leadership

The Government’s Approach to Public Service Reform has four key elements: performance management, market incentives, user focus and leadership and workforce development.

Leadership and workforce development focused on developing workforce capacity and capability to meet the challenges facing public services. Improving system wide leadership capacity was central to this.

Excellence and Fairness highlights the importance of a New Professionalism. New professionalism means:

- Raising skills and increasing the quality of practice
- Greater freedom for higher performers
- Rewarding success
- Excellent leadership and management
- Professionals defining standards of excellence

In response, a four pronged approach has been employed to improve public sector leadership

The Cabinet Office has led of a review of whether the leadership academies are fit for purpose

Leadership academies were established to deliver high quality leadership development and support

Leadership frameworks

Define competence framework for leaders across the public sector (e.g. the civil service model of leadership)

Better public sector leadership to meet key reform challenges

Strengthen ability to recruit, identify & nurture talent at all levels (e.g. Fast Stream)

Linking professional and management training to leadership training. Delivered through a large and vibrant private sector market.

Approach to Public Service Reform

Excellence and Fairness

Leadership

Academies

Leadership

Academies

Recruitment & succession planning

Training & development
Overall, the recession gives the public sector a number of challenges…

Public services have to find ways of doing more for less

- Efficiency savings = Operational Efficiency Programme (Treasury) has announced £26.5bn in savings since 2004 and £10bn announced in most recent budget
- Innovation – launch of the Innovators Council
- Shared services – HR/IT/finance – reorganisation of running costs
- Better targeting of customer base – 98% benefit payments made directly into bank accounts

Public Services still need to be seen to be investing in people and society

- By working more effectively Public Services cannot reduce the service they are providing. People cannot be left behind – e.g. fully web based interaction with some public services will not suit those without computers (minority but many most in need of public services).

Recession may actually see increased demand for public services

- 3.5% shrink in UK economy predicted for 2009/10
- Negative impact on jobs and employment will increase. Working age employment rate fallen substantially from peak of 74.9% in spring 2008. Current employment rate is 73.6% (29.2 million) – 295,000 (1.0%) below the same time last year.
- More people out of work means increased demand on benefit provision (immediate term) and healthcare (longer term)

Increased pressure on Jobcentre Plus, for example
...and the Government has established a body to coordinate its policies that deal with this

**NATIONAL ECONOMIC COUNCIL**

- **NEC** established October 2008
- Chaired by Prime Minister, includes Cabinet
- Mission: “to provide a new approach to coordinating economic policies across Government, working to help people and businesses to deal with the current economic uncertainties”
- Secretariat hosted by the Cabinet Office

The **Council** assesses:
- implications of the ongoing challenges in the financial markets for the wider economy
- latest developments in global commodity markets
- UK objective to promote sustainable and secure energy supplies
- impact of global economic developments on skills and employment
- remaining barriers to entrepreneurship, innovation and the opportunities for small business growth
- housing and planning needs

**Supporting structures**

- **Regional Economic Council**
  Ensure that the issues and concerns of each region are heard and acted upon across Government.

- **Business Ambassadors network**
  Business and University leaders working with the Government to promote the UK’s excellence internationally and highlight trade and investment opportunities
Public Service Workforce Reform Team,
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UK Cabinet Office
Admiralty Arch, The Mall, London, SW1A 2WH

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www.cabinet-office.gov.uk/workforcematters