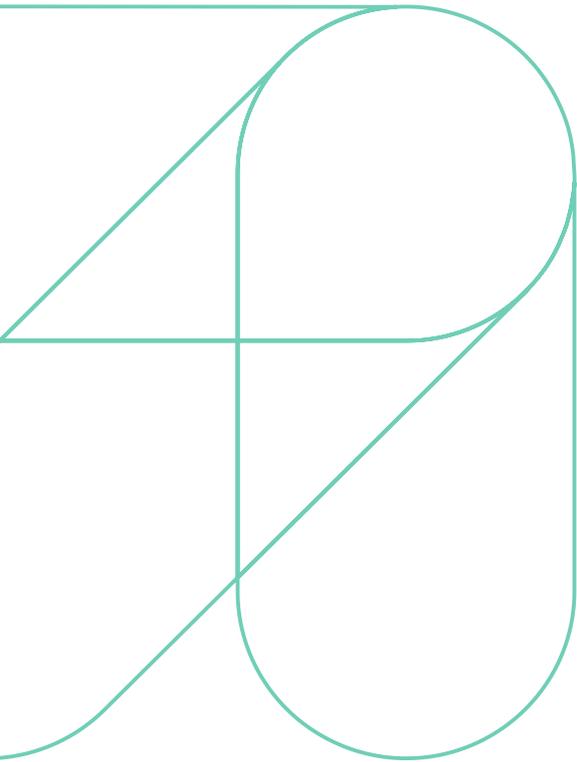


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# Tackling the Skills Gap

A discussion paper by Ed Roddis



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# Preface

GovernUp is an independent research project set up in 2014.

GovernUp brings together senior politicians of all parties, former civil servants, Whitehall advisers and business leaders to consider the far-reaching reforms needed in Whitehall and beyond to enable more effective and efficient government.

GovernUp is working to:

- Produce a rigorous body of evidence to identify the strengths and weaknesses of the current system of government;
- Generate radical but workable solutions to the long-term challenges that require reforms; and
- Shape public debate and build a new cross-party consensus on reform, based on the conclusions of our research.

## *Research projects*

GovernUp's research programme is designed to establish an evidence base on the strengths and weaknesses of the current structures of government. Six research projects aim to develop a set of radical, yet workable steps to reform government, driving through the change required to deliver better outcomes for the British public:

- *Repurposing Whitehall* is considering whether the current organisation of central government is fit for purpose, and how to build a more flexible and accountable system;
- *Localism 2.0* is looking at options for the further devolution of power, not just to local government but also in the first instance to citizens and communities;
- *The Role of Politicians* is studying how to make ministers more effective in their roles;
- *Tackling the Skills Gap* is assessing how government can recruit and retain the best talent, and ensure that civil servants have the right skills. Deloitte LLP is contributing to this work;
- *Digital Future* is exploring how new technology and transparency could reshape the relationship between citizens and state; and
- *World Class Government* is examining what can be learnt from successful reform programmes in central and local governments around the world. McKinsey & Company is contributing to this work.

## *This discussion paper*

The policy suggestions in this paper are produced for discussion by Deloitte LLP as part of the Tackling the Skills Gap research project. GovernUp's formal proposals will be produced following feedback and consultation on these ideas. Responses are welcome and should be sent to [info@governup.org](mailto:info@governup.org) by Wednesday 11 March 2015.

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### *Advisory Board*

GovernUp's Advisory Board is co-chaired by Nick Herbert MP and John Healey MP and consists of senior politicians of all parties, former civil servants, Whitehall advisers and business leaders.

Members of the Advisory Board offer their expertise and insight to inform GovernUp's work. They have no responsibility for the project's governance, nor do they necessarily endorse the proposals of GovernUp or its research projects.

### *GovernUp*

Further information about GovernUp, including discussion papers produced by the other research projects and a list of members of the Advisory Board, can be found at [www.governup.org](http://www.governup.org).

GovernUp is an initiative of the Project for Modern Democracy, a company limited by guarantee no. 8472163 and a registered charity in England and Wales no. 1154924.

# 1. Introduction

This discussion paper is about tackling the skills gap in the UK Civil Service.

Since the 1854 Northcote-Trevelyan report aimed to establish a Civil Service of “ability and experience”, successive reports and initiatives have called for the development of certain identifiable skills within the government workforce<sup>1</sup>. However, just last year the Public Administration Select Committee described the state of skills and capabilities in the Civil Service as a “long running concern”<sup>2</sup>.

The Government’s latest initiative, *Meeting the Challenges of Change – a Capabilities Plan for the Civil Service*, was published in 2013 as a specific stream within the wider 2012 *Civil Service Reform Plan*. It set out an improvement programme across four areas that represent the Civil Service’s self-diagnosed skills gap:

1. Leading and managing change
2. Commercial skills and behaviours
3. Delivering successful projects and programmes
4. Redesigning services and delivering them digitally

This discussion paper assesses the current approach to closing that gap and puts forward proposals to help take the current reforms forward.

## *How Tackling the Skills Gap relates to the other projects*

The analysis and proposals in this discussion paper need to be read closely alongside the other five reports. In particular:

- The *World Class Government* discussion paper establishes the need to attract, develop and retain the talent and capabilities needed to drive transformation in the Civil Service;
- The *Repurposing Whitehall* discussion paper describes the need for a powerful and balanced mix of finance, digital, commercial and operational skills in leadership positions. It also underlines the importance of organising professional expertise such as HR and finance as effectively as possible; and
- The *Role of Politicians* discussion paper illustrates the interplay and interdependencies between the skills of ministers and the skills of civil servants.

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<sup>1</sup> *Report on the Organisation of the Permanent Civil Service*, House of Commons, 1854.

<sup>2</sup> *Civil Service Skills*, Public Administration Select Committee, 2014.

## 2. Executive summary

### *Our proposals at a glance*

This discussion paper proposes:

- The current *Capabilities Plan* should remain in place for at least the duration of the next UK Parliament to allow for stability, but with an extensive 2015 refresh;
- Further Civil Service capability reform should address fundamental issues including organisational design and reward, as well as skills;
- Development programmes for civil servants should nurture wider abilities than the *Capability Plan's* specific priorities, such as being able to design and deliver services through complex networks and across multiple channels; and
- Pay levels should be recalibrated for those with specific, highly-marketable skills and experience to mainstream Civil Service employment with the wider working world.

### *Executive summary*

The UK Civil Service is amid a substantial programme of reform. Its change programme – captured in the 2012 *Civil Service Reform Plan* – aims to forge a Civil Service that is equipped to deal with an unprecedented set of concurrent challenges. They include continued public spending reductions as part of the programme to eliminate the budget deficit, changing citizen expectations and disruptive technological shifts. Not only is the Civil Service subject to external developments, it is the object of significant internal reforms as well.

This discussion paper, prepared for a GovernUp event in February 2015, aims to stimulate debate on skills in the civil service. It provides a brief history of civil service skills, an assessment of the current programme to improve them, and observations on how the Civil Service's skills gap can be closed. Its central conclusions are:

- Successive reports and initiatives since 1854 have aimed to address a self-observed skills gap within the Civil Service, but concerns over specific skills and capabilities remain unresolved;
- As a result of the lineage of development plans, civil servants do not expect the current *Capabilities Plan* to deliver a step change in individual or organisational performance;
- The current *Capabilities Plan* is distinct from its predecessors in its scale and scope, representing the most extensive and action-orientated in the history of the Civil Service. It cannot be assumed that the current programme is doomed to fail simply because its underpowered predecessors did not meet expectations;
- Measurable successes show that, within the framework of the *Capabilities Plan*, the programme to improve Civil Service skills is progressing, although meeting targets does not necessarily generate real change;
- Research has identified six new behaviours that will define successful government leaders in the next decade: agile integration, quiet transparency, digital aikido, horizon scanning, rapid

prototyping and rebel rousing. They illustrate a wider context within which Civil Service capabilities need to be understood and developed;

- The most ambitious civil servants would welcome a more challenging and disruptive approach to capability improvements;
- The *Capabilities Plan* recognises that capability is much more than skills. Yet there is a danger that the plan is too focused on skills and does not adequately address the wider range of factors that shape performance;
- The latest *Civil Service People Survey* shows that civil servants feel more negative about their pay and benefits than any other factor and one fifth of all civil servants say they would like to leave the Civil Service within a year;
- Civil Service policies hamper its ability to recruit and retain people for specialised roles with skills and experience that are highly desirable in the job market; and
- The *Civil Service Reform Plan* underplays the economic, societal and technological developments that are changing the environment in which governments operate. Those developments affect almost every dimension of government, including its role as an employer.

On the basis of these conclusions, this discussion paper proposes:

- **Widening the lens:** Rather than focus on specific skills in isolation, further capability reform should address fundamental issues including organisational design and reward;
- **Developing the right behaviours:** Governments increasingly need abilities such as agile integration – being able to design and deliver services through complex networks and across multiple channels – rather than just its component skills such as digital. Development programmes for civil servants should take account of this wider view;
- **Acknowledge the role of reward in capability:** Pay levels should be recalibrated for those with specific, highly-marketable skills and experience to make sure that the best talent is recruited and retained; and
- **Learning from history:** The current *Capabilities Plan* should remain in place for at least the duration of the next UK Parliament to allow for stability, but with an extensive 2015 refresh.

### 3. The case for change

#### *The history of skills in the Civil Service*

Until the 1850s, recruitment by government departments was largely conducted on the basis of patronage and as a consequence, the level of skills, dedication and ability among civil servants varied wildly. Papers of the era describe government employees “who really could neither read nor write” but had been appointed through family connections.<sup>3</sup>

The Northcote-Trevelyan report of 1854, commissioned by Gladstone, established principles for the recruitment and organisation of the Civil Service that ultimately aimed to improve the capability of its civil servants. It states that “the Government of the country could not be carried on without the aid of an efficient body of permanent officers...possessing sufficient independence, character, ability and experience.”<sup>4</sup> Those two latter factors – ability and experience – equate to our modern understanding of individual capability, of which sufficient skill to undertake tasks is a central component.

The reforms that arose from the report set up a system of recruitment based on examinations and a system of appointment in which well-educated generalists were deployed to a single Civil Service. Together, those systems aimed to raise the level of capability among civil servants and allow for inter-departmental movement that would support career progression and variety.

The next major turning point in the history of Civil Service skills came in the 1960s with the Fulton report, commissioned by Harold Wilson’s Government. Fulton concluded that “the Service should constantly review its tasks and the possible ways in which it might perform them; then consider what new skills and kinds of men are needed and how these can be found, trained and deployed.”<sup>5</sup>

Since the Fulton report, successive governments have produced a steady stream of reports and directives that address the issue of skills in the Civil Service. They include:

- In 1982, the *Efficiency and Effectiveness in the Civil Service* White Paper set out to improve financial management skills across Whitehall;<sup>6</sup>
- In 1987, the *Improving Management in Government* report stated that delivery and management skills in the Civil Service needed to improve, suggesting that they were undervalued in comparison to policy skills;<sup>7</sup>
- In 1999, the *Modernising Government* White Paper pledged to improve commercial skills, movement between sectors and talent management in the Civil Service;<sup>8</sup>
- In 2002, the new Head of the Civil Service, Sir Andrew Turnbull, wrote to all civil servants about his commitment to improving people management and development as well as the need to improve project management skills;<sup>9</sup>

<sup>3</sup> *Parliamentary Report on the Civil Service* from 1860, quoted in *A Partial History of the Civil Service*, [www.civilservice.gov.uk](http://www.civilservice.gov.uk).

<sup>4</sup> *Report on the Organisation of the Permanent Civil Service*, House of Commons, 1854.

<sup>5</sup> *The Civil Service*, Report of the Committee, Lord Fulton, 1968

<sup>6</sup> *Efficiency and Effectiveness in the Civil Service*, HM Government, 1982.

<sup>7</sup> *Improving Management in Government*, by Kate Jenkins, Karen Caines and Andrew Jackson, Efficiency Unit, 1988.

<sup>8</sup> *Modernising Government*, Prime Minister and Minister for the Cabinet Office, 1999.

<sup>9</sup> Letter to staff, Sir Andrew Turnbull, 2002.

- In 2004, the *Professional Skills for Government* programme was launched to improve skills including financial management, project management and people management,<sup>10</sup> and
- In 2004, Sir Peter Gershon's efficiency review, *Releasing Resources to the Front Line*, proposed that procurement skills in the public sector should be improved.<sup>11</sup>

In spite of this long lineage, the Civil Service has continued to observe weaknesses within its skills. Last year, the Public Administration Select Committee described the state of skills and capabilities among civil servants as a "long running concern."<sup>12</sup>

In 2010, the newly-formed Coalition Government committed to "improve the Civil Service" in its Programme for Government.<sup>13</sup> Two years later, it published a *Civil Service Reform Plan* that set out its case for profound change. The plan recognised that citizen expectations of the state have evolved, that austerity is placing greater pressure on civil servants and that the nature of public service delivery is changing. It identified areas in which the Civil Service needs to improve to keep pace with those trends, and cited skills as a specific area for development.

In 2013, a year after the reform plan, the Government published a further report, focusing on developing individual skills and organisational capabilities: *Meeting the Challenges of Change – a Capabilities Plan for the Civil Service*.

### *A lesson from history*

Clearly, the *Capabilities Plan* is the latest in a very long history of initiatives to improve civil servants' skills and that long lineage will have shaped perception of the report. Unfortunately, it is likely that civil servants do not expect the current plan to deliver a step change in individual or organisational performance. Those with many years of service reflect on the numerous people programmes that have been launched during their careers. Ultimately, they will not expect the current *Capabilities Plan* to have the transformational impact required and they expect that a future plan will eventually replace it.

However, the current *Capabilities Plan* is distinct from its predecessors in its scale and scope. Our analysis suggests that the 2013 plan is the most extensive in the history of the Civil Service. It is also the most action-orientated, working towards 71 measurable objectives. It cannot be assumed that the current programme is doomed to fail simply because its underpowered predecessors did not meet expectations.

The same pattern – a legacy of underwhelming change culminating in a more powerful contemporary programme – is evident in specific examples such as the Government's efforts to improve skills in financial management. Those efforts began in the 1968 Fulton report, which observed that "the skills of the modern management accountant appear to us to be increasingly needed at high levels of policy making and management. He is trained to evaluate policy options in financial terms, to compare the costs and benefits arising from different uses of resources, and to apply quantitative techniques to the control of expenditure and the measurement of efficiency."<sup>14</sup> The Fulton report called for the development of such skills.

<sup>10</sup> *Civil Service Reform*, University of Manchester, 2014

<sup>11</sup> *Releasing Resources to the Front Line*, Sir Peter Gershon CBE, 2004.

<sup>12</sup> *Civil Service Skills*, Public Administration Select Committee, 2014.

<sup>13</sup> *Programme for Government*, HM Government, 2010.

<sup>14</sup> *The Civil Service*, Report of the Committee, Lord Fulton, 1968

Two decades later, in 1982, a new *Financial Management Initiative* was launched to address the same needs. A year into the programme, the Chief Secretary to the Treasury Lord Brittan wrote to Prime Minister Margaret Thatcher to observe “we are still only at the beginning of a long haul.”<sup>15</sup>

A further three decades later, the *Finance Transformation Programme*, underpinned by a framework set out in the *Managing Taxpayers’ Money Wisely* report, was launched in 2011 with a far-reaching programme to boost leadership of the finance function, promote a cost-conscious culture in the Civil Service, drive up professionalism and ensure that the centre of government is aligned with finance departments.<sup>16</sup> That programme continues today with significant momentum.

So, the lesson from history is not that the *Capabilities Plan* will not work, but that it needs to be implemented, refreshed and regularly adjusted in order to succeed, rather than superseded by a new and deliberately different regime.

### *The Capabilities Plan*

The 2013 *Meeting the Challenges of Change – a Capabilities Plan for the Civil Service* sets out an ambitious programme of change across four priority areas:

- Leading and managing change;
- Commercial skills and behaviours;
- Delivering successful projects and programmes; and
- Redesigning services and delivering them digitally.

One year after the *Capabilities Plan* was published, the Civil Service produced its first annual refresh that shows continued, measured progress. In October 2014, the Minister for the Cabinet Office summarised its achievements in a written submission to Parliament. Those achievements included:

- The launch of a Civil Service Competency Framework;
- The development of commercial acumen through the Crown Commercial Service and Commissioning Academy;
- Improvements in the success for major projects through the Major Projects Authority and Leadership Academy;
- Some 280,000 civil servants have completed competency self-assessments;
- Seventeen cross-government professions have conducted maturity assessments and developed improvement plans;
- Around 4,000 civil servants have attended face-to-face courses on leading and managing change; and

<sup>15</sup> Lord Brittan, quoted in *Civil Service Reform: Plus ça change...*, Winnie Agbonlahor, Civil Service World, 2013.

<sup>16</sup> *Managing Taxpayers’ Money Wisely*, HM Treasury, 2011.

- More than 30,000 civil servants have used e-learning to improve their commercial awareness.<sup>17</sup>

These successes show that, within the framework of the *Capabilities Plan*, the programme to improve Civil Service skills is progressing.

However, three observations should be made. First, meeting targets does not necessarily generate real change. As with any programme of this scale, there is a danger that evidence of progress can be disconnected from authentic impact. For example, simply ‘sheep dipping’ civil servants in short courses is unlikely to make a substantial difference to their individual ability or their department’s overall capability. Our research suggests that while many civil servants have been undergoing basic training in commercial skills, experienced procurement specialists have left the Civil Service for larger salaries elsewhere. The current approach means that targets may be met, but meeting them may not make a substantial difference to the weaknesses identified in the *Capabilities Plan*.

Second, in spite of the *Capabilities Plan*, civil servants do not believe they have adequate opportunities to develop their skills. The annual *Civil Service People Survey* shows that civil servants feel positive about their organisation’s purpose, their team, levels of fair treatment in the workplace, their work and their manager. Each of those factors is above the survey’s benchmark point of 59 per cent. However, civil servants’ views of learning and development opportunities falls significantly below that benchmark at 49 per cent.<sup>18</sup>

Third, Parliament has been sceptical over the progress of Civil Service reform, including the development of skills. A 2013 report from the Public Administration Select Committee concluded that the overall Reform Plan’s modest and incremental change will not be sufficient for the Civil Service to meet its challenges and, as such is ‘bound to fail’.<sup>19</sup> A report on skills from that Committee, an inquiry for which is now underway, is likely to be characteristically incisive and instructive for the future of the reform programme.

### *Skills in context*

The current *Capabilities Plan* sets out a compelling argument for improving a specific set of skills, as outlined above. However, our analysis of the future for government work suggests that those skills need to be seen as part of a wider shift in capability requirements.

Research in the US has identified six new behaviours that will define successful government leaders in the next decade. A Deloitte GovLab report, *The New Government Leader: Mobilising Agile Public Leadership in Agile Times* suggests that the best future leaders will demonstrate these capabilities:<sup>20</sup>

- **Agile integration** recognises that public services and administration are increasingly delivered through a network of public, private and not-for-profit players. Successful leaders will be adept at connecting people, information and resources. They will be able to design and deliver services through complex networks and with multiple channels including digital. These skills are already being nurtured and developed by high-performing organisations in the private sector;

<sup>17</sup> *Written Evidence Response to the Public Administration Select Committee Inquiry into Capabilities and Skills in the Civil Service*, Minister for the Cabinet Office, 2014.

<sup>18</sup> *Civil Service People Survey*, 2014.

<sup>19</sup> *Truth to power: how Civil Service reform can succeed*, House of Commons, 2013.

<sup>20</sup> *The new government leader: mobilizing public leadership in disruptive times*, Katherine Ryan and Abed Ali, GovLab for Deloitte University Press, 2013.

- **Quiet transparency** recognises that in an age of openness, anything else is viewed with suspicion. It refers to the ability to consult and hold open conversations with staff, service users and partners. Leaders who are quietly transparent will build trust and develop services in which citizens feel a stake;
- **Digital aikido** is the use of digital media to gauge attitudes, build influence and motivate action through social networks – rather than resist and over-manage them. Leaders will increasingly use digital aikido to engage their constituents whether they are employees or service users. In the UK, we are seeing these skills evident in Civil Service leaders such as Sir Bob Kerslake who tweets regularly to almost 12,000 followers;<sup>21</sup>
- **Horizon scanning** guides strategic decision-making through a better understanding of the environment in which services or teams operate. Leaders who are adept at horizon scanning will be able to pre-empt trends and make sure their decisions are informed by evidence and analysis;
- **Rapid prototyping** describes the ability to experiment and learn through small, multiple projects. Leaders can identify smarter solutions by launching several pilots to gauge their results and work out which successful aspects should be combined. This trait has been described by the Minister for the Cabinet Office as the ability to “fail small, fail fast”;<sup>22</sup> and
- **Rebel rousing** involves seeking out people and organisations who can offer contrarian thinking and challenge established practice as part of service design. Being able to question the status quo with dissenting voices can reveal problems and obstacles in services that would not otherwise be foreseen.

The four priority areas in the Capabilities Plan run as a theme across these six traits. As such, the latter illustrate a wider context within which Civil Service capabilities need to be understood. In doing so, they can be developed in context rather than as isolated skills.

### *Beyond skills*

While civil servants may be sceptical about the impact of the *Capabilities Plan* – based on experience of past programmes – they are not cynical or dismissive about skills and the importance of improving individual and organisational performance. That is evident in research interviews to inform this discussion paper and in the *Civil Service People Survey* which demonstrates considerable commitment among civil servants to their organisation’s aims. They want the Civil Service to excel, and frustration with capability levels in some teams and departments is commonplace among high-performers. That suggests the most ambitious would welcome a more challenging and disruptive approach.

Developing skills through training is of course a vital part of capability and many senior civil servants welcome the intensive and high-quality development courses available to them, as reflected in considerably higher scores in the People Survey. Whereas the overall perception of learning and development opportunities in the Civil Service is negative, it is uniquely positive among senior civil servants.<sup>23</sup>

<sup>21</sup> Sir Bob Kerslake tweets as @SirBobKerslake.

<sup>22</sup> *Sprint 15* speech, Rt Hon Francis Maude MP, Minister for the Cabinet Office, 2015.

<sup>23</sup> *Staff engagement scores*, Institute for Government analysis of *Civil Service People Survey*, 2013.

However, the *Capabilities Plan* recognises that capability is much more than skills. It makes clear that resourcing, deployment and organisational design are also elements that combine to create capability.<sup>24</sup> Yet there is a danger that the plan is too focused on skills and does not adequately address the wider range of factors that shape performance. Of course, training programmes are relatively straight-forward to offer whereas changing the way that civil servants are recruited, assigned to duties and organised is not. Those changes would require bolder, more radical and more profound reforms.

In addition, building individual capability while ignoring organisational capability could ultimately drive talented people elsewhere if their skills outgrow their organisation's ability to utilise them and are marketable elsewhere.

Further capability reform should therefore place greater emphasis on organisational design as well as how civil servants are recruited and deployed. Such reform should consider:

- **Effective organisational design** enables departments and teams to determine clear priorities, continually evaluate performance and commission resources both internally and externally in ways that deliver value for taxpayers' money;
- **Alternative deployment models** might include a 'just-in-time' civil service in which employees are deployed in a matrix staff model where teams form and dissolve as needed rather than remain static and under-deployed;
- **Productivity gains** can be achieved by deploying people with the right skills for the right roles, supported by effective technology and strong performance management. Viewing capabilities and skills reform as productivity issues would broaden their context and deliver wider organisational benefits; and
- **Recruitment and retention** to make sure the Civil Service is able to secure the right skills at the right time, and build talent for the future. This includes issues concerning pay, explored in the next section, particularly in relation to senior civil servants and specific professions where skills and experience are in high demand.

### *Pay and capability*

In 2010, the newly-formed Coalition Government made a specific commitment in its *Programme for Government*. It promised to "improve the civil service, and make it easier to reward the best civil servants and remove the least effective."<sup>25</sup>

Unfortunately, the latest *Civil Service People Survey* shows that civil servants feel more negative about their rewards than any other factor. The survey suggests an Engagement Index benchmark score of 59 per cent. The index suggests that civil servants feel very positive about their organisation's purpose, which scores 83 per cent. But the score for pay and benefits is just 28 per cent. That score has fallen from 37 per cent when the survey was first run in 2009, and was the only theme to record a drop from 2013-14. Given that clearly negative view, it is unsurprising that one fifth of all civil servants say they would like to leave the Civil Service within a year.<sup>26</sup> In other

<sup>24</sup> *The Capabilities Plan – 2014 Annual Refresh*, Civil Service, 2014.

<sup>25</sup> *Programme for Government*, HM Government, 2010.

<sup>26</sup> *Morale Compass Points in the Right Direction*, Gavin Freeguard, Institute for Government, 2014.

words, pay is a significant problem for the Civil Service. Pay restraint since 2010 does not adequately explain such a stark and persistent score in the survey.

Part of the longstanding view of working for the government is that it offers job security as a trade-off for a lower salary in some cases. Given the scale of public sector headcount reductions in recent years – 898,000 people have left the state’s employment since 2010 – that traditional view of a public sector ‘job for life’ is now out of date. The trade-off of low pay for security is no longer valid.

Comparisons between public and private sector pay are complex. But while public sector employees generally earn more than those in the private sector, the opposite is true of the most senior staff. The Office for National Statistics (ONS) suggests that the top 5 per cent of public sector earners earn £31.49 per hour compared to £33.63 per hour in the private sector.<sup>27</sup> Yet the most senior roles in the public sector are characterised by extraordinary levels of accountability; exposure to parliamentary, public and media scrutiny; stewardship of billions of pounds of taxpayers’ money; and policies that impact on millions of citizens including society’s most vulnerable.

In addition, certain professions including those considered priorities in the Government’s reform plans, require skills and experience that are highly sort-after in the job market. Evidence suggests that Civil Service policies hamper its ability to recruit and retain people for these roles, which include procurement and finance professionals. Europe-wide research by Deloitte found that lower public sector pay limits the pool of talent available for government finance positions.<sup>28</sup> Similarly, the National Audit Office (NAO) recognised that salaries for government procurement experts are not attractive enough.<sup>29</sup> Collectively, 4,000 government procurement professionals administer £40 billion of contracts for goods and services. Taxpayers might reasonably expect the Civil Service to hire the most skilled and experienced professionals to spend such considerable sums of their money, and that would require paying market rates. Of course, paying market rates for specific professionals could make them better paid than colleagues performing other duties in the Civil Service.

Significant reform to pay in the Civil Service would require political commitment and close co-operation with public sector unions. In advance of that, movement between the private and public sectors would be stimulated by removing barriers for senior civil servants who wish to hire external applicants from the private sector for their specific skills and experience.

Almost fifty years ago, the Fulton report on the Civil Service observed that “wherever qualified applicants are relatively scarce...they should be brought in without delay...this is especially important in regard to the recruitment of those with scarce specialist skills.”<sup>30</sup> That remains true today.

### *Operating in the open talent economy*

The *Civil Service Reform Plan* underplays the economic, societal and technological developments that are changing the environment in which governments operate. Those developments affect almost every dimension of government, including its role as an employer. In other words, the working world has changed and governments have not kept pace. The Civil Service needs to

<sup>27</sup> *Annual survey of hours and earnings*, Office for National Statistics, quoted in *Public sector hourly pay outstrips private sector pay*, BBC, 2014.

<sup>28</sup> *The Government finance renaissance*, Deloitte Touche Tohmatsu Services, Inc, 2014.

<sup>29</sup> *Transforming government’s contract management*, National Audit Office, 2014.

<sup>30</sup> *The Civil Service*, Report of the Committee, Lord Fulton, 1968

recognise, for example, the shift away from 40-year linear careers as people work to a more personalised patchwork of jobs and projects that may well cross sectors.

Recent thinking on employment trends shows that the relationship between employees and their organisations is changing rapidly. Globalisation is diffusing ideas and practices around the world; technology is allowing people to collaborate across distance in real time; shifts in mobility are making people freer to work when and where they want; social media is transforming the way people connect, share and build communities; educational trends are beginning to disrupt traditional routes to qualifications; and employers are coming alive to data analytics to inform employee strategies.<sup>31</sup> Together, these trends are driving an ‘open talent economy’ in which governments, as well as other organisations, are competing for talent.

The Civil Service is an iconic institution. While many of its distinct qualities are worth preserving – not least its heritage, its impact, its integrity, its values and its governance – its exclusivity as an employer may be worth rethinking.

Analysis of the ‘open talent economy’ suggests that Civil Service’s talent networks need to grow beyond a ‘closed’ model in which it carries the cost of all of its employees to encompass ‘partnership talent’ (employees from joint ventures), ‘borrowed talent’ (employees of contractors), ‘freelance talent’ (independent contractors), and ‘open-source talent’ (from the value chain and services) as well as a core Civil Service.

In the longer term, it will become increasingly important to attract new talent and future leaders to the Civil Service. A global student survey shows that the UK Government is not seen as a highly desirable employment option. Of the 26 countries surveyed, the UK came 13<sup>th</sup> in terms of whether its business students would want to work for its government.<sup>32</sup> In order to compete in the open talent economy, the Government may wish to explore how to use its brand and other appealing characteristics to attract talented people.

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<sup>31</sup> *The Open Talent Economy: People and Work in a Borderless Workplace*, Deloitte LLP, 2013.

<sup>32</sup> *The State of the State: Government’s Inflection Point*, Deloitte LLP, 2014.

## 4. Our proposals

### *Conclusions*

The *Civil Service Reform Plan* and subsequent *Capabilities Plan* identify specific skills gaps within the Civil Service. The actions plans derived from them are underway with momentum.

However, this analysis finds that:

- Successive reports and initiatives since 1854 have aimed to address a self-observed skills gap within the Civil Service, but concerns over specific skills and capabilities have never been resolved;
- As a result of the lineage of development plans, civil servants do not expect the current *Capabilities Plan* to deliver a step change in individual or organisational performance;
- The current *Capabilities Plan* is distinct from its predecessors in its scale and scope, representing the most extensive and action-orientated in the history of the Civil Service. It cannot be assumed that the current programme is doomed to fail simply because its underpowered predecessors did not meet expectations;
- Measurable successes show that, within the framework of the *Capabilities Plan*, the programme to improve Civil Service skills is progressing, although meeting targets does not necessarily generate real change;
- Research in the US has identified six new behaviours that will define successful government leaders in the next decade: agile integration, quiet transparency, digital aikido, horizon scanning, rapid prototyping and rebel rousing. They illustrate a wider context within which Civil Service capabilities need to be understood and developed;
- The most ambitious civil servants would welcome a more challenging and disruptive approach to capability improvements;
- The *Capabilities Plan* recognises that capability is much more than skills. Yet there is a danger that the plan is too focused on skills and does not adequately address the wider range of factors that shape performance;
- The latest *Civil Service People Survey* shows that civil servants feel more negative about their pay and benefits than any other factor and one fifth of all civil servants say they would like to leave the Civil Service within a year;
- Civil Service policies hamper its ability to recruit and retain people for specialised roles with skills and experience that are highly desirable in the job market; and
- The *Civil Service Reform Plan* underplays the economic, societal and technological developments that are changing the environment in which governments operate. Those developments affect almost every dimension of government, including its role as an employer.

## Proposals

On the basis of these conclusions, this discussion paper proposes:

- **Widening the lens:** Rather than focus on specific skills in isolation, further capability reform should address fundamental issues including organisational design and reward;
- **Developing the right behaviours:** Governments increasingly need abilities such as agile integration – being able to design and deliver services through complex networks and across multiple channels – rather than its component skills such as digital. Development programmes for civil servants should take account of this wider view;
- **Acknowledging the role of reward in capability:** Pay levels should be recalibrated for senior civil servants and those with specific, highly-marketable skills and experience to make sure that the best talent is recruited and retained;
- **Learning from history:** The current *Capabilities Plan* should remain in place for at least the duration of the next UK Parliament to allow for stability, but with an extensive 2015 refresh.