

THE STRUCTURE OF DEPARTMENTS AND THE PROMOTION OF EFFICIENCY

145. To function efficiently, large organisations, including government departments, need a structure in which units and individual members have authority that is clearly defined and responsibilities for which they can be held accountable. There should be recognised methods of assessing their success in achieving specified objectives.

146. The organisation of a government department today usually defines with great clarity the area of a civil servant's responsibility; his position within his hierarchy is also clearly established. But it is not easy in the Civil Service clearly and distinctly to allocate to individuals or units the authority to take decisions. There are two reasons for this. Decisions often have to be referred to a higher level than their intrinsic difficulty or apparent importance merits; this is because they involve the responsibility of the Minister to Parliament and may be questioned there. At the same time, many problems overlap departments; they often involve wide consultations at many different levels both between departments and with a variety of interests outside the Service. Decisions therefore are frequently collective decisions achieved through a sequence of committees—culminating, if need be, in the collective responsibility of the Cabinet.

147. For these reasons clear delegation of authority is particularly difficult in the Civil Service. This has led well-informed observers, including some who have given evidence to us, to conclude that large-scale executive operations cannot be effectively run by government departments, and that they should be "hived off" wherever possible to independent boards. We discussed this suggestion in the concluding section of this chapter. We believe, however, that the work of departments can be so organised as to enable responsibility and authority to be defined and allocated more clearly than they often are at present. Individuals and units could then be called to account for performance which is measured as objectively as possible. In our view, this is true in different ways of many sides of a department's work. We consider this principle of organisation to be a necessary condition for achieving maximum departmental efficiency and for enabling men and women to get the greatest satisfaction from their work.

148. There can be no standard pattern of departmental organisation to achieve these ends. The responsibilities of government departments are extremely diverse. Each department, therefore, has to organise its staff in the way most appropriate to its own tasks. Nevertheless, there are certain common elements in the work for which the top-level direction of each department has to provide. Our proposals concentrate on four of these:—

(a) The management of the department's executive activities, many

of them laid down by legislation. These constitute the work of most civil servants and vary widely. They include, for example, much research and development work, all kinds of procurement, the management of technological projects and programmes, inspection and monitoring work of many kinds and the management of social services, such as the running of employment exchanges and National Insurance offices.

- (b) Administrative activities, mostly of a non-executive character, concerned often with the operation and adaptation of existing policies. Examples of these are high-level case-work arising from the detailed application of policy, exercising the department's financial controls over its expenditure, and dealing with the wide variety of problems arising from the services administered by local authorities (education, housing, roads, town and country planning, etc.).
- (c) The day-to-day organisation of the department's staff and work and the provision of its internal services (i.e. the work of personnel and organisation divisions).

(d) The formulation and review of policy under political direction.

149. The precise application of our recommendations to these broad aspects of departmental work will differ from department to department. They will, however, involve substantial changes in the present basic pattern. In particular, for each major department (and, where applicable, smaller ones) we recommend:—

- (a) the organisation of executive activities in such a way that the principles of accountable management can be applied;
- (b) the provision of high-level management services;
- (c) the creation of a long-term Planning Unit or Units;
- (d) a top departmental structure in which, while overall direction under the Minister must rest unequivocally with the Permanent Secretary, there should be closely associated with him a Senior Policy Adviser or Advisers and, where appropriate, a chief scientist, engineer or other senior specialist.

ACCOUNTABLE AND EFFICIENT MANAGEMENT

150. Accountable management means holding individuals and units responsible for performance measured as objectively as possible. Its achievement depends upon identifying or establishing accountable units within government departments—units where output can be measured against costs or other criteria, and where individuals can be held personally responsible for their performance.

151. The establishment of such units must involve an addition to the Service's traditional accounting methods. The present system of vote accounting does not automatically provide complete cost figures for the work and expenditure of individual divisions and branches or for particular activities; only recently have arrangements been introduced in some departments to supplement the formal parliamentary accounts with cost data of this kind. Accountable management requires the identification of those parts of the

organisation that form convenient groupings (or "centres"), to which costs can be precisely allocated as the responsibility of the man in charge. We regard this as essential to systematic management control.

152. There is a complementary need to establish for the same groups and units standards of achievement by which their performance can be judged. Clearly this is more easily done in some parts of the Service than in others.

153. Wherever measures of achievement can be established in quantitative or financial terms, and individuals held responsible for output and costs, accountable units should be set up. We believe this to be practicable over a very wide area of the executive work in paragraph 148(a). Much of this work is done in establishments outside headquarters; some is nation-wide. The most straightforward cases are where there is a physical output, e.g. in stores or supplies. But it is also possible to measure output against costs wherever a large number of similar and defined operations are performed. For example, in the registration of applications, the payment of benefits and the handling of individual employment problems, local offices could establish standards of achievement by using the statistical data they already collect relating to transactions handled. At present this information is largely used to determine the number and type of staff required; it could be used to measure the comparative efficiency of different units. These accountable units would correspond to the "budget centres" which have been widely developed as an instrument of managerial control in progressive industry.

154. Work of this kind should thus be organised into separate "commands". The manager of each command should be given clear-cut responsibilities and commensurate authority and should be held accountable for performance against budgets, standards of achievement and other tests. Within his unit he should set up sub-systems of responsibility and delegated authority on similar lines.

155. Different considerations apply to much of the administrative work mentioned in paragraph 148(b). Here measurable output cannot always be made the criterion for assessing performance. One cannot lay down in advance how long it should take to review effectively the investment programme of a nationalised industry, or to study and make a sound recommendation on the acceptability of a proposed company merger. The assessment of administrative work is also complicated by the unpredictable demands that arise from the Minister's responsibility to Parliament, and by the fact that much of it contains a major element of new policy-making, involving consultation, negotiation and the preparation of legislation.

156. It is still, however, important that those engaged on administrative work of this kind should know what their objectives are and that their performance should be judged by their results. The principle to be applied here is management by objective. Whether the branch is primarily concerned with administering existing policies (paragraph 148(b) above), with planning new policies or with research, its objectives and priorities need to be clearly established. To some extent, of course, many branches work in this way now. But the principle of management by objective is not applied as systematically or widely in the Service as it should be. It should be normal practice everywhere for heads of branches doing this kind of

work to agree with their superiors and subordinates the tasks assigned, relative priorities and dates for completion, and regularly to review progress. Individuals at all levels should know what they are responsible for and what authority they have. The effectiveness of the branch and the contribution of its individual members could then be more objectively assessed.

157. Further changes in the way in which many departments organise their work are also needed if the principles of accountable management are to be applied as fully and as widely as they ought to be. Three main obstacles at present stand in the way of the effective allocation of responsibility and authority.

158. The first of these arises when several departments, or several branches within a department, have a substantial interest in the same problem. With responsibility diffused, the need for wide consultation may mean that all can move forward only at the pace of the slowest. This limitation is inherent in much government work. Despite this, it should be possible, especially where the problem is reasonably self-contained, to devise methods of concentrating in one man or group the responsibility for organising the relevant material and putting forward a solution. Where problems involve several departments, it may often be the right course to set up a team. This is, in fact, often done now. There is however too much of a tendency at present for members of groups of this kind to try to carry their departments with them at each step of the way. We feel that more specific allocation of responsibility to individuals, both departmentally and inter-departmentally, is needed. The interests of many different Ministers are often, if not usually, involved. Nevertheless, the problem-solving approach, has great value, since it reduces the temptation to "pass the buck", and it can do much to develop the competence and confidence of the individuals concerned. We recommend that departments should make opportunities for adopting it whenever they can.

159. Another general obstacle to the clear allocation of personal responsibility and authority frequently arises from the number of levels in the hierarchy of most Whitehall departments. Usually there are at least seven organisational levels in administrative work (from Executive Officer to Permanent Secretary), rather more than there would be in a typical industrial situation, and spans of control (i.e. the number of subordinates reporting directly to a superior) are very narrow, usually only two or three. Similar narrow spans of control are found in other hierarchies, e.g. in the organisation of much engineering work. Often, from Executive Officer upwards, each level "has a go" at a paper or a problem, adding comments or suggestions as it goes up the hierarchy until it reaches the point at which somebody takes a decision. This point is often higher than it would otherwise be because decisions may involve the Minister in having to answer for them in Parliament. In consequence, personal responsibility and authority are obscured; delay follows. We think that the number of working levels in the traditional organisation of the flow of business should be reduced. The level or levels omitted will obviously vary in different situations. Much more often than now, for example, an Executive Officer should work direct to a Senior Executive Officer, or a Principal direct to an Under Secretary. With "flatter" structures there can be a more precise allocation of responsibility and authority. We think the Service ought to make bold experiments in this direction.

160. The third obstacle arises in those areas of the Service where administrators and specialists (e.g. engineers, architects, quantity surveyors and planning officers) are jointly engaged on a common task like the design and preparation of military installations and the supervision of their construction by outside contractors. Where this happens, the two main systems of organisation at present are known as "parallel hierarchies" and "joint hierarchies". In parallel hierarchies, the responsibility is bisected: financial and overall policy control is entrusted to administrators organised in one hierarchy, while advice on the technical merits of a case and the execution and development of technical policy is laid to specialists organised in a separate but parallel hierarchy. In joint hierarchies, an administrator and a specialist are designated joint heads of a block of work, but at lower levels the separation of functions still occurs, with financial control in the hands of the administrators. The way these arrangements work is described in more detail in the report of the Management Consultancy Group.

161. We are aware of the advantages claimed for these forms of organisation, but we are satisfied that they are outweighed by their very considerable disadvantages. They produce delay and inefficiency because of the need for constant reference to and fro between the hierarchies. They prevent the specialists from exercising the full range of responsibilities normally associated with their professions and exercised by their counterparts outside the Service. In particular, they obscure individual responsibility and accountability; no single person at any level has clear-cut managerial responsibility for the whole task.

162. These common tasks frequently include a large volume of non-technical work—some of it routine, some of it requiring considerable expertise, e.g. in preparing legislation and regulations and in the financial procedures of government. Nevertheless we consider that the best organisation for this kind of work is a single integrated structure under a single head. The head of the structure should be the man with the most appropriate qualifications for the job. Beneath the single head, administrators and specialists should be integrated in teams or unified hierarchies, where individual posts are filled by administrators or specialists according to the requirements of the task. Part of the Ministry of Technology already operates on the basis of a unified hierarchy incorporating all necessary technical, financial, administrative and other specialist staff. The speed with which this new pattern can replace joint and parallel hierarchies throughout the Service will depend on the availability of men and women with the right training and experience; it will take time to find and develop the skills required.

THE DEPARTMENTAL MANAGEMENT SERVICES UNIT

163. Implementing the proposals we have so far outlined would not by itself be enough to guarantee full efficiency and the maintenance of the highest standards of management. The Service will also need to devise the right machinery for ensuring that each department keeps its organisation up to date, conducts a regular audit of its efficiency, and constantly applies the best available methods and techniques to its tasks. The use of outside consultants could help and the central management services of the new Civil Service Department should be an effective spur. But the primary

responsibility must lie with the department itself. Thus departmental personnel and organisation divisions have a key role to play. These divisions are primarily concerned with personnel and efficiency and therefore have a powerful influence on the total operation of departments at all levels. We discuss their role in personnel management in Chapter 3. Here we concentrate on their task of promoting and maintaining efficient organisation and methods of work.

164. Although the Civil Service has played a major part in the development of organisation and methods (O and M) in this country, the work of departmental O and M divisions in promoting efficiency is at present often inadequate. The findings of our Management Consultancy Group indicate that the reasons for this are as follows:—

- (a) O and M staff tend in practice to focus on methods to the exclusion of organisation, and too rarely question whether a particular task actually needs to be done at all. Normally, there is little, if any, investigation of work above the lower and middle levels of a department. There is, too, the serious weakness that the staff employed on this work (nearly always members of the Executive Class and not normally above Senior Executive Officer) have not the rank or authority to operate effectively at higher levels.
 - (b) O and M investigations begin for the most part only by invitation from the head of an operating division when he decides that he has a problem. Some departments conduct planned reviews of selected areas but the current emphasis is on *ad hoc* assignments. And when such assignments (or reviews) have been completed, O and M staff usually do not sufficiently participate in seeing their recommendations put into effect.
 - (c) The separation of staff inspection (assessing the numbers of staff required for the efficient performance of a given amount of work) and O and M (analysing the tasks and the methods by which they are performed as well as the organisation required for the purpose) divides what should be a unified operation. We are aware that these separate responsibilities usually converge at the Under Secretary level. It is the separateness of the two actual operations that we are criticising. We acknowledge that there are occasions when a limited rather than a full-scale operation is all that is required, for example to investigate a request for one or two additions to a division's staff; but this cannot justify the present separation.
 - (d) The staff engaged in O and M and staff inspection work are not sufficiently expert; they are frequently "generalists" who, because they spend too short a time on the job, lack the necessary qualifications and experience.
165. In our view, each major department should contain a management services unit with wider responsibilities and functions than are given to O and M divisions today. In particular, we should like to see the following changes:
- (a) Efficiency audits should be introduced involving all aspects of the

department's work at all levels. This should take place as part of a constant and phased review of the total operation of the department. In particular, special attention should be paid to studies designed to improve organisational efficiency.

- (b) The management services unit should be fully and clearly responsible for promoting throughout the department the use of the best management techniques.
- (c) O and M should be equipped to operate effectively at all levels in a department and not just at the middle and lower levels.
- (d) The functions of O and M and staff inspection should be assimilated and combined in the same unit; this would mount operations of varying scope and depth according to the nature of the problem.

166. The management services unit must be properly staffed. It cannot carry these enlarged responsibilities if it consists of inexperienced administrators assigned to the unit as part of a regular three- to four-year rotation between widely differing jobs. The work demands specialisation from men and women with high qualifications. The staff should be drawn from the groups of administrators referred to in Chapter 2, from appropriate specialists, including accountants, and from those with experience of similar work outside the Service, including some with practical experience of management in industry. Many should spend long periods—in some cases the better part of their careers—in this type of work gaining additional qualifications and experience, moving between different departments, including the Civil Service Department, and between the Service and similar work in other employments outside.

167. The qualifications and training of the management services staff of the Civil Service must compare favourably with those doing similar work outside, e.g. in large management consultancy firms. Many should have a relevant degree or equivalent professional qualification and not less than five years' experience as manager or administrator in an operating division. This needs to be followed by more specialised training in management techniques and a great deal of refresher training subsequently. There is almost no-one now in departmental establishment work with qualifications and experience of this order.

168. Our proposals are not intended to discourage departments from bringing in outside consultants for special assignments. Departments have done this to an increasing extent over the last few years. It is in our view a necessary supplement to the work of their own management services units; it will help to keep the units themselves fully up to date and it can be of particular value when problems of organisation arise at the highest levels within departments.

169. It is important that the creation of stronger management services units should not detract from the responsibility of members of operating divisions for their own efficiency. The prime responsibility for the efficiency of their work must rest with them. The role of the management services unit should be to give any assistance that is needed and generally to act as a spur to the achievement of higher standards.

170. We are convinced that the creation of management services units

of this kind in departments is the only way to ensure that all unnecessary work is eliminated and that staffs are kept to the absolute minimum. We believe that there are substantial savings to be achieved by such units, staffed and operating in the way we have described. These units too should themselves be subjected to an external efficiency audit about every five years; it might be done by a team drawn partly from central management services and partly from outside management consultants.

171. We wish to draw special attention to one other factor which is a source of inefficiency at present. Office services (notably secretarial assistance) are frequently inadequate. Much more needs to be done to improve the physical surroundings in which civil servants work. Conditions vary widely; some are lamentable. Squalor is not conducive to pride in the job. We discuss this further in Appendix I.

POLICY PLANNING

172. We emphasised in Chapter 1 the growing need for long-term planning if the problems of modern government are to be foreseen, and the groundwork for decisions prepared in good time. We believe that this responsibility, like the complementary responsibility for the execution of policy, needs to be more clearly defined and allocated. At present policy-making, especially long-term policy thinking and planning, is the responsibility of officers over-burdened with more immediate demands arising from the parliamentary and public responsibilities of Ministers. The operation of existing policies, and the detailed preparation of legislation with the associated negotiations and discussions, frequently crowd out demands that appear less immediate. Civil servants, particularly members of the Administrative Class, have to spend a great deal of their time preparing explanatory briefs, answers to Parliamentary Questions, and Ministers' cases. Generally this work involves the assembly of information to explain to others (civil servants, outside bodies and so on) the policies of the department, how they are operating, and how they apply in particular cases. Almost invariably there are urgent deadlines to be met in this kind of work. In this press of daily business, long-term policy-planning and research tend to take second place.

173. We propose that a department's responsibility for major long-term policy-planning should be clearly allocated to a planning and research unit. In the rest of this chapter, we call these "Planning Units". Research is, however, the indispensable basis of proper planning, and the phrase should be understood as referring to a unit equipped to assemble and analyse the information required for its planning work. The unit should be relatively small. Its main task should be to identify and study the problems and needs of the future and the possible means to meet them; it should also be its function to see that day-to-day policy decisions are taken with as full a recognition as possible of their likely implications for the future. The Planning Unit should not carry any responsibility for the day-to-day operations of the department. It will, however, be important to ensure that it does not become too much detached from the main stream of the department's work. In some departments, e.g. the Home Office, with widely

separated fields of activity, it may well be that more than one Planning Unit should be set up.

174. The staff of Planning Units should develop close contacts with the appropriate experts both inside and outside the Service. They should be aware of, and contribute to, new thinking in their field. They should also be trained in, and have the capacity to use, the relevant techniques of quantitative analysis.

175. We think that Planning Units should be staffed by comparatively young men and women. Thus some of the most able, vigorous and suitably qualified young civil servants will be able to have an early and direct impact on top policy-making, as they do so impressively in France and Sweden. Planning Units also offer scope for the employment of men and women on short-term contracts or temporary secondment to the government service. By offering these opportunities both to young civil servants and to "outsiders", Planning Units will help to generate the thrust and drive that are needed; they should also provide an environment in which those who possess qualities of imagination and foresight can be identified and developed.

176. We think that people should not normally remain in these units beyond their mid-forties (except for the head of the Planning Unit—see paragraph 182). After a period of service in Planning Units they should then expect to move—some returning to work outside government, others into the operating sections of their departments.

177. Many of the problems handled by Planning Units will have implications extending beyond the boundaries of a single department. These units may therefore need a measure of central direction if the emerging problems of the country are to be tackled systematically and comprehensively and on the basis of common major hypotheses. The status and location of this central direction, whether by the Cabinet Office, the Treasury or the development of other machinery, is a question of machinery of government and therefore beyond our terms of reference.

THE OVERALL DIRECTION OF DEPARTMENTS

178. The proposals we have made so far in this chapter have important implications for the highest levels of responsibility in departments. Today, responsibility at the top is concentrated in the Permanent Secretary. He has four functions. He is the Minister's most immediate adviser on policy; he is the managing director of the day-to-day operations of the department; he has the ultimate responsibility for questions of staff and organisation; as the Accounting Officer (in nearly every department), he also has the ultimate responsibility for all departmental expenditure.

179. This is a heavy burden. In some departments (the Treasury, Ministry of Defence, Board of Trade and Ministry of Technology) the post of "Second Permanent Secretary" has been introduced. We have strong doubts about it. It attracts a salary of £8,100—£500 below the Permanent Secretary and £1,800 above the Deputy Secretary. The role and status of the Second Permanent Secretary have never been satisfactorily defined: he is below the Permanent Secretary, but not far enough below to occupy a clear position in the chain of command. If, as we propose in Chapter 6, a common grading structure

embracing all the present classes is introduced, special attention should, in our view, be paid to the grading of posts at this level.

180. We believe, however, that the present structure of departments needs reinforcing and diversifying at the highest levels. No Permanent Secretary would claim to be equally skilful at all aspects of his job. However much he delegates, the day-to-day service of his Minister (including helping to deal with the political squalls of the moment) must take priority, and this often prevents him from giving his full personal attention to the long-term objectives and planning of his department. We have already drawn attention to the lengthening time-span of government work and to the increasing emphasis on forward thinking that this demands. Top management outside government is everywhere increasingly concerned with anticipating the needs of the future; it is vital that such forward thinking in the Service should not be impeded by the constant pressure to deal with the needs of the moment.

181. Our proposals for accountable management and for enlarging the role of departmental personnel and organisation divisions will inevitably add still further to the burdens of the Permanent Secretary. He will have to devote more time to his managerial function—to be the spearhead of the constant drive to improve the efficiency of his department at all levels and among the various accountable units; and, with the greater emphasis on career management that we recommend, the Permanent Secretary's responsibility for the selection and movement of staff will become even more important and demanding.

182. We consider, therefore, that in most departments, if not all, there should be a Senior Policy Adviser to assist the Minister. This adviser should be head of the Planning Unit. His prime job, like that of the unit, would be to look to, and prepare for, the future and to ensure that day-to-day policy decisions are taken with as full a recognition as possible of likely future developments. He should be an authority in the department's field of activity. Where a department's responsibilities are so varied that no single adviser can be an authority on all of them, he would be a specialist in a major part of the department's work; the other specialisms required might be included in the Planning Unit*. It would be the job of the Senior Policy Adviser, like his staff, to know the other experts in the field, both inside and outside the Service, at home and abroad; he should be aware of all the important trends in new thinking and practice that are relevant. We hope that the adviser would often be a relatively young man. (We think that considerable advantages are gained in France and Sweden from the system by which the average age of the French *directeurs du cabinet* is 46 and of Swedish under-secretaries 45. The average age of Permanent Secretaries in Britain is 56.) On occasions he might be appointed by the Minister from outside the Service to give a new impetus to its forward thinking. More often, however, we should expect him to be a career civil servant with a long experience in, and expert knowledge of, the field covered by the department, though we think it would be advantageous if he had also had some experience outside.

*Alternatively, in some cases it might be necessary to have more than one such adviser. The precise pattern may differ from department to department, but the basic concept is of a departmental Planning Unit or Units with one or more heads, but all detached from responsibility for day-to-day operations and charged with planning for the future.

183. For the proper discharge of his duties, we consider that the Senior Policy Adviser must have direct and unrestricted access to his Minister, both personally and in writing. He should also be free to determine, after consultation with the Permanent Secretary but subject only to the approval of the Minister, what problems his Planning Unit should tackle. While the adviser should have the chief responsibility for planning the longer-term departmental policy, he should not have responsibility for the day-to-day operations of the department; these should remain under the direct control of the Permanent Secretary.

184. We have considered what the status of the Senior Policy Adviser needs to be if he is to fulfil most effectively the role described. Much will depend on the way the Minister wishes to organise his top-level advice. The Permanent Secretary, as we have said, will have enlarged responsibilities for managing his staff and for the efficient organisation and running of the department. We do not wish to make specific recommendations about the Senior Policy Adviser's rank, provided that it is clearly understood that he should have the status commensurate with his being the Minister's main adviser on long-term policy questions and on their implications for the day-to-day policy decisions that have to be taken. This suggests to us that his rank should not normally be below that of Deputy Secretary. To find the right solution needs experiment; no doubt the long-term pattern should vary according to the needs of different departments at different times.

185. In some of the big technical departments there may well be a case for a further top post. For example, where a department is engaged on large-scale scientific research or on major building or engineering projects, it might be right to appoint a chief scientist or a chief engineer to be in charge of these operations. His job would be to take the chief responsibility for the direction of the department's technical work; he would have direct access to the Minister as his main adviser in these matters; he would also be the professional head of the specialist staff. In exceptional cases there might be a need for two such posts.

186. We do not propose that these senior officers, together with the Permanent Secretary, should constitute a formal board. The working arrangements should be informal and variable from department to department and from time to time; different Ministers' individual ways of working will do much to determine the pattern.

187. In any event, we consider that there should be one person who has the overall responsibility under the Minister (subject to the reservation about long-term policy in paragraph 183) for all the affairs of the department, and that this person should, as now, be the Permanent Secretary. He has the main responsibility for the day-to-day service of the Minister and for accounting to Parliament for expenditure. He cannot discharge these responsibilities unless he is ultimately in charge of the departmental machine. In carrying his responsibilities for current operations, he cannot lose his concern for their long-term policy implications, just as the Senior Policy Adviser must have some concern with current policy issues. The Permanent Secretary therefore should still be head of the office under the Minister. At the same time, our proposals about Senior Policy Advisers and chief specialists

should provide Ministers with a wider range of expert advice at the highest level than at present.

THE DELEGATION OF RESPONSIBILITY TO AUTONOMOUS PUBLIC BOARDS

188. We return now to the question referred to in paragraph 145, whether there are areas of Civil Service work that should be "hived off" from the central government machine and entrusted to autonomous public boards or corporations. It has been put to us that accountable management is most effectively introduced when an activity is separately established outside any government department, and that this solution should be adopted for many executive activities, especially the provision of services to the community. These boards or corporations would be wholly responsible in their own fields within the powers delegated to them. Although they would be outside the day-to-day control of Ministers and the scrutiny of Parliament, Ministers would retain powers to give them directions when necessary. There are a number of commercial enterprises within the public sector that are already run on this principle, and it is also shortly to be applied to part of the Civil Service by "hiving off" the Post Office. There are also non-commercial activities in the public sector that are similarly organised, for example, the Atomic Energy Authority.

189. We have seen such a system operating in Sweden where the principle of "hiving off" is much more widely applied than has so far been attempted here. In Sweden central departments deal in the main with policy-making; they are quite small and are predominantly staffed by younger men. The task of managing and operating policies is hived off to autonomous agencies whose senior staff are mainly older men of mature experience. This system is used not only for activities of a commercial kind, but also for public services in social fields. We were much impressed by it. On the other hand, we are aware that in the United States the application of the "hiving-off" principle, as evidenced in the work of the independent regulatory commissions, has attracted a good deal of criticism.

190. Much new policy is a development of that which already exists and springs from practical experience in its operation. Any complete separation of policy-making from execution could therefore be harmful. However this does not appear to happen in Sweden, and we see no reason why the risk should not be provided against. There is indeed a wide variety of activities to which it might be possible to apply the principle of "hiving off". They range from the work of the Royal Mint and air traffic control to parts of the social services. We have not been able to make the detailed study which would be needed to identify particular cases; but we see no reason to believe that the dividing line between activities for which Ministers are directly responsible, and those for which they are not, is necessarily drawn in the right place today. The creation of further autonomous bodies, and the drawing of the line between them and central government, would raise parliamentary and constitutional issues, especially if they affected the answerability for sensitive matters such as the social and education services. These issues and the related questions of machinery of government are beyond

our terms of reference. We think however that the possibility of a considerable extension of "hiving off" should be examined, and we therefore recommend an early and thorough review of the whole question.

191. Meanwhile, we believe that the other recommendations in this Chapter should make it possible to gain some of the benefits that could arise from "hiving off", even where activities and services remain the direct responsibility of Ministers, by making it possible to allocate responsibility and authority more clearly. In this connection, we attach particular importance to our proposals:—

- (a) to distinguish those within departments whose primary responsibility is planning for the future, from those whose main concern is the operation of existing policies or the provision of services;
- (b) to establish in departments forms of organisation and principles of accountable management, by which individuals and branches can be held responsible for objectively measured performance.

CHAPTER 6

THE STRUCTURE OF THE CIVIL SERVICE

192. We have recommended a number of far-reaching changes in the way the Civil Service is run. We have reached the conclusion that for these changes to be fully effective, there must also be a fundamental change in the structure of the Service. Civil servants are at present organised in a large number of separate classes, almost all with their own different grading and career structures. This is a major obstacle to the application of the principle we have set out in Chapter 1. We recommend that classes as such should be abolished. In our view, all civil servants should be organised in a single grading structure in which there are an appropriate number of different pay-levels matching different levels of skill and responsibility, and the correct grading for each post is determined by an analysis of the job.

193. The change we are recommending will have massive repercussions on all aspects of Civil Service work and on the way it is organised. We believe it to be necessary, because the present structure of the Service stands in the way of what we consider to be the only efficient method of matching men to jobs—rigorously examining what each post demands before selecting the individual who is best fitted to fill it. The structure we recommend will improve the opportunities of civil servants fully to develop their talents and to get the experience they need for jobs of higher responsibility. It will provide a sound foundation for the application of the principles of accountable management, and hence for the efficient working of government departments. It will mean that the organisation of a block of work can be determined by the best way of doing the job rather than by the need to observe the traditional hierarchy of particular classes. Since it will enable success in achieving set objectives to become the determining factor in promotion, it will be a powerful stimulus to civil servants at all levels. Finally, the opening-up of opportunities, which it will offer to all civil servants, will, we believe, provide the constant competitive challenge needed for the achievement of maximum efficiency.

194. We develop all these points later in this chapter. We also give a fuller description of the new structure we recommend. First, however, we deal with the existing organisation and its defects; we survey it against the objectives which, in our view, the structure should seek to achieve.

THE OBJECTIVES

195. The Civil Service must have a clearly articulated and relatively formal structure; jobs must be graded in distinct bands which determine the pay of their occupants on a rational and fair basis; and relative positions of authority and subordination must be clearly established.

196. The problems of structure would in some ways be much simpler if