



House of Commons  
Public Administration Select  
Committee

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# Outsiders and Insiders: External Appointments to the Senior Civil Service

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**Seventh Report of Session 2009–10**

*Report, together with formal minutes, oral and  
written evidence*

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## Summary

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Outside appointments to the senior civil service (SCS), particularly from the private sector and wider public sector, have become an established part of senior recruitment practice in Whitehall. Such appointments have had some beneficial effects, including supplying needed skills and bringing fresh perspectives to government. Nevertheless, external recruitment has often been contentious, with fears that core civil service values could be diluted by an influx of outside recruits who do not share the same public service ethos as career civil servants. There has also been widespread dissatisfaction caused by the discrepancies in salaries offered to external and internal candidates, with outside recruits to senior posts being paid on average 20 per cent more than those promoted from within the civil service.

This report takes a considered look at the effects of outside appointments on the civil service. We conclude that the SCS should take appropriate measures to reduce its reliance on external recruitment, not least because outside appointees do not appear to perform better than career civil servants—despite being paid more—with many also leaving civil service employment relatively quickly. Moreover, the issue of external recruitment brings into focus an important broader concern: the ability of the civil service to identify its current and future skills needs, and to plan effectively to meet those needs. We believe that the emphasis of civil service employment policy should be on cultivating and developing the civil service's own people and skills. Outside recruitment will continue to have a place in the civil service, but government needs to be clear about the reasons for recruiting externally and it also needs to support new outside appointees so that they are able to contribute effectively to the work of their departments and the civil service in general.

Our main conclusions and recommendations are as follows:

- Steps should be taken to minimise pay differentials between external and internal candidates for senior positions, including stricter controls over departments' ability to offer salary rates that deviate from those that are advertised.
- We favour making a greater proportion of outside appointments from local government and the wider public sector rather than from the private sector. This is likely to help overcome problems of poor organisational fit, as recruits from the wider public sector have, unlike private sector appointees, generally been used to working in a political environment.
- External recruitment is likely to be more effective in the long run if it is directed at less senior levels of the SCS and at grades below the SCS, so that outside recruits have the chance to develop the skills they need to operate effectively at senior levels if promoted.
- Given concerns about existing levels of external recruitment, we believe it would not be desirable to open up recruitment to all SCS posts to external competition. Nonetheless, the Cabinet Office or Civil Service Commissioners could usefully clarify to departments the circumstances where open external competition in

recruitment would be appropriate and where it would not.

- There should be more comprehensive monitoring of the extent and consequences of external recruitment, including the pay, performance and retention of external recruits, in order to provide the evidence base needed to develop appropriate policy and practical responses.
- The Cabinet Office should, as a priority, publish a civil service workforce plan setting out how the civil service intends to identify and plan for its future skills needs.

# 1 Introduction

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1. In recent years there has been a growing trend to recruit people from outside Whitehall to the senior civil service (SCS) from the private sector, as well as from local government and the wider public sector. The issues raised by making external appointments of this kind have cropped up in many of our past inquiries, including *Skills for Government*, *Politics and Administration* and *Making Government Work*.<sup>1</sup> This report is the result of a short inquiry we undertook to look specifically at this topic.

2. Our particular focus in this inquiry is on external appointments at *senior* levels of the civil service. This is because the SCS has seen a large proportion of external appointments, and because civil servants at this level have important leadership responsibilities. The rationale for making such appointments was expressed succinctly by Sir David Normington, Permanent Secretary at the Home Office and author of a recent review of the SCS workforce: “Basically, we are always trying to get the best leadership team we can. We have to draw that from wherever we can”.<sup>2</sup> Yet concerns have emerged about the value for money of such appointments, and potentially adverse effects on the composition and nature of the senior civil service.

3. During the inquiry, we took evidence from two serving permanent secretaries, Sir David Normington and David Bell, who have been extensively involved in discussions about external appointments; Gill Rider, Director General at the Cabinet Office responsible for civil service capability and Head of Profession for Civil Service Human Resources; Janet Paraskeva, the First Civil Service Commissioner, and Richard Jarvis, Secretary to the Civil Service Commissioners; and representatives from the civil service unions FDA, Prospect and the Public and Commercial Services Union (PCS). We also received written evidence from a range of individuals and organisations, and examined the effects of external senior civil service appointments in Wales during a visit to the Welsh Assembly Government.

4. While this report treats the issue of external appointments to the SCS as a relatively discrete topic, it does sit within a wider context of human resource issues in the civil service. Levels of external recruitment should logically be considered as part of the overall planning for the shape of the civil service workforce—one that is able to meet the current and future needs of government. In this regard, Sir David Normington’s recent review of the composition and pay of the senior civil service has been highly significant in identifying and advancing the issues under debate.<sup>3</sup> We also understand that the Cabinet Office has been developing a workforce plan for the civil service, although little has emerged from this work to date.<sup>4</sup>

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1 Public Administration Select Committee, Ninth Report of Session 2006–07, *Skills for Government*, HC 93–I; Public Administration Select Committee, Third Report of Session 2006–07, *Politics and Administration: Ministers and Civil Servants*, HC 122–I; Public Administration Select Committee, Seventh Report of Session 2000–01, *Making Government Work: The Emerging Issues*, HC 94

2 Q 59

3 Sir David Normington, *Senior Civil Service Workforce and Reward Strategy: Report of the Steering Group to the Cabinet Secretary*, November 2008 (henceforth “Normington report”; available at <http://www.civilservice.gov.uk>)

4 *Ibid*, p 9

5. Our inquiry into external SCS recruitment has coincided with two other inquiries on related topics. We recently reported on top pay in the public sector; the pay of external SCS recruits has been a highly contentious issue.<sup>5</sup> We have also been considering issues relating to ministerial and other appointments from outside Parliament. That inquiry, like this one, has been concerned with how government brings in external expertise.

## 2 External recruitment to the SCS

6. This part of the report provides relevant factual background on the extent and sources of external recruitment to the senior civil service (SCS) and explains the process for making these senior appointments.

### Level and sources of external recruitment

7. The senior civil service comprises the most senior staff in government departments and agencies, including permanent secretaries and the next few layers of senior management down (broadly speaking, Directors General, Directors and Deputy Directors).<sup>6</sup> The total size of the SCS at December 2009 was 4,300 members.<sup>7</sup> Cabinet Office data on senior appointments show that, since 2004, around 20 percent of the senior civil service has consisted of individuals originally recruited from outside government.<sup>8</sup> In 2008, the proportion of these external appointees making up the SCS was 23 per cent. Meanwhile, figures on the flow of new entrants into the SCS over the past five years indicate that the rate at which “outsiders” are entering the SCS has been around 30 per cent of the new intake each year (and sometimes higher), as Table 1 illustrates:

*Table 1: New entrants to the SCS per year—percentages of external and internal recruits*

	2004	2005	2006	2007	2008
New SCS entrants recruited externally	191 (36%)	169 (35%)	172 (30%)	196 (38%)	157 (29%)
New SCS entrants recruited internally	337 (64%)	309 (65%)	404 (70%)	326 (62%)	376 (71%)
Total	528	478	576	522	533

Source: Cabinet Office, Ev 24

8. The extent of external recruitment has been even more marked at the very highest levels of the civil service. The “Top 200” group of senior civil servants comprises permanent secretaries and the next tier of senior civil servants (Director-General level). Since 2005, more than half of all new entrants to the Top 200 have come from outside the civil service, as the following table shows.

5 Public Administration Select Committee, Sixth Report of Session 2009–10, *Top Pay in the Public Sector*, HC 172–I

6 *Civil Service Management Code*, section 5.1 (available at <http://www.civilservice.gov.uk>)

7 HM Treasury, *Putting the Frontline First: Smarter Government*, Cm 7753, December 2009, p 49

8 Ev 24



*Table 2: New entrants to the Top 200 per year—percentages of external and internal recruits*

	2004	2005	2006	2007	2008
New Top 200 entrants recruited externally	14 (40%)	22 (61%)	15 (52%)	18 (60%)	21 (54%)
New Top 200 entrants recruited internally	20 (57%)	14 (39%)	14 (48%)	11 (37%)	18 (46%)
Unknown	1 (3%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
Total	35	36	29	30	39

Source: Cabinet Office, *Ev 49*

9. These statistics on external and internal SCS recruits present only part of the picture, however. Many of those appointed to the SCS from within the civil service will not have faced competition from outside, as only a certain proportion of SCS appointments are open to applicants beyond government. The process for recruiting senior civil servants, including the decision on whether to open up recruitment to competition from outside the civil service, differs according to the level of seniority in the civil service. The Civil Service Commissioners explained the process to us:

For the majority of posts up to and including SCS pay band 1 level, departments and agencies are free to conduct open competitions without direct Commissioner involvement. In doing so, the Orders in Council require them to adhere to the Commissioners’ Recruitment Principles (which replaced the Recruitment Code with effect from 1 April 2009). Recruitment at these levels is also subject to an audit regime which the Commissioners undertake on an annual basis.

The Commissioners are directly involved when a vacancy within the top pay bands of the Civil Service—SCS pay band 2, SCS pay band 3 and Permanent Secretary (a total of around 600 posts)—is subject to open competition. We may also chair the recruitment boards for some other posts by agreement. It is for government departments to decide whether or not to go to open competition at SCS pay band 2 level. At SCS pay band 3 and Permanent Secretary level (Top 200 posts) the decision is taken by the Senior Leadership Committee on which the First Commissioner sits. In doing so, it is guided by a “Top 200 Protocol” agreed in July 2007 between the Commissioners and the Senior Leadership Committee. This provides that:

- appointments will generally be subject to competition, unless there is an exceptional case of immediate business need or a lateral move is desirable;
- appointments will go to open competition, unless the business requirements are such that there is little prospect of recruiting someone from outside the Civil Service.<sup>9</sup>

9 Ev 31. In broad terms, SCS pay band 1 refers to Deputy Director posts, SCS pay band 2 to Director posts and SCS pay band 3 to Director General posts.

10. According to the Cabinet Office, in 2007–08 there were 771 competitions for SCS appointments, 305 (40 per cent) of which were open competitions.<sup>10</sup> In recent years, most of these open competitions have been won by external candidates, whether from the private sector or from local government and the wider public sector. The following table sets out the backgrounds of successful candidates in open competitions for posts at SCS pay band 2 and above which were overseen by the Civil Service Commissioners:

*Table 3: Outcomes of open competitions for appointments to the SCS*

Year	Appointments from Commissioner-chaired open competitions at SCS pay band 2 and above	Sources of successful candidates		
		Civil service	Wider public sector	Private sector
2008–09	98	62 (63%)	13 (13%)	23 (24%)
2007–08	105	43 (41%)	23 (22%)	39 (37%)
2006–07	90	36 (40%)	21 (23%)	33 (37%)
2005–06	111	42 (38%)	30 (27%)	39 (35%)
2004–05	91	38 (42%)	17 (19%)	36 (39%)
2003–04	89	43 (48%)	19 (21%)	27 (30%)
2002–03	97	29 (30%)	26 (27%)	42 (43%)

Source: *Civil Service Commissioners, Ev 31*; and *Civil Service Commissioners, Annual Report 2008/09, p 21*

11. As Table 3 indicates, until 2008–09 the trend for several years had been for external candidates to win most of the high-level SCS posts open to outside competition. Of these outside appointees, the majority have been from the private sector. Yet the number of SCS appointees from the private sector has been highly contentious. In large part the controversy stems from the higher salaries paid to attract private sector candidates, an issue we explore in greater depth below. We consider here the reasons why government has sought private sector expertise.

12. The most obvious reason explaining why government recruits from the private sector is in order to plug skills gaps in certain professions within government, particularly in areas such as finance, human resources, information technology and procurement. The First Civil Service Commissioner Janet Paraskeva told us that:

Over the past 10 or so years, I think it has been clear that the Civil Service needed skills that it had not necessarily grown of its own, trained accountants, IT specialists, HR specialists and so on. There has been, I think, an increase, therefore, in the

<sup>10</sup> Ev 49. Figures on the number of competitions include movements between departments, promotions within the SCS, and new entrants to the SCS; they do not include movements within a department at the same pay band.

numbers of people that have joined from outside because of the need to embrace those professions within the Civil Service.<sup>11</sup>

13. This was confirmed by Sir David Normington, Permanent Secretary at the Home Office, whose 2008 review of senior civil service staffing and remuneration was motivated in part by concerns about increasing numbers of appointments to the SCS from outside:

...the reason we have had to recruit much more heavily from outside in the last few years, under the previous Cabinet Secretary and the present one, is because we have not invested heavily enough in our own development. We have done a lot in some areas but in the Civil Service we have been very late investing in professional skills and qualifications. We have big finance departments, for instance, but it is only in the last five, six, seven years that we have put much greater emphasis on the development of that professional skill; we have been very late doing that. It is not surprising therefore, if we do not have enough senior qualified finance directors, because we have not groomed them. My report is only saying that balance has to shift.<sup>12</sup>

14. Sir David went on to stress the importance of the civil service developing the right skills among its future leaders—effective “talent management”, in the HR parlance. He noted that:

There are many private sector examples of companies which do exactly what the Civil Service does which is grow their own. Clare Chapman, who came into the Health Service from Tesco was surprised even now at the extent to which we took the risk, as she sees it, of recruiting at the very senior levels from outside the organisation.<sup>13</sup>

15. **For some years the civil service has made a significant number of senior appointments from outside government, in particular from the private sector. The increased reliance on external recruitment in recent years—especially at the highest levels of the senior civil service—points to a wider problem about the civil service’s ability to foresee its future skills needs and to develop the required skills among its own people.** We explore later in this report<sup>14</sup> how government can ensure it is equipped with the people and skills it needs.

## Civil service staffing in a tighter fiscal environment

16. Our consideration of senior recruitment comes against the backdrop of a tightening fiscal environment for the civil service and the broader public sector. This inevitably will have implications for the extent of civil service recruitment generally, but particularly for external recruitment as it is more costly (both because of the costs entailed by opening recruitment to external competition, and from the higher salaries that on average are offered to external candidates).

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11 Q 2

12 Q 64

13 Q 129

14 Para 68 ff

17. The Government has for some time taken pride in announcing reductions made to the overall size of the civil service. Rt Hon Liam Byrne MP, then Minister for the Cabinet Office, said in February 2009 that the civil service had been cut by 86,700, consistent with the aim to have “the smallest civil service since the Second World War”.<sup>15</sup> More recently, the Government indicated in the 2009 Pre-Budget Report that the cost of the senior civil service pay bill would be cut by £100 million over three years. The *Smarter Government* report explained how the Government intended to do this:

While the size of the Civil Service has fallen over the last few decades, the relative size of the Senior Civil Service has increased. There are now 4,300 Senior Civil Servants compared with 3,100 in the mid 1990s, costing some £500 million per year... We will modernise Civil Service structures to reduce unnecessary bureaucracy and management layers, increase staff empowerment and reduce the cost of the Senior Civil Service, saving £100 million annually within three years.<sup>16</sup>

18. The increase in the size of the SCS over the last decade is at odds with the overall reduction in the number of civil service posts during the same period. Sir David Normington has attributed this growth in part to greater demands on the SCS, for example from increasingly complex government programmes and projects.<sup>17</sup> The civil service union Prospect was more sceptical about whether past SCS growth had been entirely warranted, and suggested that analysis should be done to identify whether there are genuine upward pressures on the size of the SCS.<sup>18</sup>

**19. The economic situation and tighter public spending mean that government has to make difficult decisions about the type and level of recruitment to the civil service, especially the senior civil service. It is therefore likely that the current level of external recruitment, which is typically more expensive than other types of civil service recruitment, will have to be reconsidered in the present economic climate.**

### 3 Effects of external recruitment

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20. Various claims and counterclaims have been made about the effects of external recruitment on the senior civil service. In this part of the report, we consider the case for and against outside appointments in the light of available evidence.

21. As we have seen, appointing from outside the civil service is often a matter of necessity in order to fulfil demand for skills that cannot be met from within. Beyond this, proponents of external recruitment frequently make a case for it on the grounds that the civil service benefits from the fresh insights and new approaches that outside recruits can bring to the business of government. Sir Gus O’Donnell, the Cabinet Secretary, has indicated to us in the past that he is persuaded by such arguments:

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15 “Times of change demand change of pace: next steps for public service reform”, speech by Liam Byrne to Guardian public services summit, 5 February 2009

16 Cm 7753, p 49

17 Normington report, p 14

18 Ev 43

I have made a point of bringing in more talent from outside. In one of your own reports you said that ventilation was very important in terms of skills, so getting in new skills is really important. I have been responsible for getting people from a wide range of backgrounds, the private sector and wider public sector, into the Civil Service and I think that is really good for us. We should not sit back and say that we should have only talent that we grow internally.<sup>19</sup>

22. Others, such as the civil service unions, are more doubtful, claiming that any benefits are outweighed by the detrimental effects of external recruitment. Those against greater external recruitment, such as Paul Noon of Prospect, contend that employing external recruits results in “extra costs, poor value for money, weaker management”.<sup>20</sup>

23. Bearing these opposing views in mind, we now look at the available evidence on the effects of outside appointments in several of the main areas of concern: pay, performance and retention, and issues of “organisational fit” (including working in a political context and adopting civil service values).

## Pay

24. Perhaps the most commonly heard criticism of external recruits is that they are expensive and represent poor value for money. Typically, those appointed from outside are paid significantly more than existing civil servants at the same level of seniority. According to the Cabinet Office, the overall median salary for external recruits is £89,800, while for internal recruits it is £74,500.<sup>21</sup> This means that, on average, those recruited externally are paid 20 per cent more than those promoted internally. Table 4 sets out the differences in median salaries for external and internal SCS recruits by pay band level. These salary differentials tend to persist over time, as annual pay uplifts are applied without taking account of initial pay differences on appointment.<sup>22</sup>

*Table 4: Median salaries of internal and external SCS recruits*

	Internal	External
Deputy Director	£71,000	£80,000
Deputy Director (1A)	£84,000	£90,000
Director	£96,000	£117,000
Director General	£129,000	£165,000

Source: Normington report, p 13

19 Oral evidence taken before the Public Administration Select Committee on 11 December 2008, *The Work of the Cabinet Office 2007–08*, HC 45–i, Session 2008–09, Q 29

20 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352–i, Session 2008–09, Q 40

21 Ev 24

22 Normington report, p 13

25. Not surprisingly, the issue of pay differentials between external and internal recruits has been the most divisive aspect of outside recruitment. In some cases, there are valid reasons for paying external recruits higher salaries in order to attract them into the civil service. The Civil Service Commissioners, the Senior Salaries Review Body (SSRB) and Sir David Normington all concede that pay premiums will sometimes be justified, given that comparable salaries in the private sector are often much greater for professionals in finance or IT, for example.<sup>23</sup> We encountered this issue in our parallel inquiry into top pay in the public sector, which concluded that escalating private sector pay had put upward pressure on the salaries of public sector executives.<sup>24</sup> In addition, there are similar pay pressures from the wider public sector job market. Bernard Galton, Director General with responsibility for HR matters for the Welsh Assembly Government, told us that senior recruitment from the wider public sector was subject to market considerations also, since local authorities and the NHS can often pay higher salaries than the civil service (for example, a Chief Medical Officer position was advertised at £120,000, although a clinical director in an NHS trust would earn £150,000).<sup>25</sup>

26. The civil service unions Prospect and the FDA have claimed that the widespread practice of paying more to outside appointees has had highly damaging effects on morale among career civil servants. The unions have strongly opposed the practice of paying external recruits more than internal candidates, which they argue leads to a “dual market” within the civil service, a point also recognised by the SSRB. The unions further claim that this has led to “deep resentment and demoralisation”.<sup>26</sup> One union member commented that:

The two tier system where those coming in to the civil service are given far higher salaries than those who have come up through the civil service is insulting and invidious and gives the message that anyone outside of the SCS must be more skilled and valuable than anyone in the civil service.<sup>27</sup>

27. David Bell and Sir David Normington, the two serving permanent secretaries who gave evidence to us, acknowledged this problem and suggested that greater transparency and clarity of purpose would help in justifying cases where paying greater salaries is acceptable:

If you are going to recruit from outside the Civil Service at a big premium, you have to be completely clear why you are doing it and you need to make sure that you are paying a market premium for something that is of value to you. I am not sure we always have done that.<sup>28</sup> [Sir David Normington]

What annoyed traditional civil servants most was the kind of randomness about decisions that were being made or what appeared to them to be a randomness about

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23 Ev 34; Review Body on Senior Salaries, *Thirty-First Report on Senior Salaries 2009 (Report No. 68)*, Cm 7556, March 2009, p 10; Normington report, pp 12–13

24 Public Administration Select Committee, *Top Pay in the Public Sector*, para 185

25 Public Administration Select Committee visit to the Welsh Assembly Government, 11 May 2009

26 FDA and Prospect, *Joint Union Evidence to the Senior Salaries Review Body*, November 2007, p 5 (available at <http://www.fda.org.uk/home/FDA-Prospect-evidence-to-SSRB-November-2007.aspx>)

27 *Ibid*, p 6

28 Q 93 [Sir David Normington]



decisions that were made. What David [Normington] has laid out is at least a structure where, if you are going to pay over the odds, you are very clear what you are paying for. I think that will go a long way towards dealing with what was some dissatisfaction.<sup>29</sup> [David Bell]

28. Janet Paraskeva agreed with this analysis. She attributed some of the pay differentials to a lack of clarity about how SCS positions were advertised, particularly about the compensation “packages” attached to jobs.<sup>30</sup> The Civil Service Commissioners have therefore stressed the need for recruiting departments to be clear, transparent and consistent in the remuneration offers they make to candidates. According to the Commissioners, this approach appears to be bearing fruit; having monitored the situation for a number of years, their assessment of the current state of affairs was quite hopeful:

...there are far fewer instances of payments significantly over the advertised rate. It does seem that the Civil Service has addressed this issue and there is now much greater consistency: in the assessment of salary for jobs; and in negotiation with successful candidates on their starting salary.<sup>31</sup>

29. Nevertheless, there is more that could be done to ensure that inconsistencies in the pay of senior civil service recruits are dealt with effectively, as Sir David Normington and the Civil Service Commissioners have both recognised.<sup>32</sup> **Where appointments to the senior civil service are subject to open competition, candidates should be treated equally during salary negotiations, regardless of whether they are currently inside or outside the civil service. This has not always been the case, resulting in pay differentials between external and internal candidates and significant disquiet amongst existing civil servants. We support the proposals made by Sir David Normington and the Civil Service Commissioners to minimise pay discrepancies between external and internal recruits to the SCS:**

- **Departments should ensure that remuneration offers to candidates are clear and consistent with the pay rates advertised. There should be stricter controls over departments’ ability to deviate from the rate advertised for a post when negotiating a salary offer with a successful candidate.**
- **Departments should be more rigorous in their application of pay premiums. In cases where they want to pay more than the advertised rate, departments should be required to explain to the Cabinet Office the reasons why and provide evidence to support their case (such as data on skills shortages and market pay rates).**
- **The civil service should seek to manage down pay differentials over time in those cases where external appointees have received large initial pay premiums.**

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29 Q 93 [David Bell]

30 Q 24

31 Civil Service Commissioners, *Annual Report 2008/09*, p 5

32 Ev 34; Civil Service Commissioners, *Annual Report 2008/09*, pp 5, 22; Normington report, pp 27–30

- **The Cabinet Office should provide clear guidance to departments on setting and negotiating salaries for SCS candidates, as well as on reducing pay differentials between external and internal recruits over time.**
- **The Cabinet Office and Civil Service Commissioners should continue to monitor the remuneration of new SCS recruits across government, in order to detect where concerns about significant pay discrepancies or trends in candidate remuneration may arise.**

## Performance and retention

30. Assessing the success of external recruitment to the senior civil service involves looking at how well outside appointees have performed and their ability to make a lasting difference by staying in the civil service (apart from those outside appointments that are explicitly term-limited). We consider each of these issues in turn.

### Performance

31. Part of the reason why the higher salaries paid to outside appointees have been so controversial is due to the perception that external SCS recruits do not perform better than internal ones, despite being paid more. Paul Noon, for example, was not impressed by his experience of outside appointments:

If you have got an outstanding individual who really delivers targets for an agency, people can see it, but that is not the generality of the appointments that are made.<sup>33</sup>

This led him to conclude that, given external recruits' higher salaries, "simply on value for money grounds, it does not seem a good deal for the taxpayer".<sup>34</sup>

32. Meanwhile, David Bell considered this point in the short informal review he led on the effects of external recruitment on the SCS. That review, which reported informally to the Cabinet Secretary in April 2008, concluded:

Perhaps counter-intuitively given the recent practice of the Civil Service, we came to a fairly firm conclusion that appointing "outsiders" to the very senior posts in the SCS is *always* a risk... There is evidence from the private sector that if no mitigating action is taken, circa 50% of external hires made at Director level are not successful (i.e. they either leave or become "blockers"). There is no reason why the public sector should be different.<sup>35</sup>

33. The consultancy firm Ernst and Young put forward the view that lower than expected performance could be as much a result of how the civil service treats new external recruits as individual capability:

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33 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352-i, Session 2008-09, Q 22

34 *Ibid*, Q 21 [Mr Noon]

35 Ev 28-29



There is a risk of setting up new recruits to fail. Expectations have not always been clear on arrival. Some new recruits have arrived without clarity over their priorities, how long they have to make an impact and without open feedback in the early months. This becomes an ongoing problem where external recruits lose confidence and can either become blockers or leave disenchanting with the organisation.<sup>36</sup>

34. External appointments are more likely to be successful in cases where clear reasons exist for recruiting into particular roles, for example where there are obvious skill needs, and where the external recruit's role is clearly defined. Ernst and Young observe that this occurred with external recruits into finance roles, where the head of the government finance profession worked with departments to bring in appropriately qualified finance directors, either from elsewhere in the public sector or from the private sector. Ernst and Young concluded that: "overall it seems clear that the external hires have made a strategic difference to finance professionalism and service in government".<sup>37</sup>

35. Some of the concern about performance may arise out of the heightened expectations that tend to exist about the anticipated impact of external recruits. Nevertheless, the Government acknowledges a genuine concern about outside appointees' performance, particularly when internal recruits perform equally as well as their better remunerated external counterparts:

Generally there could be an argument that there should be more appointments from the private sector for the diversity they bring, but this group often has the additional difficulty to prove they are able to "hit the ground running", especially at this level.<sup>38</sup>  
[Welsh Assembly Government]

Many Departments reported that external recruits on relatively high starting salaries were given more stretching objectives and their performance generally justified the higher pay. However, some Departments reported cases where career civil servants that earn significantly less perform as well as external recruits.<sup>39</sup> [Government evidence to the Senior Salaries Review Body]

36. Part of the difficulty in assessing the situation is that there is little concrete evidence available about the performance of external recruits. The results of the performance evaluations that do exist provide some slight support for the belief that external appointees on the whole perform less well than internal recruits. Government evidence to the Senior Salaries Review Body in 2008 indicates that on assessments of external and internal recruits' overall performance, a slightly smaller proportion of external appointees were judged to be in the top performing group, while a slightly larger proportion of external recruits were in the lowest performing group. The following table sets out the exact percentages:

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36 Ev 35

37 Ev 40

38 Ev 46

39 Cabinet Office, *Government Evidence to the Senior Salaries Review Body on the Pay of the Senior Civil Service*, December 2008, p 8 (available at <http://www.civilservice.gov.uk>)

**Table 5: Results of performance assessments for external and internal SCS recruits**

	Performance Group One (highest performing)	Performance Group Two	Performance Group Three	Performance Group Four (lowest performing)
External recruits	23%	45%	25%	7%
Internal recruits	27%	45%	25%	4%
Total	26%	45%	25%	4%

Source: Cabinet Office, Government Evidence to the Senior Salaries Review Body on the Pay of the Senior Civil Service, December 2008, p 8

37. The absence of solid performance data and evidence for monitoring the effects of making external appointments was noted by several of our witnesses. Gill Rider told us that the lack of such information had prompted the Cabinet Office to start collecting it, with the caveat that useful trend data would require data collection over a number of years.<sup>40</sup> The Civil Service Commissioners welcomed moves to start tracking the performance of appointees to the SCS, but warned that “we have yet to see any evidence that feedback systems are sufficiently robust to inform the development of improved recruitment processes or of the success of the overall policy”.<sup>41</sup>

### Retention

38. Another concern that has arisen over external recruitment is the high rate of outside appointees that leave the senior civil service after a relatively short time. Turnover rates for external SCS recruits have been consistently higher than those for internal recruits over the past four years, as the following table shows:

**Table 6: Turnover rates for external and internal SCS recruits**

	2005	2006	2007	2008
External recruits	14.7%	14.3%	13.7%	11.6%
Internal recruits	8.8%	10.4%	8.9%	7.6%

Source: Cabinet Office, Ev 25

39. Correspondingly, the retention rate for external joiners is lower than that for internal recruits. Of external recruits to the SCS in the year to April 2004, just under half (49 per cent) were still in post at April 2008. This compares to the 68 per cent of all internal joiners (in the year to April 2004) who had remained in the SCS over the same time period.<sup>42</sup> Among external recruits leaving the civil service in the year to April 2008, the most

40 Q 102

41 Ev 33

42 Ev 51

commonly cited reason for their departure was resignation. In contrast, retirement was the most common reason for leaving mentioned by career civil servants.<sup>43</sup>

40. To some extent the figures on retention are not surprising, since external recruits might be expected to be more mobile in their careers than internal recruits, who may well have spent their entire working lives in the civil service. Nonetheless, Sir David Normington's review concluded that the trend for external recruits to resign had led to the SCS losing talent. It further concluded that there was insufficient evidence about the reasons for the high number of exits.<sup>44</sup> The Cabinet Office informed us that departments do conduct exit interviews with people leaving the civil service, but that central collation of the results has only taken place from 2009 and so has not been available to inform policy on recruitment to the SCS.<sup>45</sup> More importantly for our purposes, data from exit interviews does not distinguish whether the person leaving is an internal or external recruit.<sup>46</sup> Clearly, this hinders the ability to identify any common factors underlying the experience of external appointees while they are in the SCS.

41. One factor explaining the difficulty of retaining external recruits may be the lack of future career prospects they see in the civil service; Sir David Normington acknowledged in his report that "promotions and career development may be more ad hoc than we would like".<sup>47</sup> Another consideration is the quality of induction, mentoring and ongoing support that external recruits receive, in order to help them adjust to working in the civil service (we discuss further issues of organisational fit in the next section). Sir David suggested there should be a comprehensive investigation of the reasons behind the high exit rate for outside appointees, so that appropriate steps can be taken to improve retention:

Research should be undertaken into the reasons for individuals leaving the SCS, particularly previous external hires. This will allow us to take appropriate action to address our sourcing, induction, development and retention, as part of the future workforce strategy.<sup>48</sup>

42. Our analysis of the performance and retention of external recruits leads us to the following conclusion. **Higher pay has helped fuel the implicit belief that external recruits should perform at a higher level than internal recruits. Yet the evidence suggests that, on the whole, outside appointees do not perform better than career civil servants and many leave civil service employment relatively quickly. This is clearly a very unsatisfactory situation which, if not addressed, will lead many to cast doubt on the wisdom of appointing from outside the civil service—let alone paying them greater salaries.**

43. **Much of the discussion about the effectiveness of external recruits is, however, limited by a lack of hard evidence. We recommend the Cabinet Office rectify this**

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43 Ev 25

44 Normington report, p 20

45 Ev 45

46 Ev 52

47 Normington report, p 9

48 *Ibid*, p 5

**situation by building on its initial efforts to collect more systematic data to monitor the performance of external recruits and the reasons why they leave. This type of information should help government develop appropriate practices and approaches for getting the best out of external appointees.**

### Organisational fit

44. The performance of outside recruits to the SCS and how long they stay in the civil service depend crucially on how well they are able to adapt to the demands of working in government. In part, this relies on the past backgrounds and experience of individual appointees, but also on the support they receive from their department and from the civil service.

### Adjusting to a political environment

45. David Bell, himself a relatively recent external recruit to the SCS (from the wider public sector), told us that those appointed from outside need to attune to the “rhythms of political life” in order to succeed within Whitehall:

I know what I am looking for if I am targeting recruitment to outside. I really want to test very hard whether people are going to understand the rhythms of politics and government because actually you have to learn that fast...In the first letter I wrote to the Cabinet Secretary [about the merits of external recruitment] I did write that I observed when it came to the crunch that politicians really seemed to like and want close to them those who had some of the traditional skills of operating the machinery of government, providing wise counsel and advice, fixing things and making them happen, negotiating across Whitehall and so on...The trick for us is to combine the very best of those close-quarter skills with the proper openness to outside ideas and views.<sup>49</sup>

46. Jonathan Baume reiterated the importance of external recruits’ ability to fit in to a political environment:

...I was talking to one Permanent Secretary who was telling me about a post that they had filled externally, but the person had struggled and could not get to grips with, if you like, the networks and political environment they were working in, so in fact the Permanent Secretary had put in another senior civil servant to work alongside them, so they ended up paying for two jobs for what was one.<sup>50</sup>

47. Several witnesses suggested that external recruits with a local government or other public sector background were perhaps better equipped to adapt to the “rhythms” of Whitehall, since they will have had experience of working in a political context. Recruitment from the wider public sector has been somewhat overlooked in the debate on external recruitment, given the emphasis on appointees from the private sector. Ernst and Young made the point that “too often search firms are told that someone is needed from

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49 Qq 103, 128

50 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352–i, Session 2008–09, Q 8

the private sector without being clear why”.<sup>51</sup> However, its survey of external appointees suggested that those recruited from the wider public sector have tended to be more successful:

Organisational fit matters. Of our interviewees, those working in agencies had found the transfer from private sector to public sector easier than those who had moved into Whitehall departments. This was due to agencies having clear performance goals, generally being more arms length from political decision-making and having more autonomy. It is also possible to succeed in Whitehall but seems to be more dependent on former experiences and skills. There are examples of former local authority senior leaders and those from professional service firms moving successfully into Whitehall roles and there is a clear sense of them having benefited from their experience of complex, bureaucratic and political organisations.<sup>52</sup>

48. David Bell and Sir Michael Bichard (former Permanent Secretary of the then Department for Education and Employment, and now Director of the Institute for Government) are often cited as two prominent external recruits who started their careers in local government. Janet Paraskeva agreed that appointments from the wider public sector can succeed, and added that exchanges of senior staff between the civil service and the wider public sector can also result in greater understanding of policy making and implementation on both sides:

...from the outside appointments that we make, over 20% of them come from the wider public sector and I think that movement in and out of local authority positions into central government and back again is probably healthy for both.<sup>53</sup>

**49. Good organisational fit is vital for external appointees to operate successfully in the senior civil service. There is evidence to suggest that private sector recruits have sometimes struggled to adapt to working in the Whitehall political environment. We believe some of the difficulties of organisational fit resulting from external recruitment could be overcome by increasing the proportion of external appointments from local government and the wider public sector. This would increase the chances that outside recruits have the political experience and public service ethos needed to perform effectively at the higher reaches of the civil service, without losing the benefits of bringing a fresh perspective to Whitehall.**

### *Effects on civil service values*

50. Other concerns about external appointments are harder to measure, especially where the effects only become apparent over time. The civil service unions warned of potential losses to the collective institutional memory of government, with Prospect putting its view that:

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51 Ev 40

52 Ev 35

53 Q 41

We would be concerned about over-reliance on external appointments leading to denudation of civil service in-house capability and expertise—including loss of corporate memory.<sup>54</sup>

51. Meanwhile, the Civil Service Commissioners have in the past expressed concern that core civil service values and the public service ethos could possibly be diluted by large numbers of external recruits changing the nature of the SCS. Baroness Prashar, the then First Civil Service Commissioner, commented in 2003 that:

The Civil Service has, quite rightly, embarked on a programme of reform in response to changing demands. At a time of rapid change there is a need, more than ever, to ensure core values are not eroded. As departments recruit more people from outside to senior positions, it is essential not only to make sure the Civil Service benefits from their skills, experience and different ways of doing things, but also that they understand the core values which underpin the work of the service.<sup>55</sup>

52. Ernst and Young considered that fears about the effect of external appointments on civil service values might be somewhat overstated. However, it did concede that most of the senior external recruits interviewed for its research seem to have been more attracted to working in government by the specific role than the idea of working in the public sector generally.<sup>56</sup> Results from the SCS staff survey suggest, perhaps unsurprisingly, that external recruits have less of an affinity with their home department, or with the civil service overall, than career civil servants.<sup>57</sup>

53. Effective induction procedures can help reinforce the importance of core civil service values, as well as providing more practical advice and guidance to external recruits on their new roles. The Cabinet Office informed us that there are a number of induction programmes in place for new SCS entrants, both at departmental and civil service-wide level.<sup>58</sup> These include the two and a half day “Base Camp” course for all new members of the SCS, and corporate induction for new Top 200 members. However, there seem to be few formal induction arrangements in place to help ease external recruits into working in the civil service. The Cabinet Office told us that individual departments can tailor their own departmental inductions for new outside appointees, and it also recommends mentor schemes for external recruits.<sup>59</sup>

54. There is also a potential cultural tension between prevailing civil service norms and the challenge presented by the different perspectives and ways of operating brought in by outside appointees. For many external recruits, the question is how much they should (or are able to) maintain an “outsider” attitude and approach. Ofsted Chair Zenna Atkins pointed out to us during our Good Government inquiry that part of the point of bringing

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54 Ev 43

55 Civil Service Commissioners, *Annual Report 2002/03*, pp 2–3

56 Ev 40

57 ORC International, *SCS Survey 2006* (available at <http://www.civilservice.gov.uk>)

58 Ev 47–48

59 Ev 47



in people from outside was presumably to introduce to government new ways of seeing and doing things:

From my own experience in having watched other people [coming into the SCS from outside] it is very difficult not to do one of two things. One is to go native and just go along with what the public sector has done and to buy into, “That’s the way it’s done here”, so your external experience suddenly becomes very devalued. Or the other thing is you are continually banging your head against the wall and are not able to navigate your way through the way things are done.<sup>60</sup>

55. Zenna Atkins’s observation raises the wider point that it is not simply a matter of external appointees moulding themselves to the ways of Whitehall; senior civil service managers also need to work at getting the best out of recruits from other sectors. This point was supported by Sir Michael Bichard, who told us that external recruits need to be given adequate support from their line managers and beyond to help them get on effectively in their new roles:

Whenever I brought someone from outside into the Civil Service, and we brought a hell of a lot of people into the department, I always had them into my office if they were reasonably senior, and said, “I did not bring you here to be a silky mandarin. I brought you here because you have particular skills and a different perspective that I want to see influence the way in which this place works. If you experience insurmountable problems that door is always open and I want you to come and talk to me about them”. A lot of them have said to me since that that was really quite important because it gave them power and clout and it gave them a sense that the very top management was behind them. I do not think that often happens...people are brought in, whether it is into the Civil Service or as a minister, and they are just left there.<sup>61</sup>

**56. We see a need for induction arrangements tailored specifically to help external recruits adjust to the demands of working in government and to reinforce core civil service values. Induction procedures should not be too onerous, but should recognise the particular needs that those new to government have as they take up senior posts. Such induction should continue to be coordinated at a central level by the Cabinet Office, and should draw on the views of existing and former external recruits to the SCS. Equally, however, senior civil servants who manage external recruits need to be better at incorporating the different approaches and perspectives that external entrants bring. The Cabinet Office should also explore how it can support senior civil service managers in getting the best out of new recruits arriving from outside government.**

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60 Oral evidence taken before the Public Administration Select Committee on 16 October 2008, *Good Government*, HC 97-II, Session 2008–09, Q 98

61 Oral evidence taken before the Public Administration Select Committee on 15 January 2009, *Good Government*, HC 97-II, Session 2008–09, Q 299

## 4 Managing levels of external recruitment

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57. So far, we have not considered directly what an appropriate level of external recruitment at senior civil service level might be. Part of that judgement involves assessing the effects of past outside appointments, as the previous chapter has attempted to do. Determining an appropriate level of external recruitment also needs to take into account broader issues about the composition of the SCS and of the wider civil service, the people and skills needed to carry out the work of government, and how effectively the civil service is planning for its future workforce needs. We examine these issues in this part of the report.

### A cap on external recruitment to the SCS?

58. Up until now, our analysis has taken as given that external recruitment to the senior civil service will continue. The evidence we received accepted the need for some level of recruitment from outside the civil service, at minimum to fill skills gaps (leaving aside other possible benefits such as bringing new perspectives and insights to the way government works).

59. Nonetheless, there is a growing sense within government and beyond that the number of external appointments has been too high in recent years. In particular, outside appointments to the Top 200 civil servants have outnumbered internal promotions for several years now (as Table 2 indicated). A wide variety of witnesses, from trade unions to management consultants, told us in the course of our inquiry that there had been too much external recruitment.<sup>62</sup> Sir David Normington's review of the SCS workforce summed up the feeling within the civil service itself:

There will always be a need for the senior leadership to be drawn from a mix of internal and external appointees. There will never be a time when all the skills and capabilities needed in the Senior Civil Service can be drawn from inside...But we do not believe that it can or should be a long term strategy to rely so heavily on external recruitment at senior levels. Individuals in the lower grades can become demotivated by a perceived lack of opportunity. Extensive external recruitment competitions can take significant periods of time to complete, leaving critical business roles vacant or inadequately covered. To some extent the Civil Service is suffering now from previous lack of investment in professional skills at lower levels, and a lack of pace in defining and developing leadership capabilities.<sup>63</sup>

60. While most agree that the current level of external recruitment is too high, it is more difficult to identify what would be an ideal level of external recruitment. We heard instead that it would be undesirable to set a cap or upper limit on outside appointments, as this would in all likelihood be arbitrary and inflexible. Sir David Normington, David Bell and Gill Rider all believed setting an upper limit was the wrong approach, since the optimal

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62 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352-i, Session 2008-09, Q 8; Ev 36

63 Normington report, pp 10-11



level of external recruitment would depend on the circumstances.<sup>64</sup> This is consistent with the previous conclusion of our inquiry into *Skills for Government*: “The Civil Service does not have a target for the number of external appointments to senior posts. We believe it would not be appropriate for it to do so”.<sup>65</sup> Similarly, Janet Paraskeva told us that:

...it is not a question of whether you have this percentage or that percentage of home-grown or external recruits, it is a question of getting the best people for the job with the skills that you actually need and for their appointment to be on merit. I think that to set a target that we must not have more than, say, 30% of people drawn from the private sector might be setting ourselves a bit of a straitjacket.<sup>66</sup>

61. There appears to be a consensus that setting an external recruitment ceiling would be the wrong approach. Yet there does seem to be a need for some part of government to keep an eye on external SCS recruitment, in order to raise any concerns about the extent of such recruitment and its effects. In turn, this should help the Government develop appropriate recruitment policy responses if needed. As the Civil Service Commissioners have de facto undertaken this role over the last few years, we propose formalising this by including a senior recruitment monitoring function for them in their Recruitment Principles.

**62. It would be inappropriate to set a hard and fast cap on external recruitment, since government needs the flexibility to draw on outside talent when necessary. Nevertheless, there is a clear sense that in the recent past there has been too much external recruitment, particularly at the highest levels of the senior civil service. What is needed is not an arbitrary limit, but a more coherent system for monitoring the extent of external recruitment to the SCS across employing departments and its effects. We recommend giving the Civil Service Commissioners a formal role in this area by making specific provision in the Commissioners’ Recruitment Principles for them to take on a monitoring function of this kind.**

## External recruitment below SCS level

63. Some of the pitfalls of recruiting externally might be avoided by concentrating external recruitment at levels of the civil service below the SCS and at the lower levels of the SCS (e.g. Deputy Director positions). The argument for doing so is that it would retain the benefits of bringing in people from outside, but would also allow those individuals to adjust to the civil service and develop the skills needed to operate effectively if they are promoted to a more senior level. (Such skills might, for example, include becoming attuned to the political context, as David Bell pointed out.) Janet Paraskeva and Sir David Normington agreed on the advantages of this approach:

...we need to look not just at the most senior jobs in terms of open competition, but it may be that we need to be bringing people in mid-career, so that they and the Civil Service itself can get a better feel for whether these are the people who want to stay

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64 Qq 104–105

65 Public Administration Select Committee, *Skills for Government*, para 83

66 Q 51

longer in the Civil Service and develop the next part of their career there.<sup>67</sup> [Janet Paraskeva]

We should recruit people at middle levels so that they have a career in the Civil Service, one where they also bring expertise from outside but then have time to develop. This is one way of dealing with this issue of building values as well so that before they get into the very senior levels they have had a chance at middle management levels to develop not just their skills but their understanding of the culture and values of the Civil Service and of the public service.<sup>68</sup> [Sir David Normington]

64. We heard similar arguments in favour of external recruitment to levels below the SCS during our inquiry into Skills for Government, from former Permanent Secretary Sir Robin Mountfield and others. That report concluded that:

We believe there are difficulties with the current practice of recruiting directly to very senior posts. The current pay differentials may serve to demotivate internal staff and discourage talented staff entering the Civil Service early in their career. It is also problematic that new entrants can take a considerable amount of time to find their feet in the Civil Service, if those new entrants have important responsibilities. We believe many of these difficulties would be alleviated if external recruitment was focused slightly lower down the management chain.<sup>69</sup>

65. Sir David Normington agreed with this conclusion. His own report on SCS workforce issues recommended that:

...the Civil Service should be more open to recruitment at other levels, particularly where the aim is to recruit professional skills. In particular there should be more opportunities for external recruitment at Grades 7, 6, and Deputy Director, so that these recruits can be developed into more senior posts.<sup>70</sup>

66. One of the difficulties in formulating a coherent policy on external recruitment below SCS level, however, is that information about non-SCS external recruitment trends is not collected centrally. We requested data from the Cabinet Office on the numbers of outside appointments in grades 6 and 7, but were told that “source information on feeder grades to the SCS is not centrally available”.<sup>71</sup> This lack of information about civil service recruitment hinders the development of a coordinated, long-term strategy on external appointments.

**67. We maintain that external recruitment is likely to be more effective if it is directed mainly at positions below the most senior levels of the SCS. This approach seems to us to increase the likelihood that external recruits will develop the necessary skills to perform effectively at more senior levels if they are promoted. We are, however, concerned that the Government does not appear to be monitoring levels of external**

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67 Q 54

68 Q 126

69 Public Administration Select Committee, *Skills for Government*, para 89

70 Normington report, p 11

71 Ev 48–49

**recruitment to grades below the SCS. We urge the Government to consider how it could implement an approach to lower-level external recruitment which combines the ability to bring in fresh talent from outside while also developing that talent to undertake senior responsibilities.**

### **“Growing” civil service talent**

68. Our conclusion about external recruitment below SCS level raises a wider point: that the civil service needs to improve its ability to develop its own talent, rather than simply relying on importing it from outside. This is not a new observation, but is a point that is still made about the contemporary civil service, as our witnesses showed:

...we need to do better at growing our own. If you do not grow your own you get into a situation we are in now which is that we have to go into the marketplace to compete for the kind of skills which a Civil Service of 500,000 people ought to be able to do better in training for itself..We need to do better at developing some of the professional and leadership skills which a big employer ought to be able to develop. I do not think that invalidates the need sometimes to recruit from outside.<sup>72</sup> [Sir David Normington]

I think you will find that...the consensus now in the Civil Service [is] that we have gone too far in terms of direct entry into senior posts and we need to develop internal talent more effectively and internal skills more effectively.<sup>73</sup> [Jonathan Baume]

69. The graduate Fast Stream programme is often cited as an example of how the civil service develops its own talent. According to the Cabinet Office, a quarter of all senior civil servants come from a Fast Stream background, a statistic which rises with the seniority of the post: 33 per cent of Directors General and 31 per cent of Directors originally started off on the Fast Stream scheme, compared to 23 per cent of Deputy Directors.<sup>74</sup> The Cabinet Office also reports that former Fast Stream civil servants at grade 6/7 level appear more likely to progress to the SCS than their equivalents at the same grade who have not been in the Fast Stream.<sup>75</sup> This suggests a pay-off for the individuals concerned, and for the civil service as a whole, from initial investment in the Fast Stream scheme.

70. Our *Skills for Government* report examined other measures that have been introduced in recent years to identify and meet civil servants’ skills needs, such as the Professional Skills for Government programme and departmental capability reviews. That report concluded that such measures were valuable, but would need time to produce results.<sup>76</sup> **Initiatives such as the departmental capability reviews and increased professionalisation of the civil service HR function indicate that government is taking the point about developing internal talent seriously. Measures to grow talent internally**

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72 Q 60

73 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352–i, Session 2008–09, Q 8

74 Ev 53

75 *Ibid*

76 Public Administration Select Committee, *Skills for Government*, p 3

**need to be maintained and supported, and in particular protected from fiscal pressures, if the civil service is to develop the capability it needs to meet current and future skills needs. As well as the benefits of developing the civil service’s own skills base, this type of approach is likely to reap long-term savings by reducing the need for more costly external recruitment.**

### Planning for future civil service skills needs

71. External recruitment and the civil service’s ability to “grow its own talent” are part of a broader concern about how effective the civil service is at identifying and preparing to meet its skills needs, both now and in the future. Sir David Normington’s review of the SCS workforce put external recruitment in this wider context. The review was prompted by a Senior Salaries Review Body recommendation in 2007 calling for a long-term workforce strategy for the SCS.<sup>77</sup> The Normington review was consequently established with the remit of considering senior civil service workforce and reward issues. It concluded that the weaknesses of SCS employment practice had been:

...a lack of forward planning for the recruitment, development and retention of the SCS despite a pressing need to ensure that the Civil Service has the leadership talent to deliver its future challenges; a SCS pay system that has been developed in a piecemeal way with insufficient clarity about the link between performance and reward and little rigour about the market premium that should be paid when recruiting externally; and, a weak job evaluation system.<sup>78</sup>

72. The Normington review’s recommended approach was for the Cabinet Office to draw up a plan for the SCS and the wider civil service to cover recruitment and retention issues, including that of pay:

Work should urgently be put in hand to look at how we can grow more of our own talent in both the short and long term...We need a workforce and reward strategy that ensures the Civil Service recruits, develops, and retains the best, now and in the future.<sup>79</sup>

73. The possible elements of such a civil service plan would include:

- a. An objective to supply a greater proportion of senior professionals from within the service;
- b. An aim to drive up leadership capabilities so that internal candidates are better able to compete for the most senior jobs; and
- c. A reduction in dependency and spend on contingent workers.<sup>80</sup>

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77 Review Body on Senior Salaries, *Twenty-Ninth Report on Senior Salaries 2007 (Report No. 63)*, Cm 7030, March 2007, p 7

78 Normington report, p 4

79 *Ibid*, pp 5, 8

80 *Ibid*, p 12

74. Janet Paraskeva agreed that there was a need for a proper workforce strategy—one that would enable government to determine its recruitment needs and the best way of meeting them in the long term:

I think that it is for the Cabinet Office through line management to assess whether what we are trying to do in opening up recruitment at the top to people with skills from the private or wider public sector has benefited the Civil Service and, once we know that, to address that alongside the talent management and succession planning policies that have been developed there.<sup>81</sup>

75. Sir David Normington said that a workforce strategy should be “delivered” by September 2009. According to Sir David and to the Civil Service Commissioners, the Cabinet Office is currently working on developing a civil service workforce strategy, as well as a project aimed at reducing the Government’s reliance on consultants and other temporary labour.<sup>82</sup> **We endorse Sir David Normington’s call for the Cabinet Office to publish a civil service workforce plan setting out how government intends to identify and plan for its future workforce needs. A workforce plan is now overdue; indeed, it is extraordinary that such a plan did not already exist. We further note that the public expenditure context for the workforce plan has altered with the onset of tighter economic times. We therefore recommend that the plan include details about the likely impact of recent announcements on reducing the size of the senior civil service and possibly the wider civil service.**

## 5 Implications for the recruitment process

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76. Having examined the extent and effects of outside appointments, we now consider implications for the SCS recruitment process. As with all civil service recruitment, appointments to the SCS are governed by the Recruitment Principles set out and monitored by the Civil Service Commissioners. The Principles maintain that recruitment to the civil service is based on merit, on the basis of fair and open competition. In this chapter, we examine two aspects of this fundamental principle that apply particularly to external SCS recruitment: the openness of the SCS recruitment process, and the involvement of ministers in senior recruitment. We also consider how the role of the centre of government might be strengthened to support more effective SCS recruitment.

### Open competitions for senior recruitment

77. According to the Civil Service Commissioners’ Recruitment Principles, open competition for civil service posts means that “job opportunities must be advertised publicly and potential candidates given reasonable access to information about the job and its requirements, and about the selection process”.<sup>83</sup> At SCS level, however, not all posts are

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81 Q 38

82 Normington report, p 9; Civil Service Commissioners, *Annual Report 2008/09*, p 27

83 Civil Service Commissioners, *Recruitment Principles*, April 2009, para 1 (available at <http://www.civilservicecommissioners.org>)

open to external competition. As outlined earlier,<sup>84</sup> in 2007–08 only 305 of the 771 competitions for SCS posts were open to applicants beyond the civil service.

78. The process for deciding whether recruitment will involve open competitions was explained in detail earlier.<sup>85</sup> Basically, at the lower levels of the SCS employing departments decide whether to open up recruitment to external competition, while the decision on whether to open up higher level appointments is made by the Senior Leadership Committee.<sup>86</sup> Janet Paraskeva explained to us the protocol for Top 200 civil servants that appointments will generally be subject to open competition, with certain exceptions:

We have a protocol for the Top 200 posts that assumes there will be not only competition but open competition unless there is a business need to do otherwise; or unless people just do not believe that the market could provide the sets of skills that are required; or if a speedy appointment is required.<sup>87</sup>

79. For less senior SCS posts, there does not appear to be any clear guidance to departments setting out the circumstances in which recruitment should involve external competition and those where it might not be appropriate. The Cabinet Office might usefully provide clarification and guidance on this matter, in order to promote consistent practice among departments. Alternatively, the Civil Service Commissioners could include guidance on open competitions as part of their Recruitment Principles or their overall guidance on senior recruitment, as they do for other procedural issues such as involving ministers in the appointments process.<sup>88</sup>

80. More broadly, there has been high-level support for opening up all senior appointments to external competition. In March 2009, the then Cabinet Office Minister Liam Byrne said that the practice of advertising job vacancies only to existing civil servants should be “the exception rather than the rule”, and stressed the need to create a “truly meritocratic civil service”.<sup>89</sup> Others have been more uncertain about the merits of full open competition in recruitment. Janet Paraskeva, when asked directly whether she thought there should always be open competition to senior posts, said she simply did not know.<sup>90</sup> Jonathan Baume of the FDA union opposed the idea outright:

I think the idea of some that, for example, every senior civil servant post should be advertised in the *Sunday Times* is just plain wrong. I think public advertising will have a role but I think it should be the exception rather than the norm.<sup>91</sup>

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84 See para 10.

85 See para 9.

86 The Senior Leadership Committee is chaired by the Cabinet Secretary (Sir Gus O’Donnell) and its current membership comprises several permanent secretaries, the First Civil Service Commissioner (Janet Paraskeva), the head of Profession for Civil Service HR (Gill Rider), and two non-executive members from the private sector.

87 Q 52

88 Civil Service Commissioners, *Guidance on Senior Recruitment*, June 2005 (available at <http://www.civilservicecommissioners.org>); see in particular paras 2.14–2.22

89 BBC Online, “Civil service ‘unfit for purpose’”, 5 March 2009

90 Qq 53–54

91 Oral evidence taken before the Public Administration Select Committee on 12 March 2009, *Civil and Public Service Issues*, HC 352–i, Session 2008–09, Q 42



81. Another relevant concern is the cost of recruiting externally. Open competitions make the recruitment process more expensive: Ernst and Young estimated a typical recruitment cost of £40,000 per head for senior civil service posts, in addition to the time cost of those involved in the recruiting process.<sup>92</sup>

82. In his review of the SCS workforce, Sir David Normington did not pronounce on the merits of mandatory open competitions for senior recruitment, but did urge greater clarity about why open competitions might be conducted:

The Civil Service needs to be smarter about managing open recruitment. There must be clarity about why and when the organisation goes to the market to recruit the skills and behaviours sought, and certainty that they are not available from within the Civil Service.<sup>93</sup>

83. There are certainly valid reasons for wanting to “test the market” in order for departments to be assured that they have appointed the best candidates, even where there might be a reasonable number of suitably qualified candidates among existing civil servants. Set against this, however, is the cost of running external competitions, and more broadly the sense (previously discussed) that there is already too much external recruitment. It would seem counterintuitive to seek to hold more open competitions while at the same time striving to reduce the extent of external recruitment overall.

**84. We recognise that, over the years, there has been a move toward greater open competition for senior civil service posts. We acknowledge that in some cases this has brought benefits, although we believe that the emphasis of workforce policy for the SCS in future should focus more strongly on developing the civil service’s own skill base from within. We therefore conclude that current arrangements, which provide for discretion to be exercised about whether to open up senior posts to external competition, are broadly satisfactory. We do not think it would be desirable to open up recruitment to all SCS posts to external competition as a general rule. It would, however, be helpful for the Cabinet Office or the Civil Service Commissioners to issue guidance to departments on the circumstances in which they would expect to see open competition and those where it may not be appropriate.**

## Ministerial involvement in senior recruitment

85. Ministerial involvement in making top-level civil service appointments is a highly contentious issue. We have recommended in the past that ministers could play a greater role in processes for appointing senior civil servants, with the necessary safeguards against inappropriate or improper influence on appointments.<sup>94</sup>

86. Janet Paraskeva forcefully expressed the Civil Service Commissioners’ opposition to the idea that governments might be able to appoint people to the civil service who did not want to work under different political administrations (other than as special advisers):

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92 Ev 35

93 Normington report, p 27

94 Public Administration Select Committee, *Politics and Administration*, paras 83–85

There are all sorts of ways in which people can work for the Government of the day in a political sense that is outside of the Civil Service. There are special advisers and there are other public appointments where the Government of the day sets up an organisation to carry out a piece of policy for them where ministers have a much greater say in the appointments to that organisation. If we believe in continuing what we have, which is an impartial Civil Service, we have to say to people, “however strong your personal political views are, they have to be left at the office door”. Otherwise, how can we have a Civil Service which can be trusted by any government?<sup>95</sup>

Similarly, the civil service union Prospect asserted that: “Direct ministerial involvement in appointing external recruits would create challenges for impartiality and could confuse lines of accountability”.<sup>96</sup>

87. Guidance from the Civil Service Commissioners sets out in detail the extent of ministers’ possible involvement in senior external recruitment processes. Ministers may be involved in setting job and person specifications for senior civil service posts, but they cannot interview candidates or express a preference among them. The candidate recommended for appointment must be the one placed first on merit by the selection panel, and the minister cannot choose another candidate instead. Provision is made for the rare cases where the minister does not feel able to appoint the lead candidate. In such cases, the matter is referred back to the selection panel, which may revise the ordering of candidates’ merit if panel members agree with the reasons given by the minister. The case must also be referred to the Civil Service Commissioners as a whole for their collective approval.<sup>97</sup>

88. The Civil Service Commissioners believe that current arrangements accommodate the interest ministers have in senior appointments, while protecting them from accusations of undue influence and allowing for candidates to be selected on merit. The Commissioners point out that the robustness of the present system is illustrated by the fact that ministers have only very rarely declined appointments.<sup>98</sup>

89. In our 2007 report on *Politics and Administration*, which explored the relationship between ministers and senior civil servants, we came to the following conclusion:

It remains essential in our view that there should be no entrance into the civil service through ministerial patronage. Appointments should be made, as now, on merit, through a process which is rigorous, and which is policed by the Civil Service Commissioners. The ability to work impartially with governments of different political persuasions should be a key factor in deciding whether a particular candidate is appointable.

Nonetheless, we need to ensure that changes in appointment systems, or in patterns of recruitment, do not have the perverse effect of reducing democratic

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95 Q 6

96 Ev 43

97 Civil Service Commissioners, *Guidance on Senior Recruitment*, paras 2.14–2.22

98 Ev 32–33



accountability. It is possible to guard against patronage without removing all ministerial choice about suitable appointees. Such choice should be exercised only in cases where there is external recruitment to extremely senior posts. There should be no ministerial involvement in recruitment below the senior civil service, and even at senior civil service level it should be confined to key appointments. In such cases, if a competition produces more than a single candidate who would be suitable for the post on offer, we believe that it is entirely legitimate for ministers to be given an opportunity to meet them, and to be asked to express a preference, as is the case with appointments to NDPBs.<sup>99</sup>

90. The reason we formed this recommendation was that it seemed to us anomalous that ministers can be consulted on some high-level appointments, notably very senior appointments involving internal civil service candidates only, when their involvement in recruitment processes open to external competition is much more circumscribed. Lord Butler told us during our Politics and Administration inquiry that throughout his time as Cabinet Secretary, top-level internal appointments did involve genuine consultation and discussion with ministers:

The Civil Service would initiate proposals for appointments, there would be a civilised discussion with Ministers, and sometimes Ministers would have a preference and that was a preference that you could go along with, but there was a good role of the Civil Service in it and I certainly did not find myself feeling during my time that appointments were being made on the basis of ministerial favouritism.<sup>100</sup>

91. It therefore struck us as incongruous that ministers did not have the same ability to be involved in the choice of very senior *external* appointments. We also argued in our *Politics and Administration* report that ministers are entitled to have confidence in those serving them, and that commanding the confidence of ministers should be seen as one aspect of the “merit” of candidates when assessing their suitability for appointment.<sup>101</sup>

**92. It is anomalous that ministers may be consulted about the appointment of internal candidates to top-level civil service posts, while their involvement in senior external recruitment is much more restricted. Consideration should be given to resolving this anomaly in a way that minimises the risk of undue political interference in civil service appointments and promotions.**

## Strengthening the centre

93. Part of the concern about external recruitment may be attributed to a perceived lack of capacity at the centre of government to monitor civil service employment trends and adjust recruitment policy accordingly. As we have seen earlier, the call for a workforce strategy for the SCS and for the wider civil service is one proposal for dealing with this situation.

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99 Public Administration Select Committee, *Politics and Administration*, paras 84–85

100 Public Administration Select Committee, *Politics and Administration*, para 79

101 *Ibid*, para 81

Another possibility is to re-examine the role of central bodies with responsibilities for civil service recruitment, in particular the Cabinet Office and the Civil Service Commissioners.

94. The Cabinet Office is the central government department responsible for co-ordinating recruitment activity across government, although in practice it focuses mainly on senior civil service appointments. Much of this work is carried out by the Civil Service Capability Group within the Cabinet Office under the direction of Gill Rider, head of the government HR profession. Meanwhile (as discussed above), the Civil Service Commissioners are charged with overseeing civil service appointments to ensure that they are made on merit through fair and open competition.<sup>102</sup> In practice this occurs through checking compliance with the Recruitment Principles. For senior civil service recruitment, the Commissioners also have role in chairing some competitions for senior positions.

95. Efforts have been made to professionalise the government HR function in recent years, as part of a broader focus on supporting specialist professions within the service (such as through building networks of professionals in areas including finance, procurement and communications, as well as HR).<sup>103</sup> The aim has been to build professional HR capability throughout the whole of the civil service. Nevertheless, there still appears room for further improvement. Ernst and Young believed that government HR practices needed to be sharpened up:

Improvements need to be made to the HR processes...too often, sourcing has lacked rigour and induction has been poor both on basic orientation and on “how things get done”.<sup>104</sup>

96. The results of a “stakeholder survey” commissioned by the Cabinet Office in 2007 indicate some of the areas for improvement. The survey, conducted by Ipsos MORI and involving surveys and in-depth interviews with senior civil servants, found a demand for the Cabinet Office to perform a larger role in coordinating departments on civil service issues. The stakeholder survey also found that the Cabinet Office’s role in improving skills and capability across the Civil Service was regarded as one of its most urgent priorities, but was also rated as a key weakness.<sup>105</sup> Ipsos MORI reported that:

...many cite a need for clarity in managing the Civil Service. It is not always clear what is the role of the Cabinet Office and what is the role of the departments, and more direction from the Cabinet Office on this would be welcome...Additionally, when it comes to working with departments to manage the Civil Service more effectively or ensuring clear workforce policies and processes, the Cabinet Office has the opportunity to improve. Many of those interviewed in depth express an interest in the Cabinet Office spreading good practice across Whitehall.<sup>106</sup>

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102 As well as hearing and determining appeals raised by civil servants under the Civil Service Code.

103 Q 119

104 Ev 35

105 Ipsos MORI, *Cabinet Office Stakeholder Research*, August–October 2007, p 6 (available at <http://www.cabinetoffice.gov.uk>)

106 Ipsos MORI, *Cabinet Office Stakeholder Research*, pp 5, 7

97. The NAO's examination of external recruitment to the civil service below SCS level echoed these criticisms, pointing to the need for more effective central guidance and coordination of civil service recruitment processes. While the focus of that report was on wider civil service recruitment, the basic conclusion that the Cabinet Office could take a stronger lead on coordinating civil service HR applies to the SCS as well. The NAO found that:

- Central government organisations do not hold the necessary management information to forecast annual demand for recruitment and undertake accurate workforce planning.
- There is no systematic monitoring and testing of the effectiveness of external recruitment processes.
- There are variations in how departments apply Cabinet Office guidance and the Civil Service Commissioners' Recruitment Code.
- There is insufficient interdepartmental coordination to improve the consistency of these interpretations or to spread good practice on how to recruit for posts below the senior civil service.<sup>107</sup>

98. Sir David Normington's review likewise proposed a greater role for the Cabinet Office in SCS workforce planning.<sup>108</sup> Prospect, however, sounded a note of caution about the Cabinet Office's ability to lead effectively on civil service workforce issues:

There needs to be greater "corporate" oversight and accountability of permanent secretary decisions. Normington's vision of a greater role for the Cabinet Office is useful in this regard but we do have doubts, based on experience, over the Cabinet Office's ability to exercise effective influence. Whilst an expanded role must be supported by an appropriate level of resourcing, action will be needed in parallel to mount a concerted challenge on deeply rooted SCS culture.<sup>109</sup>

99. There appear to be two main areas where civil service HR could benefit from a stronger central presence. The first is in the provision of central coordination and guidance for employing departments so that their recruitment policies are consistent, rigorous and follow good practice. The second relates to the monitoring of recruitment trends, particularly in order to determine potential areas of future concern (such as pay disparities between internal and external recruits), and to provide advice on implications for recruitment policy. This would include many of the observations we have made elsewhere in this report about the need for more robust monitoring data on areas including pay differentials, performance, retention and external recruitment below the SCS.

100. Much of this work, especially on guidance and central coordination, would seem to fall logically within the orbit of the Cabinet Office; although some monitoring work might, as we suggested earlier, be undertaken by the Civil Service Commissioners (if so, the

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107 National Audit Office, *Recruiting Civil Servants Efficiently*, Session 2008–09, HC 134, p 8

108 Normington report, pp 12, 23, 28

109 Ev 43

monitoring and advice function could be similar to that performed by the Senior Salaries Review Body on top public sector pay). At this stage, however, it is probably less important to decide who does what than to define the scope of what needs to be done.

**101. Evidence from senior civil servant surveys and from the National Audit Office suggests that central coordination and monitoring of civil service recruitment could be more effective than it currently is. We recommend that the Cabinet Office consult with departments about how it could best support them in their senior recruitment processes; for example, whether it would be useful to provide more detailed guidance on matters such as when to hold open competitions and the conduct of salary negotiations. There should also be more extensive central monitoring of recruitment trends, some of which could be undertaken by the Civil Service Commissioners and some by the Cabinet Office. Such monitoring could focus on areas including pay, performance, retention and external recruitment below the senior civil service, as we have suggested elsewhere in this report, in order to help government develop appropriate and informed employment policy responses.**

## 6 Conclusion

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102. We have a permanent civil service, but in recent years it has not consisted entirely of permanent civil servants. External appointments to senior levels of the civil service are now an established part of senior recruitment practice. Outside appointments have had some beneficial effects, including filling significant skills gaps and bringing new perspectives on traditional Whitehall ways of doing things. External recruitment has, however, caused some disquiet within the senior civil service, particularly in relation to pay disparities between external and internal candidates for SCS posts. Many of these difficulties have now been recognised and are being addressed.

103. Nevertheless, a widely-shared view has emerged that the senior civil service has depended too heavily on external recruitment and that the number of outside appointments should be scaled back. We broadly agree with this conclusion, and believe that the focus of civil service employment policy should be on developing its own people. The issue of external recruitment has helped shed light on how well the civil service is able to identify and foresee its skills needs, and plan for meeting those skills needs in future. The next step is for the civil service to demonstrate that it is doing this—both by developing a civil service workforce plan, as recommended by Sir David Normington’s review, and by implementing it in a way that genuinely enables the civil service to grow its own talent from within.

## Conclusions and recommendations

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1. For some years the civil service has made a significant number of senior appointments from outside government, in particular from the private sector. The increased reliance on external recruitment in recent years—especially at the highest levels of the senior civil service—points to a wider problem about the civil service’s ability to foresee its future skills needs and to develop the required skills among its own people. (Paragraph 15)
2. The economic situation and tighter public spending mean that government has to make difficult decisions about the type and level of recruitment to the civil service, especially the senior civil service. It is therefore likely that the current level of external recruitment, which is typically more expensive than other types of civil service recruitment, will have to be reconsidered in the present economic climate. (Paragraph 19)
3. Where appointments to the senior civil service are subject to open competition, candidates should be treated equally during salary negotiations, regardless of whether they are currently inside or outside the civil service. This has not always been the case, resulting in pay differentials between external and internal candidates and significant disquiet amongst existing civil servants. We support the proposals made by Sir David Normington and the Civil Service Commissioners to minimise pay discrepancies between external and internal recruits to the SCS:
  - Departments should ensure that remuneration offers to candidates are clear and consistent with the pay rates advertised. There should be stricter controls over departments’ ability to deviate from the rate advertised for a post when negotiating a salary offer with a successful candidate.
  - Departments should be more rigorous in their application of pay premiums. In cases where they want to pay more than the advertised rate, departments should be required to explain to the Cabinet Office the reasons why and provide evidence to support their case (such as data on skills shortages and market pay rates).
  - The civil service should seek to manage down pay differentials over time in those cases where external appointees have received large initial pay premiums.
  - The Cabinet Office should provide clear guidance to departments on setting and negotiating salaries for SCS candidates, as well as on reducing pay differentials between external and internal recruits over time.
  - The Cabinet Office and Civil Service Commissioners should continue to monitor the remuneration of new SCS recruits across government, in order to detect where concerns about significant pay discrepancies or trends in candidate remuneration may arise. (Paragraph 29)

4. Higher pay has helped fuel the implicit belief that external recruits should perform at a higher level than internal recruits. Yet the evidence suggests that, on the whole, outside appointees do not perform better than career civil servants and many leave civil service employment relatively quickly. This is clearly a very unsatisfactory situation which, if not addressed, will lead many to cast doubt on the wisdom of appointing from outside the civil service—let alone paying them greater salaries. (Paragraph 42)
5. Much of the discussion about the effectiveness of external recruits is, however, limited by a lack of hard evidence. We recommend the Cabinet Office rectify this situation by building on its initial efforts to collect more systematic data to monitor the performance of external recruits and the reasons why they leave. This type of information should help government develop appropriate practices and approaches for getting the best out of external appointees. (Paragraph 43)
6. Good organisational fit is vital for external appointees to operate successfully in the senior civil service. There is evidence to suggest that private sector recruits have sometimes struggled to adapt to working in the Whitehall political environment. We believe some of the difficulties of organisational fit resulting from external recruitment could be overcome by increasing the proportion of external appointments from local government and the wider public sector. This would increase the chances that outside recruits have the political experience and public service ethos needed to perform effectively at the higher reaches of the civil service, without losing the benefits of bringing a fresh perspective to Whitehall. (Paragraph 49)
7. We see a need for induction arrangements tailored specifically to help external recruits adjust to the demands of working in government and to reinforce core civil service values. Induction procedures should not be too onerous, but should recognise the particular needs that those new to government have as they take up senior posts. Such induction should continue to be coordinated at a central level by the Cabinet Office, and should draw on the views of existing and former external recruits to the SCS. Equally, however, senior civil servants who manage external recruits need to be better at incorporating the different approaches and perspectives that external entrants bring. The Cabinet Office should also explore how it can support senior civil service managers in getting the best out of new recruits arriving from outside government. (Paragraph 56)
8. It would be inappropriate to set a hard and fast cap on external recruitment, since government needs the flexibility to draw on outside talent when necessary. Nevertheless, there is a clear sense that in the recent past there has been too much external recruitment, particularly at the highest levels of the senior civil service. What is needed is not an arbitrary limit, but a more coherent system for monitoring the extent of external recruitment to the SCS across employing departments and its effects. We recommend giving the Civil Service Commissioners a formal role in this area by making specific provision in the Commissioners' Recruitment Principles for them to take on a monitoring function of this kind. (Paragraph 62)



9. We maintain that external recruitment is likely to be more effective if it is directed mainly at positions below the most senior levels of the SCS. This approach seems to us to increase the likelihood that external recruits will develop the necessary skills to perform effectively at more senior levels if they are promoted. We are, however, concerned that the Government does not appear to be monitoring levels of external recruitment to grades below the SCS. We urge the Government to consider how it could implement an approach to lower-level external recruitment which combines the ability to bring in fresh talent from outside while also developing that talent to undertake senior responsibilities. (Paragraph 67)
10. Initiatives such as the departmental capability reviews and increased professionalisation of the civil service HR function indicate that government is taking the point about developing internal talent seriously. Measures to grow talent internally need to be maintained and supported, and in particular protected from fiscal pressures, if the civil service is to develop the capability it needs to meet current and future skills needs. As well as the benefits of developing the civil service's own skills base, this type of approach is likely to reap long-term savings by reducing the need for more costly external recruitment. (Paragraph 70)
11. We endorse Sir David Normington's call for the Cabinet Office to publish a civil service workforce plan setting out how government intends to identify and plan for its future workforce needs. A workforce plan is now overdue; indeed, it is extraordinary that such a plan did not already exist. We further note that the public expenditure context for the workforce plan has altered with the onset of tighter economic times. We therefore recommend that the plan include details about the likely impact of recent announcements on reducing the size of the senior civil service and possibly the wider civil service. (Paragraph 75)
12. We recognise that, over the years, there has been a move toward greater open competition for senior civil service posts. We acknowledge that in some cases this has brought benefits, although we believe that the emphasis of workforce policy for the SCS in future should focus more strongly on developing the civil service's own skill base from within. We therefore conclude that current arrangements, which provide for discretion to be exercised about whether to open up senior posts to external competition, are broadly satisfactory. We do not think it would be desirable to open up recruitment to all SCS posts to external competition as a general rule. It would, however, be helpful for the Cabinet Office or the Civil Service Commissioners to issue guidance to departments on the circumstances in which they would expect to see open competition and those where it may not be appropriate. (Paragraph 84)
13. It is anomalous that ministers may be consulted about the appointment of internal candidates to top-level civil service posts, while their involvement in senior external recruitment is much more restricted. Consideration should be given to resolving this anomaly in a way that minimises the risk of undue political interference in civil service appointments and promotions. (Paragraph 92)
14. Evidence from senior civil servant surveys and from the National Audit Office suggests that central coordination and monitoring of civil service recruitment could be more effective than it currently is. We recommend that the Cabinet Office consult

with departments about how it could best support them in their senior recruitment processes; for example, whether it would be useful to provide more detailed guidance on matters such as when to hold open competitions and the conduct of salary negotiations. There should also be more extensive central monitoring of recruitment trends, some of which could be undertaken by the Civil Service Commissioners and some by the Cabinet Office. Such monitoring could focus on areas including pay, performance, retention and external recruitment below the senior civil service, as we have suggested elsewhere in this report, in order to help government develop appropriate and informed employment policy responses. (Paragraph 101)



# Formal Minutes

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**Thursday 21 January 2010**

Members present:

Dr Tony Wright, in the Chair

David Heyes

Kelvin Hopkins

Mr Ian Liddell-Granger

Julie Morgan

Mr Gordon Prentice

Mr Charles Walker

Draft Report (*Outsiders and Insiders: External Appointments to the Senior Civil Service*), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 103 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Seventh Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 12 March, 23 April, 30 April, 12 May and 25 June.

[Adjourned till Thursday 28 January at 9.45 am

## Witnesses

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### Thursday 5 March 2009

Page

**Janet Paraskeva**, First Civil Service Commissioner and **Dr Richard Jarvis**, Head of Independent Offices and Secretary to the Civil Service Commissioners

Ev 1

### Thursday 12 May 2009

**David Bell**, Permanent Secretary, Department for Children Schools and Families, **Sir David Normington KCB**, Permanent Secretary, Home Office and **Gill Rider**, Head of the Civil Service Capability Group, Cabinet Office

Ev 9

## List of written evidence

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1	Civil Service Capability Group, Cabinet Office	Ev 24
2	Civil Service Commissioners	Ev 30
3	Ernst & Young	Ev 35
4	Sir David Normington KCB	Ev 42
5	Prospect	Ev 42
6	Public and Commercial Services Union	Ev 44
7	Welsh Assembly Government	Ev 44
8	Correspondence between the Clerk of the Committee and the Civil Service Capability Group, Cabinet Office	Ev 46

## List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2009-10

First Report	Bad Language: The Use and Abuse of Official Language	HC 17
Second Report	Work of the Committee in 2008-09	HC 20
Third Report	Selection of a new Chair of the Advisory Committee on Business Appointments	HC 42 ( <i>HC 139</i> )
Fourth Report	Parliament and the Ombudsman	HC 107
Fifth Report	Lobbying: Developments since the Committee's First Report of Session 2008-09	HC 108
Sixth Report	Top Pay in the Public Sector	HC 172

### Session 2008-09

First Report	Lobbying: Access and influence in Whitehall	HC 36 ( <i>HC 1058</i> )
Second Report	Justice Delayed: The Ombudsman's Report on Equitable Life	HC 41 ( <i>HC 953</i> )
Third Report	Ethics and Standards: Further Report	HC 43 ( <i>HC 332</i> )
Fourth Report	Work of the Committee in 2007-08	HC 42
Fifth Report	Response to White Paper: "An Elected Second Chamber"	HC 137 ( <i>HC 59</i> )
Sixth Report	Justice denied? The Government response to the Ombudsman's report on Equitable Life	HC 219 ( <i>HC 569</i> )
Seventh Report	Further Report on Machinery of Government Changes	HC 540
Eight Report	Good Government	HC 97 ( <i>HC 1045</i> )
Ninth Report	The Iraq Inquiry	HC 721 ( <i>HC 992</i> )
Tenth Report	Leaks and Whistleblowing in Whitehall	HC 83

### Session 2007-08

First Report	Machinery of Government Changes: A follow-up Report	HC 160 ( <i>HC 514</i> )
Second Report	Propriety and Peerages	HC 153 ( <i>Cm 7374</i> )
Third Report	Parliament and public appointments: Pre-appointment hearings by select committees	HC 152 ( <i>HC 515</i> )
Fourth Report	Work of the Committee in 2007	HC 236 ( <i>HC 458</i> )
Fifth Report	When Citizens Complain	HC 409 ( <i>HC 997</i> )
Sixth Report	User Involvement in Public Services	HC 410 ( <i>HC 998</i> )
Seventh Report	Investigating the Conduct of Ministers	HC 381 ( <i>HC 1056</i> )
Eighth Report	Machinery of Government Changes: Further Report	HC 514 ( <i>HC 540, Session 2008-09</i> )
Ninth Report	Parliamentary Commissions of Inquiry	HC 473 ( <i>HC 1060</i> )

Tenth Report	Constitutional Renewal: Draft Bill and White Paper	HC 499 ( <i>Cm 7688</i> )
Eleventh Report	Public Services and the Third Sector: Rhetoric and Reality	HC 112 ( <i>HC 1209</i> )
Twelfth Report	From Citizen's Charter to Public Service Guarantees: Entitlement to Public Services	HC 411 ( <i>HC 1147</i> )
Thirteenth Report	Selection of a new Chair of the House of Lords Appointments Commission	HC 985
Fourteenth Report	Mandarins Unpeeled: Memoirs and Commentary by Former Ministers and Civil Servants	HC 664 ( <i>HC 428, Session 2008–09</i> )
<b>Session 2006–07</b>		
First Report	The Work of the Committee in 2005–06	HC 258
Second Report	Governing the Future	HC 123 ( <i>Cm 7154</i> )
Third Report	Politics and Administration: Ministers and Civil Servants	HC 122 ( <i>HC 1057, Session 2007–08</i> )
Fourth Report	Ethics and Standards: The Regulation of Conduct in Public Life	HC 121 ( <i>HC 88, Session 2007–08</i> )
Fifth Report	Pensions Bill: Government Undertakings relating to the Financial Assistance Scheme	HC 523 ( <i>HC 922</i> )
Sixth Report	The Business Appointment Rules	HC 651 ( <i>HC 1087</i> )
Seventh Report	Machinery of Government Changes	HC 672 ( <i>HC 90, Session 2007–08</i> )
Eighth Report	The Pensions Bill and the FAS: An Update, Including the Government Response to the Fifth Report of Session 2006–07	HC 922 ( <i>HC 1048</i> )
Ninth Report	Skills for Government	HC 93 ( <i>HC 89</i> )
First Special Report	The Governance of Britain	HC 901
<b>Session 2005–06</b>		
First Report	A Debt of Honour	HC 735 ( <i>Cm 1020</i> )
Second Report	Tax Credits: putting things right	HC 577 ( <i>HC 1076</i> )
Third Report	Legislative and Regulatory Reform Bill	HC 1033 ( <i>HC 1205</i> )
Fourth Report	Propriety and Honours: Interim Findings	HC 1119 ( <i>Cm 7374</i> )
Fifth Report	Whitehall Confidential? The Publication of Political Memoirs	HC 689 ( <i>HC 91, Session 2007–08</i> )

# Oral evidence

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## Taken before the Public Administration Committee on Thursday 5 March 2009

Members present

Dr Tony Wright, in the Chair

Paul Flynn  
David Heyes  
Kelvin Hopkins  
Julie Morgan

Mr Gordon Prentice  
Paul Rowen  
Mr Charles Walker

*Witnesses:* **Ms Janet Paraskeva**, First Civil Service Commissioner, and **Dr Richard Jarvis**, Head of Independent Offices and Secretary to the Civil Service Commissioners, gave evidence.

**Q1 Chairman:** We now move on to our second inquiry, which is all about the way that the Civil Service is changing and the extent to which we now have external recruitment and your role in that. The Cabinet Secretary's mantra is, as you know, that we have a permanent Civil Service, but not permanent civil servants, and this raises all kinds of challenges for the Civil Service. We are particularly looking at this movement in how many people there are, who the people are and what effect it has, so your job is to monitor what is happening. Could you tell us how you read the current position?

**Ms Paraskeva:** Our job is not to monitor what is happening, our job is to regulate entry on merit.

**Q2 Chairman:** Well, your job is to regulate entry in a condition where there is far more entry from outside than there ever was before.

**Ms Paraskeva:** That is right, and one of the things we have got to do is to make absolutely sure that the recruitment process is open and fair to all and that the appointments are made on merit so that the Civil Service gets the best in class for the jobs that it needs filling. Over the past 10 or so years, I think it has been clear that the Civil Service needed skills that it had not necessarily grown of its own, trained accountants, IT specialists, HR specialists and so on. There has been, I think, an increase, therefore, in the numbers of people that have joined from outside because of the need to embrace those professions within the Civil Service, but, as I say, our role is really to make absolutely sure that when competitions happen, they put everybody on a level footing, whether they come from outside of the service or not.

**Q3 Chairman:** You, rightly, questioned the way that I put the first question, but, in a way, it leads me to the question I really want to ask, which is the desire that I have that you would be more of a regulator. It seems to me that one of the things we want to know is what impact this greater external recruitment is having on the character of the Civil Service. Now, if you are not trying to find that out, if you are not monitoring it, who is?

**Ms Paraskeva:** The Cabinet Office. It is the Cabinet Office's role to monitor overall what is going on and I believe they do this, but it is a management issue, not a regulatory issue, to know whether your staff are doing well and fulfilling their objectives.

**Q4 Chairman:** You see, I think it goes beyond that. I think it raises all kinds of value issues of the kind that you talk about, so I am wanting to know who is looking at all of that.

**Ms Paraskeva:** If you raised the question of values, I think it would be interesting for us to look over time to see whether there were more questions being raised in relation to the values and therefore appeals against the Code from people who had come in from outside as against those people who have been career civil servants. But I do have to hold the line, that the management issue is not the job of the regulator and judging people's performance is not our business.

**Q5 Chairman:** I will ask David to pursue this line of questioning, but I will just ask you one more and it is not just about external recruitment, but a wider question, which is: do you think that anybody who is appointed to the Civil Service needs to be able to work for any government?

**Ms Paraskeva:** Yes, I do, and that is the whole basis on which our Civil Service has been established and run.

**Q6 Chairman:** I do not want to go too deeply into this, but do you not think that is an awful restriction on the kind of people that we can recruit to public service because there may well be dynamic, good people who say, "I want to come and work for the Government. I am really committed to the Government's approach to mental health", say, or whatever it is, "I don't actually like the Opposition's approach to it and I don't want to come and work for them, but I'm really committed to what this Government wants to do and to give two or three years of my life to it" and, if that person cannot be brought in, surely we are at a huge disadvantage, are we not?

**Ms Paraskeva:** There are all sorts of ways in which people can work for the Government of the day in a political sense that is outside of the Civil Service.

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There are special advisers and there are other public appointments where the Government of the day sets up an organisation to carry out a piece of policy for them where ministers have a much greater say in the appointments to that organisation. If we believe in continuing what we have, which is an impartial Civil Service, we have to say to people, “however strong your personal political views are, they have to be left at the office door”. Otherwise, how can we have a Civil Service which can be trusted by any government? After all, when we change governments in this country, we do so really rather quickly. We do not know the result of the election until the next morning and you could not change all your civil servants at that rate. We would have to move to a totally different style of preparation for government.

**Q7 Chairman:** We do not get this problem with local government. We do not think that you have to change the whole bureaucracy every time the council changes hands. You assume that these are public servants who are going to be able to work across the board, but they are recruited by politicians to work for them to advance their programmes.

**Ms Paraskeva:** I do not think that they are recruited in such a different fashion. In fact, when one actually looks at the detail of the way civil servants are recruited—

**Q8 Chairman:** I think they are.

**Ms Paraskeva:** There is a team of politicians at the end of the day that makes that appointment but the recruitment procedures are not that different.

**Q9 Chairman:** You have categories of exemption from your open competition rules. Reading them, they seem to be quite wide exemptions. I do not know how many numbers are covered by it but people can come and work for two years, is it?

**Ms Paraskeva:** Yes.

**Q10 Chairman:** Without going through the open competition procedure. Tell me about how all that works.

**Ms Paraskeva:** Indeed. If there is a very particular need and an urgent need for a set of skills in a department, then they can make that business case. Someone appointed in that way is of course still a civil servant and still signs up to the values and behaviours that we expect of a civil servant because they become a civil servant for that period of time. We have looked quite closely at the exceptions, when we were doing the work in preparation for the Constitutional Renewal Bill. We have tried to tidy some of that up and reduce the scope of those exemptions somewhat because it did look a little as though it had grown like topsy over time and I do think that that is something that one needs to keep under review, otherwise you could have more routes in through the side door than through the main door.

**Chairman:** We must not get into all that. There are interesting issues there but we will not get into that today.

**Q11 David Heyes:** I do want to push you on the Chairman’s line here. I think that what we want to get at is the prime determining impact that external recruitment has had on the Civil Service. You mentioned the need to fill a skills gap, accountants, IT, HR professionals and the like, and clearly a great deal of that has taken place in recent years. How do we know and how do you know whether that has had the intended impact?

**Ms Paraskeva:** It is the Cabinet Office’s responsibility to monitor that. Overall it is the Cabinet Secretary’s responsibility to oversee performance in the departments he has responsibility for. It is not our role to monitor that or indeed to become involved in any way in the performance of individual civil servants.

**Q12 David Heyes:** Am I right that it would be your role to make an assessment of the impact that might have had on the values of the Civil Service? It is your job to promote and sustain the values of the Civil Service, is it not? Can you answer the question in that way.

**Ms Paraskeva:** I could indeed and I think that I was in a way pointing to that a few moments ago when I said that the kinds of things we might look at in terms of those people who had raised appeals or against whom perhaps appeals had been raised in their background. If their background has indeed been external or internal, then that would be something that we should perhaps be monitoring and indeed could go back and look at the evidence we have from appeals that have been brought to us. We do not have that evidence at the moment but it is something which we could look at.

**Q13 David Heyes:** That would be an assessment on a very narrow field of candidates, would it not?

**Ms Paraskeva:** Yes.

**Q14 David Heyes:** The 20-odd that you talk about. Am I right to see it that way?

**Ms Paraskeva:** In the top 600 posts last year, there were external competitions for about 100-odd and I think, if I remember rightly, just over 40% of those were awarded to people from inside the Civil Service, 30-odd% I think from the private sector and 20-odd% from the wider public sector.

**Q15 David Heyes:** So, significant numbers of people who may be bringing in different values and may have to learn to live with a different set of values in the Civil Service. I think you are saying to me that you would only be able to monitor and assess the impact of that on the basis of the complaints that you receive. Is that right?

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**Ms Paraskeva:** I think that is probably right, is it not, Richard?

**Dr Jarvis:** Yes.

**Q16 David Heyes:** But there are a very small number of complaints. It is not really giving you a feel for those very large numbers of people and the impact they might have.

**Dr Jarvis:** I hope, if we are successful with getting these standard questions in departmental staff surveys that are done every year, over time you will be able to track knowledge and understanding of the values by civil servants as well as their confidence of the procedures for raising concerns. That is what we are trying to do at the moment.

**Ms Paraskeva:** One of the things that we may need to do just listening to the line of questioning is to make sure that we can cross-relate from that data those people who have come into the Civil Service later in their careers to see whether there are different answers from then than from career civil servants, so that is helpful.

**Q17 David Heyes:** This is integral to your current wish to promote Civil Service values. You say that you have been active in that.

**Ms Paraskeva:** Yes.

**Q18 David Heyes:** Your annual report talks about that.

**Ms Paraskeva:** Yes.

**Q19 David Heyes:** Is this your way of assessing how that might be working?

**Ms Paraskeva:** Yes.

**Q20 David Heyes:** Tell me the things you would do to make that assessment.

**Ms Paraskeva:** To make the assessment, we have to ask the question of the civil servants themselves in the way that I have described.

**Q21 David Heyes:** Is there a systematic approach?

**Ms Paraskeva:** Yes.

**Q22 David Heyes:** Do you get the full questionnaires in? Do you interview them? How does it work?

**Ms Paraskeva:** The audit will be a questionnaire to Permanent Secretaries and, as I say, we are directing them to involve their HR Director, the Nominated Officer and the Head of Internal Audit. The staff surveys go out every year to every single civil servant and that is the way in which we will get, if you like, the customer feedback to use a marketing term, of the Civil Service itself and what I would suggest in listening to you is that we may need to make sure that we can cross-relate, although they are anonymously filled in, by a question in there about how long a person has been in the Civil Service. If there is a pattern that emerges, that people feel more safe or less safe in raising challenges that they face when they have been career civil servants perhaps than when they have been recruited externally, that might tell us something about what we need to do further.

**Q23 David Heyes:** If we were to ask you this same question at a future meeting maybe a couple of years from now, you would have the data available to give a more comprehensive answer.

**Ms Paraskeva:** Yes. I think that, in two years' time, we would have a baseline established. We have asked that these questions be included in the staff surveys from October. I have no reason to believe that that will be denied us.

**Q24 Mr Walker:** I am concerned about the fact that when people are recruited from the private sector to come and fill jobs in the Senior Civil Service, they often come in on better pay, conditions and bonuses than people doing the equivalent job working alongside them. Does that concern you?

**Ms Paraskeva:** A couple of years ago, we raised a not dissimilar concern. But our concern was based not so much on whether or not you should pay somebody this amount or that amount but the fact that this information was not made clear in the information to candidates. A practice had grown up of putting in "attractive package" and what we were finding—and I think it was a couple of years ago in our annual report that we pointed out some examples of this—was that some candidates from the private sector were being awarded packages which seemed very much larger than the package offered to an internal civil servant on promotion. We raised this issue from our regulatory standpoint that appointments needed to be open and fair and that the advice to departments was that they should include in their information to candidates absolute clarity as to what the package was. Otherwise, if you were for example awarding a package much greater on the quiet, that would not be fair to those people who had seen the job advertised in the first place. You may well have attracted a much wider field had it been known that you were prepared to reach those heights in the salary. We have also persuaded people to talk about package and not just salary because clearly the Civil Service pension is not unattractive, particularly at the present moment, and it is very important to see the overall package. I have to say that we found even within a year that practice had improved and that we were finding that departments were now including in their information much more accurate detail of the package on offer. The other thing we suggested was that recruitment consultants should be properly briefed to know what the real top of the salary range was in order that we were not bringing people right the way through a lengthy recruitment process only to find that at the last minute they could not get the salary they were expecting.

**Q25 Mr Walker:** I know that you are responsible for recruitment in the Civil Service but I want to express another concern that I think I share with Kelvin Hopkins. I think that people go into the Civil Service for a variety of reasons but I think that the overwhelming reason is that they want to serve the



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public and I think you get people in the Civil Service earning £100,000 a year who, if they were in the private sector, could well be earning five or 10 times that sum of money. You get some really exceptional people. I become concerned because you have a civil servant earning £100,000 who is exceptional and you bring someone in from the private sector on £150,000 but actually, in the private sector, £150,000, although a lot of money, does not necessarily confirm star status on the individual. So, we have politicians and senior civil servants right at the top of the recruitment process being star-struck by people who really are not actually as brilliant as they may look on paper because the salary does not tell the full story.

**Ms Paraskeva:** Indeed, salary does not tell the full story and what recruitment processes must do is test out, against a properly worked out personal specification, the sets of skills and expertise that candidates have. One of the other things that we have done in the last few years is to make sure that recruitment is not just on the basis of a 45-minute panel interview, that there are much more thorough ways of testing en route to that final interview the capabilities of the people who have been brought to longlist and then shortlist. So, the panel meets them not just at the very end but in one-on-one or two-on-one situations. We can also introduce pretty rigorous psychometric interviews, if necessary presentation skill interviews and media testing, so there are a number of different ways in which people can show their skills. That is one of the ways that I think you can get rid of the people who may have had a high salary but frankly, could not hack it in the day job.

**Q26 Mr Walker:** They are intellectually just not up to it.

**Ms Paraskeva:** Yes.

**Q27 Mr Walker:** I am concerned that politicians from all parties have got into the habit of bashing Whitehall and bashing civil servants and I do not want that to continue because I think it erodes the self-confidence of those people we already have.

**Ms Paraskeva:** I agree.

**Q28 Mr Walker:** Then we get these disastrous private sector initiatives—and I am not hostile to the private sector, I rather like the private sector—and some of these IT initiatives where billions has been wasted by outside consultants proposing programmes that even they have not properly thought through and perhaps there would have been a civil servant who, if he had felt more confident, would have said, “Please, please, minister, do not follow this route because it could all end in disaster”.

**Ms Paraskeva:** IT is tricky territory.

**Q29 Mr Walker:** I am using that as an example.

**Ms Paraskeva:** It is not a bad example and I think the thing we forget is that there are probably far more IT disasters in the private sector than happens in the public sector.

**Mr Walker:** Absolutely.

**Q30 Paul Rowen:** Again going back to what was said earlier, the Government have set up a number of agencies, arms-length organisations. Are you involved in the appointment of the senior directors of those?

**Ms Paraskeva:** Only where those directors are civil servants. Some agencies retain Civil Service status or Crown status and their staff will be civil servants and they are covered by our code and regulations. For non-departmental public bodies, the chairs and the members of some of those bodies are actually regulated by my colleague Janet Gaymer, the Commissioner for Public Appointments.

**Q31 Paul Rowen:** Do you not think that you should be given the similar concern we had earlier on that they are taking on many of the functions of the Civil Service and how can you ensure that the same sort of Civil Service Code is enforced if you are not involved in regulating at least and monitoring those top bodies?

**Ms Paraskeva:** If Janet were here, she and I would both agree that there is a gap between us in the regulation of the chief executives and senior staff of these NDPBs. Nobody regulates those.

**Q32 Paul Rowen:** Let me give you an example and this is an example where, if you like, it does give an opportunity for a political appointment to be made. The former head of Personal Accounts Delivery Authority is now Lord Myners, Government Minister for the City, and he is a Labour Minister yet he was appointed six/12 months ago to lead PADA. How can you ensure that that sort of political cronyism, which he could be accused of, does not take place when there is that gap, as you say, between the two bodies?

**Ms Paraskeva:** That is a matter for my colleague, Janet Gaymer, because that is a ministerial public appointment and not a Civil Service appointment. Our remit runs to the Civil Service rather than the wider public sector.

**Q33 Paul Rowen:** But there is a gap, is there not?

**Ms Paraskeva:** There is a gap.

**Q34 Paul Rowen:** You cannot be sure that the people appointed adhere to the Civil Service Code.

**Ms Paraskeva:** No, indeed.

**Q35 Paul Rowen:** And the same sort of recruitment procedures.

**Ms Paraskeva:** Indeed.

**Q36 Paul Rowen:** Do you not think that should be looked at?

**Ms Paraskeva:** I do and as, I say, if my colleague Janet Gaymer were here, I think she would agree. We both agree that there is a gap in that recruitment in that nobody actually regulates the senior executive posts in non-departmental public bodies.

**Q37 Paul Rowen:** Have you put that in so that when the Constitutional Renewal Bill is brought out, that gap is covered

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**Ms Paraskeva:** The issue of public appointments is not covered in the Constitutional Renewal Bill as I understand it. The only issue that is covered is the issue of the Civil Service and the establishment of the Civil Service Commission as a statutory body. The Government chose to handle the issues of the Civil Service separately at this stage from the issues of the wider public sector.

**Q38 Kelvin Hopkins:** Sir Christopher Foster acknowledged that there were considerable risks in bringing in people from the outside because “you know them less well and... one out of three you wish you had not”. This was reinforced when he said that he thought that the proportion of permanent civil servants should be kept at 80 to 90%. That is Sir Christopher Foster’s view. Sir David Normington’s Review of Senior Civil Service recruitment suggested that there has been too heavy a reliance on external appointments in recent years. Do you sympathise with those views?

**Ms Paraskeva:** I would like to see the evidence. It is easy for any of us to say that we rely too heavily on people from outside or even the opposite, or we need more expertise from outside. I think that it is for the Cabinet Office through line management to assess whether what we are trying to do in opening up recruitment at the top to people with skills from the private or wider public sector has benefited the Civil Service and, once we know that, to address that alongside the talent management and succession planning policies that have been developed there. I think that these are exactly the kinds of things that Sir David Normington has been looking at in his review.

**Q39 Kelvin Hopkins:** But it is not just about skills, it is about loyalty, values and other things as well.

**Ms Paraskeva:** Indeed.

**Q40 Kelvin Hopkins:** When I was a student many, many years ago, the ultimate achievement was to get into the administrative class of the Civil Service from university. That was seen as the target and only the best got in. Very high quality people went into the Civil Service.

**Ms Paraskeva:** I think it is still seen as certainly among the top three careers that people leaving university actually seek.

**Q41 Kelvin Hopkins:** Following on from what my colleague Mr Walker said, there are differences of value. Business values are perfectly appropriate for business. But public service values are vital in the public service. I think Mr Walker said that many people go into the Civil Service do earn good salaries although they could earn more outside but they choose to stay in the public sector. I myself know people who say, “I want to serve the public; I want to be in the public sector; I do not want to be in the private sector”. Do you not think that those kinds of values are vital in a public service?

**Ms Paraskeva:** I do and indeed of course from the outside appointments that we make, over 20% of them come from the wider public sector and I think that movement in and out of local authority positions into central government and back again is probably healthy for both. Central government policies after all are put into practice locally and some of the feedback there that can be brought back cannot be a bad thing. For people from the private sector, it is very interesting when we ask the questions that we do at interview about the Civil Service values, sometimes people say to us, “Why do you think that the private sector does not hold those same values?” and we are actually challenged in our assumptions that in fact, for many people working in the private sector, they too would hold not dissimilar values of honesty, objectivity and so on.

**Q42 Kelvin Hopkins:** I have no doubt that that is the case and I know that many people in the private sector have very strong social consciences and so on. Have these views not been rather disparaged in recent years? It is the business ethic that certain governments have wanted to inject into the Civil Service and to play down these more traditional sets of values. Has that not been the case?

**Ms Paraskeva:** I think that some of it has been the desire of the Civil Service to embrace some of the professions that it had not grown such as HR professionals and IT expertise that we could not possibly have grown within the Civil Service because of the rate of change and development in that whole industry. I do not think that waters down the Civil Service in any way at all.

**Q43 Kelvin Hopkins:** Clearly, in things like science, one needs scientists and there are technical experts as well, but the generalist who was traditionally employed in the Senior Civil Service often with a PPE or a classics background but very, very bright, would be more the rule. If civil servants have to have understanding of the world outside, would it not be better to recruit them early to become career civil servants, permanent civil servants, but then spend considerable periods seconded out to experience the world outside so that they cannot be accused of living in an ivory tower, a bubble or whatever. Would that not be another approach?

**Ms Paraskeva:** That is an approach I have heard Sir Gus O’Donnell actual promulgate—“if you want to get on, get out”, I think I have heard him say and he does not mean get out and go, he means get out and get some expertise and experience of how things are delivered out there and then come back. Indeed our own recruitment procedures, which is where we would come at it, recognise somebody who had been seconded as still being as it were within the Whitehall diaspora.

**Q44 Kelvin Hopkins:** My own desire certainly for the future would be that people are recruited early to the service of the State. In France, they have this very strong sense of “the State” (L’Etat) and, wherever they work, they will always come back, retaining their Civil Service pension, their Civil Service post

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and their promotion within the Civil Service. They would be servants of the public, of the State, and of the public interest, and in this they would not be compromised in any way. Perhaps I dream of a golden age which may have passed, I do not know, but would that not be much better than what we have now?

**Ms Paraskeva:** I do not think that it is that far from what we have now as I see it. You are formalising something that I think is beginning to happen across the Civil Service.

**Q45 Kelvin Hopkins:** I certainly hope so. There is one example I know of, a man—and I have raised it many times on this Committee and it is my last point—who was an American health company professional who worked for a company whose job was to secure PFI contracts for his company. He was then recruited as a senior civil servant to lever out PFI contracts from inside the Department of Health. He then went off to a Swiss Bank, which apparently is now in deep trouble, but was that man concerned about the public interest or was he concerned essentially about business?

**Ms Paraskeva:** We have to be very careful when we recruit and indeed, not just when we recruit but when people leave. That is not my business but it is the business of one of the other committees that Richard serves in terms of business appointments of those civil servants who leave and work in the private sector.

**Q46 Mr Walker:** On recruitment—and again this is a burning concern of mine—I think that the Civil Service should absolutely go and recruit the best people/the best graduates, but one thing that does concern me is this thing called fast-track. I do not get fast-track because, if you are going out and recruiting a pool of very good people, they should be, when they walk through that door, competing on an equal footing and, if you start separating them out very quickly, I think that you can damage morale but actually I think that you are creating artificial distinctions that in the long term may be damaging to that organisation. You have to have a group of people coming who feel that, from the moment they walk through that door, they are competing on an equal footing on how they perform in that job and how they perform in partnership with their colleagues and I think that fast-track is not something necessarily that some private sector companies do—and I know that I might be arguing against myself here—because I know that some successful private sector companies judge you on the job that you do over your first two or three years. They do not immediately put you on a fast-track as soon as you walk through the door.

**Ms Paraskeva:** We do look very closely at recruitment to the fast stream and one of the things that we have asked about—and sometimes we do step over the line as to what is really in our jurisdiction or not—is what happens to those people who have been in the fast stream and how many of them actually in the end get through to the Senior Civil Service and how many do we lose en route.

**Q47 Mr Walker:** What about those who are not?

**Ms Paraskeva:** Indeed, but there are very many different sets of skills that we need across the Civil Service. Remember that we are talking about a Civil Service that is not just Whitehall bound and we are talking about a Civil Service that employees half-a-million people, many of whom are frontline caseworkers in job centres and so on.

**Q48 Mr Walker:** I am a fairly good judge of character and I had someone work for me who was incredibly bright, got a Masters from LSE, a very bright young man. He did not pass his fast-track exam. He is not going to be a caseworker in a job centre. The guy is incredibly bright. What happens to him? Is his career now over in the Civil Service? Would he be best advised to leave and go into the private sector? Management consultants like McKinsey have up or out. What they like you to do is reach a level, that might be director level just below partner, and then they say, “Listen, you are not going to make it to partner but you have a fantastic career going on in the private sector. They love you at BA” or something. So, then they build these strong relationships with former McKinsey people.

**Ms Paraskeva:** As far as I know, the Civil Service does not have those kinds of structures. What it does is to recruit some of the best graduates not only for their intellectual ability of course but also for their ability which they test through role play and in all sorts of ways to get decisions made in the kinds of environments in which the Civil Service will be working.

**Q49 Mr Walker:** What happens to the 23-year old who has a Masters from a top university who does not get through on fast-track? What career will they have in the Civil Service? Will they be a caseworker at a job centre as you suggested?

**Ms Paraskeva:** Not necessarily. There will be other posts available to them but they may not gain the faster promotion of the fast stream. There are many examples of people in the Senior Civil Service who came up what is often euphemistically described as the hard way by entering in the most junior positions and working their way through because they were able and the Civil Service has actually recognised their skills, abilities and talents and given them proper promotion. What we are interested in is to see whether all the investment that is put in those in the fast stream actually delivers in the end the most able and appropriate people to the top of our Civil Service. I do not know the answer to that. We have asked it out of interest because one of our roles is to monitor recruitment into the fast stream.

**Q50 Chairman:** Do you think that we have enough data on all this at the moment? Do you think that we know enough about the character of the Civil Service now in terms of its recruitment patterns? Do you think that we know enough by department about where everyone has come from, what happens

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to their career, the relationship between mode of entry and progression and so on? My sense is that these arguments about the value or non-value of external recruitment are conducted in a sense in a vacuum which I think you have half acknowledged. Yet, unless we know something pretty hard about this, what are we doing?

**Ms Paraskeva:** I think that it is getting better but we do need to establish some baselines against which to measure properly, so that we are not left with just perceptions about how things are. We actually need some hard data. I do think that that has improved. As I say, it is not our business. However, as I have said a couple of times, we do sometimes stray across the line of our powers as indeed you have encouraged me to do today and I think that we are very keen to see what patterns are emerging because they tell us something then about the kinds of recruitment policies that we need.

**Q51 Chairman:** I know that your role is this limited one of just making sure that the appointment process works properly, but obviously we do ask you questions like Kelvin did about your view of the Normington Review. As the people who are engaged hands-on in monitoring the recruitment process, is it possible for you to form a view on whether you think that the proposition is broadly right that the Civil Service has not grown enough of its own people as an organisation and therefore that you would expect in the next period for the numbers coming from the outside to diminish and the numbers growing up inside the organisation, if all the skills development programmes work, to increase. Is that something with which you can help us?

**Ms Paraskeva:** We are engaged in some of the discussions post-Normington and I think that what as Commissioners we would say is that it is not a question of whether you have this percentage or that percentage of home-grown or external recruits, it is a question of getting the best people for the job with the skills that you actually need and for their appointment to be on merit. I think that to set a target that we must not have more than, say, 30% of people drawn from the private sector might be setting ourselves a bit of a strait-jacket. I think that if we are the guardians of appointment on merit, then we would want to see the best people recruited and we would hope that, through the talent management regime and the succession planning that the Cabinet Office is now working extremely hard on, it will mean that civil servants themselves actually will get the development that they need to compete against the market so that, when we market test, civil servants come through and demonstrate that they have what we need to take those top jobs.

**Q52 Chairman:** What about the business of the decision to go to open competition for appointment? I am unclear about quite how this works. Departments can decide for themselves whether they want to go to open competition or not. I am not sure whether they have to consult the Commission on

whether they should do this or not and of course the question that then comes out of it is, if open competition, testing the market, is good for some appointments, why is it not good for all appointments?

**Ms Paraskeva:** Indeed, that is a question that might well be asked. It is for departments to determine whether or not they go to open competition up to the levels that are considered then by the Senior Leadership Committee. I sit on that Senior Leadership Committee, and so will be part and parcel of decisions that are taken as to whether the most senior posts go to open competition. We have a protocol for the top 200 posts that assumes there will be not only competition but open competition unless there is a business need to do otherwise; or unless people just do not believe that the market could provide the sets of skills that are required; or if a speedy appointment is required. So, I am part and parcel of those decisions in a committee which is chaired by the Cabinet Secretary.

**Q53 Chairman:** So, you do not think that there should be always open competition?

**Ms Paraskeva:** Personally?

**Q54 Chairman:** Yes.

**Ms Paraskeva:** I do not know. I do not know is the genuine answer. I would need to look at the cost/benefits. I do think that one of the recommendations that is coming out of the Normington Review is that we need to look not just at the most senior jobs in terms of open competition, but it may be that we need to be bringing people in mid-career, so that they and the Civil Service itself can get a better feel for whether these are the people who want to stay longer in the Civil Service and develop the next part of their career there and I do think that that is an interesting change because jobs for life went out of the window a while ago everywhere.

**Q55 Chairman:** A final question regarding what we were talking about earlier on, the whistle-blowing matters, just so that we can complete the circle. When we talk about this, we tend to talk about it entirely in terms of the Senior Civil Service. People who have these problems working in a particular environment and so on. What I would like to know from you is, do you get complaints from down the ranks of people who just think that there are fellow civil servants who are not doing things which the Code says that they should do?

**Ms Paraskeva:** Yes, we do.

**Q56 Chairman:** In numbers?

**Ms Paraskeva:** Not disproportionately. The meeting in Gateshead on Monday will be with around 1,000-odd quite junior civil servants who work in the large call centres and so on up in the North East. We have already emailed them to ask them for questions for our question time session on the values, so we know from that experience the kinds of issues as well as those that come to us more directly and they are often, "My mate is fiddling his expenses, what do I

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5 March 2009 Ms Janet Paraskeva and Dr Richard Jarvis

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about it? What should I do? Whom should I tell? Flexi-time is being abused by somebody I see”—and it is always somebody else of course that they are reporting on. Those kinds of things are emerging and of course that is exactly the kind of information that we need then to feed back into line management so that these issues can be addressed.

**Q57 Chairman:** Thank you for all that this morning. I have tried to stop us getting into the wider territory. We are allies in trying to get the Civil Service to build in the legislative programme this year and I hope that our alliance will bear fruit.

**Ms Paraskeva:** I hope so too.

**Chairman:** Thank you very much for this morning.

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**Tuesday 12 May 2009**

Members present

Dr Tony Wright, in the Chair

Paul Flynn  
David Heyes  
Kelvin Hopkins

Mr Gordon Prentice  
Paul Rowen

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*Witnesses:* **David Bell**, Permanent Secretary, Department for Children, Schools and Families, **Sir David Normington KCB**, Permanent Secretary, Home Office and **Gill Rider**, Head of the Civil Service Capability Group, Cabinet Office, gave evidence.

**Q58 Chairman:** Let us make a start. As you know, the Committee is starting an inquiry into outside appointments to the Senior Civil Service and we want to take evidence from people who have done some thinking on this and you are the people. We are delighted to welcome David Bell, Permanent Secretary at the Department for Children, Schools and Families, Sir David Normington, Permanent Secretary at the Home Office and Gill Rider, Head of the Civil Service Capability Group in the Cabinet Office. I do not know whether any of you want to say anything just by way of introduction. You can assume that we have read some of the documentation you have been involved in but if you want to say something.

**Sir David Normington:** I do not want to say a lot because I think we will probably have an exchange about most of the issues. I think I am here because I did a report into workforce and reward in the Senior Civil Service. I think David Bell is here because he did a piece of work for the Cabinet Secretary on external appointments and Gill sits in overall charge of us in the Capability Group in the Cabinet Office. Between the three of us we have done quite a lot of thinking about this subject and have actually put some things on the record. I think that most of the issues will come up as we have the discussion.

**Q59 Chairman:** Let us start rather generally and get into some of the particular areas if we can. I think it was the last Cabinet Secretary who said that we had a permanent Civil Service but not permanent civil servants and that was the mantra of the time. I think it was this Cabinet Secretary, or it may have been the last one, who said to the Civil Service "If you want to get on, get out". Are these two mantras still the ones we are living by?

**Sir David Normington:** It is certainly true that no civil servant now should assume they have a job for life. If they are not performing we should assume that there will be a point at which their employment comes to an end. Similarly, when we are developing our staff we do encourage them much more to have a much broader set of experiences, secondments and attachments outside. Equally, we encourage people to come in on secondment and attachment as well as recruiting people from a much more diverse pool. Since they are both my distinguished colleagues and I worked for them both, I think probably both those mantras are still very much the underpinning and

principles for the way we operate. Basically, we are always trying to get the best leadership team we can. We have to draw that from wherever we can. My report is about the balance which we should strike in our recruitment in trying to get the best possible leadership team. It is both about who you recruit and how you recruit them and then what you do with people and how you support their development when they are inside.

**Q60 Chairman:** If I may put it like this, the problem with senior civil servants is that in public they always have to agree with each other whatever they do in private. So you very loyally say you agree with all this, but in fact you have been writing this report which says something quite different. It says we have been wrong to think that we have to go outside for all these people. In fact you have turned the mantra on its head. You have said now that you have to grow your own. Both these things cannot be true, can they?

**Sir David Normington:** I am trying to have it both ways. I think there is a very central theme in my report which is that we need to do better at growing our own. If you do not grow your own you get into a situation we are in now which is that we have to go into the marketplace to compete for the kind of skills which a Civil Service of 500,000 people ought to be able to do better in training for itself. That is just one of the central themes. We need to do better at developing some of the professional and leadership skills which a big employer ought to be able to develop. I do not think that invalidates the need sometimes to recruit from outside. If you read my report, I am really saying that there will always be times when you should go out and recruit outside appointments and there are all kinds of reasons you might want to do that. Actually it is often going to be better to do that a little earlier in a career, in mid career and develop people. In other words, we have a model where we recruit people often at the entry grades, at the beginning of their careers and then much later and we do much less of it in between. I think the system needs to be more porous so you are less dependent on recruiting people very late in their career and in their Civil Service career. As David Bell's work points out, there is quite a lot of evidence that that is a risk. I have two external appointments on either side of me.

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**Q61 Chairman:** I am going to get there in a minute. May I invite David and Gill to contribute to this initial question?

**Ms Rider:** I would agree with David. I know you think we always agree in public but we will see whether we can carry that out for the rest of the afternoon. This is a subject where there is no magic answer. This is a subject where it is about getting the balance right the whole time and, certainly in the Senior Civil Service, if you look at the numbers, we recruit a balance of people externally where, every time we look at a job, we say “Do we have the people who can do that? Can we find out whether there are people of equal merit or better in the market?”. If we do not have the skills then obviously we go to the market and we actually have a very well-tuned machine through the senior leadership committee and the way that we work with the Civil Service Commissioners which allows us to look at each opportunity, each role, as a role and decide whether we have the skills and experience that we need, the balance of some new blood from outside. Always you are looking to do that and the important thing, when any department looks at its leadership team or any profession looks at its profession, is that it has the right skills and experience.

**Q62 Chairman:** Sir David Normington’s report says you have not been doing it very well.

**Ms Rider:** We have not?

**Q63 Chairman:** Yes.

**Ms Rider:** It says, quite rightly, that over the years a series of gaps has appeared and if you look back to other Cabinet Secretaries, the existing and the previous one, the introduction of professional skills for Government clearly showed that if you look at the areas of IT, HR, finance, to name but a few of the professions, we needed some more professional skills than we had. A lot of the recruitment that we have been doing from the external world has been, like me, to fill in gaps in those areas. Like me, everyone who comes into one of those roles has a duty to ensure they are doing the best they can to build the capability which is going to grow up from below you. One thing I would add to what David said is that it is hugely important for every organisation that the people who are in it can look up and can aspire to opportunities above. If the balance tilts and you have too many at the top coming in from the external world, then that aspiration is not as high as it should be. It is really important to get the balance right of people in the organisation from inside and outside.

**Q64 Chairman:** I am still testing the model that I think was being presented a few years ago of this constant traffic of people who are meeting in the middle as all these people were going out and all these people were coming in. My sense from what is being said by you and by Sir David in the work you have done is that that is not how things should be now.

**Mr Bell:** It is a mixed picture and it has been a mixed picture of success. We have been quite open about that and I am sure we will get to some of the reasons later as to why that has been so. It is important to have a fairly non-ideological view of this. I do not believe that the Civil Service should be composed entirely, particularly at the senior levels, of outsiders. Nor do I think it is good for the Civil Service to be entirely dependent upon the traditional insiders. We are probably now just trying to recalibrate a bit from this. We were very reliant, for reasons which Gill and David have explained, on external recruits in some professional services areas. That has given us some success stories but it has not been a complete success in every case. Therefore I think it is good, for the reasons that Sir David Normington identified, to ensure that we have a better flow of talent being developed early and being brought through the system.

**Sir David Normington:** My report recognises that the reason we have had to recruit much more heavily from outside in the last few years, under the previous Cabinet Secretary and the present one, is because we have not invested heavily enough in our own development. We have done a lot in some areas but in the Civil Service we have been very late investing in professional skills and qualifications. We have big finance departments, for instance, but it is only in the last five, six, seven years that we have put much greater emphasis on the development of that professional skill; we have been very late doing that. It is not surprising therefore, if we do not have enough senior qualified finance directors, because we have not groomed them. My report is only saying that balance has to shift.

**Q65 Chairman:** For as long as I can remember we have been saying these things.

**Sir David Normington:** I know but this time we are trying to do something about it.

**Q66 Chairman:** Can you tell us, David Bell and Gill, just at a personal level, you are both people who have come in from outside although from different outsiders. Much of the discussion is whether these are successful—not you particularly—or not successful. I wonder whether in your two cases you can tell us how it was. What has it been like coming in and if it is successful, why is it successful and what are the lessons for policy?

**Mr Bell:** I find it hard to imagine what it would have been like coming from the outside straight into a permanent secretary’s post. I had the advantage of doing an intermediate step when I went to Ofsted because Ofsted is a government department. It is different in lots of ways but actually similar in many. It gave me some experience of what it would be like to be working on the national level. When I came into the department I found it remarkably smooth to make the transition. There were things I had to learn and am still learning and I reflected some of that in the papers you have seen but I found it pretty straightforward and I also found the traditional Civil Service was very welcoming. I think it was partly because I said from the beginning that there



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were aspects of my career experience which probably in the main the Civil Service does not have but actually there are many aspects of what the Civil Service has that I do not have. Therefore I was very clear from the beginning that we could fuse the best of what I was bringing with the best of what the traditional Civil Service stood for. The other thing that people were watching for very quickly was whether I was going to turn over and bring in a whole set of outsiders to the Senior Civil Service and, as it turned out, that is what happened. I have brought one or two others in from outside and quite a lot of the appointments have been from the mainstream Civil Service. People did watch for those kinds of signals early but I think most people now would take David's position and say "Let's find the best person". Sometimes that can be an outsider and very often it is an insider.

**Ms Rider:** I think I came to see you very early on in my career.

**Q67 Chairman:** You did.

**Ms Rider:** I still believe it has been a privilege to be here actually. I have learned a lot, I think I have given a lot. Like David, I found that the culture you come into was very welcoming. It is a risk, both for the individual who moves in and for the organisation to bring somebody in from such a totally different culture and there is no doubt that the culture I came in from was different from the one I came to. It has been helped enormously by the support of colleagues, by people who have been prepared to mentor me and to whom I can go to ask the dumb questions and say "Is it really like this?" and they will give me straight answers about how it is and how it does work. I was very clear when I arrived that I needed to have a period in which I was learning, so I went out on visits with people, I job shadowed people, I went to Bristol with Leigh Lewis to a Jobcentre and I remember dragging my poor husband in on a Saturday morning to a Jobcentre so he could try it out as a punter and see how it worked. I did a lot of things to help with learning and I found it remarkably easy. There are still times when the way that decisions get made are different and you just have to remind yourself of the process you are now in. It has been remarkably easy as a transition and, looking back at my old world, I do not think it is any different from any individual stepping into an organisation at a senior level in terms of the levels of learning risk that you have to take.

**Q68 Chairman:** Some of the evidence which seems to be emerging is—tell me if I am wrong—that we do rather better if we bring people in who have some experience of public administration—that is public administration—and the context in which you have to operate. David, you did come from that background. Does the evidence seem to support what I am saying which is that there is an easier transition there and people know something about that context in which they are going to be asked to operate?

**Mr Bell:** I think I said in the notes which I sent to the Cabinet Secretary that it was to do with the understanding of the political environment and the rhythms of political life. I would be a little bit narrower rather than just say it is the public life. Some folks who come from elsewhere in the public service have not actually found it easy or straightforward if they have not had a lot of political exposure and experience and I was fortunate in previous jobs to have had that too. I would just be cautious about generalising. We have had some really successful imports from the private sector; we have had some really successful imports from the wider public sector and frankly we have had some which have not been quite so successful and that is why the second letter which I sent to the Cabinet Secretary was really designed to try to identify how we can help people whatever their background to adjust to this world.

**Sir David Normington:** I am clear, for instance, that some of the people we have taken in to improve our commercial work, our procurement, our project management, whom we have taken from the private sector, have been a major influence on the improvement, such as it is, that we have made in the way we purchase, in the way we let contracts and so on. I have a commercial director from the private sector and we have some very, very big contracts and I need someone on my side of the argument to look those big private sector companies in the eye and to deal with them on equal terms. You will find those skills in the public sector but sometimes the private sector commercial director will be able to give you that skill where no-one else can. It is horses for courses.

**Q69 David Heyes:** As you would expect, we have been looking at the Normington report in preparation for this Committee. The strong feeling that comes to me from it is that absolutely central to your recommendations, your proposals, is the need for a workforce strategy. It underpins everything. Can you just say a little bit about why you came to that conclusion and what the purpose and intent of that would be and how that would help to develop the SCS?

**Sir David Normington:** Yes. We took the view that a lot of the decisions about whom we should recruit and where we should recruit and when and what we should pay them had been taken a bit *ad hoc*. For instance, there is no doubt—and Gill has been a leading player in this—that we all decided that our HR functions were not good enough and not professional enough and we decided we needed to go out into the public and private sector and recruit some really good people to top up our skills. We took that decision because we found we were in that situation. It is much better if we try to take a slightly longer term view and said our longer term aim is to have a much more professional HR capacity. To do that you need to have both internal development programmes and to make a judgment about what your balance is going to be long term between internal development and recruitment at different stages. That is just one example of why you need a

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longer term view—it will not be precise, it will always have to be updated—about what kind of future skills you are going to need, what kind of leadership capabilities you are going to need and from that you then derive a view about where you are recruiting, who you are recruiting and what you are going to pay for it. All those decisions feel as though they have been taken without that long-term view. That is why I was very keen on the workforce strategy; that is a strong view of all of us actually.

**Q70 David Heyes:** That is persuasive and logical and yet you stop short in the report of actually formulating that workforce strategy or making strong recommendations for what it should contain. Why was that if it is so important?

**Sir David Normington:** Chapter 2 of the report has some very big clues about what should be in that workforce strategy. It does say that we should be less dependent on external recruitment at our senior levels and that we should adjust that balance. It does say we should grow more of our senior professionals. It does say we should be much less dependent long term on contingent labour, on contractors which are costing us an awful lot of money. It says some things about how, when we are actually setting out on recruitment, we value the skills that we are going into the market to purchase. It is true that it does not actually write that workforce strategy because basically a steering group cannot do that. However, it does give some very big clues about where we ought to head and it also talks about some of the ways in which the Civil Service is changing. It talks about how commissioning and contracting skills are needs which we have now but we will need in the future. It talks about some of the leadership challenges that civil servants have. There are quite a lot of things in there which ought to make it possible to write the strategy.

**Q71 David Heyes:** The Senior Salaries Review Body, the SSRB, have looked at your report and they did not agree, did they, that the steering group should not write the workforce strategy. They are actually fairly critical of the fact that you did not do that as a foundation for the further recommendations that you made. What is your response to that?

**Sir David Normington:** It was never my remit to write the strategy. That is the Cabinet Office's job. I have given some very clear signals and it is over to Gill who is doing it. I am staying in touch.

**Q72 David Heyes:** I want to hear what Gill is going to say about it, but why are the SSRB so off the mark then? They are quite critical of the fact that you did not do this.

**Sir David Normington:** They think we have been very slow.

**Q73 David Heyes:** That as well.

**Sir David Normington:** They think that we should have been doing this two or three years ago and that we have been slow to respond to their year-on-year recommendations about this. That is the underlying thing. They probably have a point actually.

**Ms Rider:** If you just take a step back to where we were two and a half/three years ago, departments did have workforce strategies; it was a classic of the future is here today but just unevenly distributed. It was not pulled together into a coherent picture and what we did with David's review was start that process of producing a coherent picture. At the same time that we were concluding we needed that, we did pull together what we have called the people and HR framework which is well known as the pentagon, which has been an agreement between HR directors and the permanent secretaries as a whole on what those things are as a priority that we should tackle in terms of workforce, that we needed to tackle collaboratively and we have made progress on that. Where we have got to lately, since the Normington review, is to put together a small—and it is small—central team in the Cabinet Office who can help coordinate the activities which are going on in departments and within professions. At the same time, each profession is also looking at what it needs to do for its future workforce strategy. Take my own profession. What we have been doing is a whole series of things. Firstly, we have been creating a career structure for people in the HR profession that did not previously exist, then overlaying that with what experience we would expect people to have at different levels, working with CIPD,<sup>1</sup> which is the profession, to work out how to give qualifications to people who study at those levels. We have put in some of our own training courses to help people to develop and now we are starting to do talent management, to say what sort of experience people need and how they can get it, not just within the department they are in but moving them across departments. I say that just to illustrate that it is quite multi-dimensional in what we need to do and quite complex.

**Q74 David Heyes:** Just to come back on another point which I picked up from the SSRB, their criticisms of this is that all that work is going on but the Normington report recommends a reward model without that work having been undertaken, certainly long before it has been completed. It is not my view but the SSRB say that is a flaw, it is wrong. What is your response to that? How can you do a reward model when you do not have a workforce strategy?

**Sir David Normington:** To some extent that is true. We felt it would be much better—and we say it in the report—to have the workforce strategy and to put into that a subset of it, a strategy both for the recruitment and reward of the senior civil servants. In fact it cannot just be a strategy for the Senior Civil Service because by definition senior civil servants grow from junior civil servants. It would have been better that way round but we would have been even more criticised if I had not even produced the reward model. The main job was to produce a reward model and I think that a lot of detail needs to be worked up there. The framework we provide in the report, not a detailed strategy but the framework, is sufficient

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<sup>1</sup> Chartered Institute of Personnel Development

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for us then to develop the reward model and that is what we decided to do. That is what I thought the job was and obviously I have the day job as well, which is running the Home Office, which is quite a full-time job. I did as much as I could to move this along but it really is now down to the Cabinet Office.

**Q75 David Heyes:** You have been accused of being too slow here; you obviously do not approve of that. What are we doing to catch up on the timetable? What target dates have you set yourselves? When might we see the workforce strategy, some more development? What timetable are you working to? Give us some dates?

**Ms Rider:** Each profession is doing its own strategy and each department has elements of its own strategy. What the central team is attempting to do is to see where we can find coherent approaches and answers to the questions. We are basically looking now with two departments and two professions with an aim to bring that into a structure by the spring.

**Q76 David Heyes:** The spring of next year? This seems like spring to me now.

**Ms Rider:** It does; you are right. I will just have to think about that for a moment. I mean summer.

**Q77 David Heyes:** It was originally intended to be spring, was it not?

**Sir David Normington:** That is what my report said. It said final strategy by the autumn, did it not?

**Ms Rider:** Yes. That is what we are aiming to do. It is pretty multi-dimensional. It is trying to find the way you can be coherent through that and bring the elements together. The first checkpoint is the summer; I apologise.

**Chairman:** Thank you very much. At least we have the seasons established.

**Q78 Mr Prentice:** Our colleague Liam Byrne, who was in front of us last week, apparently said—according to my briefing notes here—that he looks forward to a time when internal appointments in the Civil Service are the “exception rather than the rule”. Do you agree with Liam Byrne?

**Sir David Normington:** Obviously my report does not agree with him, no.

**Q79 Mr Prentice:** Do you think ministers should have a view on these matters?

**Sir David Normington:** Yes, of course; of course they are entitled to. In the end they sign off the overall approach.

**Q80 Mr Prentice:** If ministers said “We’ll bring in 75% of senior civil servants from the private sector”, you would just go along with that. It is another one of these ministerial decisions. If it affects the ethos of the Civil Service and all that kind of stuff, well, ministers have decided and you just have to go along with it.

**Sir David Normington:** No, of course not. We, the Cabinet Secretary particularly and the rest of the leadership in the Senior Civil Service, have a responsibility for the Civil Service and we will argue

with Liam Byrne which I am used to doing from his previous job. In the end though, the model which we have is a model which will have to be signed off by the Government.

**Q81 Mr Prentice:** I am interested in this institutional memory thing which has been flagged up by Prospect and to what extent bringing in people from the outside in these numbers damages the Civil Service’s corporate memory or institutional memory. Is that an issue? I keep asking that, but is it?

**Sir David Normington:** Yes, I think it is in some cases. One of the problems in my own department at board level has been that almost everyone at senior level, including myself, was recruited from outside the Home Office. That was necessary at that point in its development because it was in quite a poor state quite frankly. However, you suffer from that in that you have nobody on your senior team who actually has the corporate memory and you have to be looking around all the time for that. Clearly that is an extreme which, if possible, you should avoid.

**Q82 Mr Prentice:** When did the realisation dawn that if people were being brought into the Senior Civil Service in these numbers there was a real possibility that the institutional memory would be adversely affected and it was something you had to think about?

**Sir David Normington:** I do not think there was a moment when it dawned. What has been happening is that the numbers of people recruited from outside as a proportion of the Senior Civil Service has grown to about 23% but then stabilised at that number. I think that rather suggests that there is a feeling that probably we should not go on increasing that number. In fact my report suggests that, if anything, it should go in the opposite direction. This is always a balance; in my view you should have a balance at every point of decision when you are putting together a team. Sometimes you should go outside and sometimes you should not. I have just had to restore this balance for the first time for many a long year in the Home Office and we recruited someone who has a Home Office corporate memory to be my crime and police director general and that is a very important moment in terms of just trying to restore the balance.

**Q83 Mr Prentice:** I am not going to labour the point. My figures say 29%. Is that what you said?

**Sir David Normington:** I said 23%.

**Q84 Mr Prentice:** I defer to you. You are the Permanent Secretary at the Home Office.

**Ms Rider:** If I may just explain. It is 23%. The 29% is the percentage of the new joiners to the SCS who came from outside. You are absolutely right that the population is 23% and 29% is new joiners last year.

**Q85 Mr Prentice:** I was reading the paper submitted by the Civil Service Commissioners and they tell us that the Cabinet Office is now beginning to track the performance of appointees to the Senior Civil Service. I know we touched on that but I found it

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surprising, given that the Senior Civil Service has been opened up for a number of years now, that a paper submitted to us just a few months ago by the Civil Service Commissioners tells us that the Cabinet Office—that is you—are just beginning to track the performance. Why was that not just part and parcel of what they did before?

**Ms Rider:** Essentially the performance of the individuals once they arrive is the responsibility of the department in which they work; the performance of individuals is always the responsibility of line management. So that is how it has been. One of the things we realised when David asked his questions and we had our small group to respond, was that actually we did not have a collective database about that. That is why we have started to look at it now. We also have another mechanism which David has been chairing for us on behalf of Gus which is very important here which is the senior leadership committee. It meets on a monthly basis and what that has been doing is working through with each permanent secretary of each department, their leadership and the succession plan effectively for each department, looking at who is in place now, who the individuals are who will, over a course of time, with relevant experience and interventions, be ready to take those jobs. That is starting to give us a lot more insight as well into the balance and the mix and the experience of our top leadership teams.

**Q86 Mr Prentice:** A lot of the stuff that I read suggests that quite a number of these external recruits were unsuccessful however you define the word “unsuccessful”. Again, I am surprised, given that so many of them were unsuccessful, that there were no exit interviews, no papers were going up to the Cabinet Secretary saying “We really need to rethink this policy because these people whom we are paying a premium to bring into the Civil Service are not hitting the ground running”.

**Ms Rider:** I am not sure what you have been reading that suggests that people have been unsuccessful. Some have, certainly.

**Q87 Mr Prentice:** Let me tell you. I have here a submission from Ernst & Young and they have interviewed permanent secretaries, senior people in the Civil Service and they have given us the benefit of their system. They say “. . . it will typically take about 18 months to make a demonstrable difference” these are the external people to whom we pay a premium “. . . and possibly three years to embed this and leave a sustainable legacy”. There are other figures about turnover.

**Ms Rider:** I think they are quoting from the Corporate Leadership Council, which is a US group, figures which came out of research in the private sector in the States rather than necessarily reflecting what happens in the Civil Service here. There is no doubt that there is a learning curve and there is a risk associated.

**Mr Bell:** My musings to the Cabinet Secretary, which the Chairman very grandly described as a report, began to tease this out, partly because of our own experience in the department and partly based

on my own personal experience. Why was it that some people seemed to be more successful than others? That led to a very helpful discussion about the characteristics of those who were more or less successful. We probably recognised at departmental level who has or has not succeeded but we probably had not really raised it up across the whole of the Senior Civil Service.

**Q88 Mr Prentice:** Who are the people who are unsuccessful? I sound like the school swot here and believe me I am not. We heard something from the PCSU<sup>2</sup> who say—and they do have some members in the Senior Civil Service—“. . . evidence suggests that turnover is highest amongst women and ethnic minorities”. I am just interested in the turnover as between the people brought in from the private sector and internal promotees.

**Sir David Normington:** The annual turnover is about 11.5% for external appointments and about 7.5% for internal as it is running at the moment.

**Q89 Mr Prentice:** That is a big difference, is it not?

**Sir David Normington:** Yes. There is one thing to say about this which is that of course some of the external recruits are recruited to do a specific job on a time limited basis. They come in with specific skills to do a project. It is quite a big gap but you might expect them to turnover more quickly than those who are long-term recruits to the Civil Service; not every body comes in for a career.

**Q90 Mr Prentice:** What percentage are on fixed-term contracts? I would assume that you would have taken fixed-term contract people out if you were trying to compare turnover between external recruits into the Senior Civil Service and the internal promoted people.

**Sir David Normington:** I think you will find they are in those figures.

**Ms Rider:** Yes.

**Q91 Mr Prentice:** David Bell said that the successful people, the people who prove to be successful in the Senior Civil Service, have a kind of feeling for politics or something. I cannot remember the exact words but that was the gist of it. In the letter you did to Sir Gus O’Donnell you say the best translation of people from outside into the Civil Service was done by those who understood the rhythms of government and politicians. What exactly did you mean by “the rhythms of government and politicians”?

**Mr Bell:** It partly goes back to what Gill said about decision-making; it is not going to be quite as clear cut as it is in other walks of life. You understand political discussion, debate, you understand the motivations that underpin the way politicians have to think, what factors they have to consider when coming to decisions which are not always just related to the facts in front of them. They are also thinking about the impact in the wider world, those that elect them and so on. If this is completely alien to you, it

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<sup>2</sup> Public and Commercial Services Union

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can seem a bit of a madhouse when you arrive. People who have had some experience at local government level or perhaps elsewhere just have a bit of a touch of what it is like to work in a political environment.

**Q92 Mr Prentice:** When you came in from Ofsted, you hopped into the Senior Civil Service from Ofsted, were you paid a premium as someone from outside? It sounds a terribly impertinent question. You can ask about MPs' salaries and so on.

**Mr Bell:** The answer is no. In fact the Cabinet Secretary made it very clear to me that I would have to fit within the arrangements which applied to the other permanent secretaries and I took that as an entirely fair settlement.

**Q93 Mr Prentice:** How much disaffection is there amongst the internal people when they see people brought in from the private sector and paid a premium? There is a premium and if I were a civil servant and I was working as hard as I could, doing a good job and then someone was just floated in above me at £20,000 more than me I would feel a bit cheated off.

**Mr Bell:** Yes, that has been a problem and it is not just the private sector but also, because of the way in which public sector salaries have changed over time, sometimes bringing people in from other parts of the public sector, local government, NHS and so on, where they are paid a premium against civil servants. I think that was exactly why David was given that very pressing task of trying to work out a reward strategy, so if you were going to pay more, at least you had a rationale for doing it. What annoyed traditional civil servants most was the kind of randomness about decisions that were being made or what appeared to them to be a randomness about decisions that were made. What David has laid out is at least a structure where, if you are going to pay over the odds, you are very clear what you are paying for. I think that will go a long way towards dealing with what was some dissatisfaction.

**Sir David Normington:** And making quite sure that the starting point, when you are recruiting someone to do a job, is the same starting point for that job for everyone. It may be that you pay a personal premium to someone whom you want to recruit, but in terms of the nature of that job and the weight of that job you should start from the point that you are going to pay the same amount to the person you recruit through a competition, whether it is someone recruited from inside or recruited from outside, with the aim over time, but of course it is an unrealistic aim to achieve completely, of narrowing some of these differentials. It might be easier at the moment of course but in a year or two's time it might become more difficult again. If you are going to recruit from outside the Civil Service at a big premium, you have to be completely clear why you are doing it and you need to make sure that you are paying a market premium for something that is of value to you. I am not sure we always have done that.

**Q94 Mr Prentice:** May I ask a final question, prompted by what you have just told me? We used to read about masters of the universe; single individuals who can get huge sums of money because they, as single individuals, make a huge difference to the organisation. I am not too sure about that to be perfectly honest. My own personal view is that masters of the universe—we can do without them. In your report you talk about awarding team bonuses. How does the team bonus fit in when you have people who have been brought in at a premium at the top of a department?

**Sir David Normington:** Remember the report says that there should be a separate element for performance and it should be a bonus which is variable year on year according to performance. The report then says we should be more flexible in allowing management of departments to decide whether those bonuses should simply be paid to individuals or whether they should be paid wholly or in part for team performance. I have a feeling that always simply rewarding individual performance encourages a bit of what you have just described and sometimes what you most want is a very good performing team. If that is what you really want, then that is what you should incentivise. It slightly depends. I am with you in thinking that there are no masters of the universe. Sometimes a key appointment can make a big difference but you should never put all your eggs in one basket or one person.

**Q95 Chairman:** Not only do we have this pay gap in appointments between external and internal but we know from the figures which either you or someone has produced that that pay gap continues thereafter. It does not get rectified. We also know from the work that you and others have done that often the person who comes in from outside actually performs worse than internal people. So you have this situation, which must be extremely galling, of having people come in, they are paid a premium to come in, that premium continues over time and yet they are performing worse than similar internal people. In terms of staff relations and all the rest of it that is obviously unacceptable.

**Sir David Normington:** If that does happen, it is not very satisfactory.

**Q96 Chairman:** But you tell us it does happen.

**Sir David Normington:** The way you should deal with it is by getting rid of the person who is not performing well. In the end you should tackle the performance really and if you are paying a premium to someone you should expect them to perform.

**Q97 Chairman:** You tell us—and you are not the first person to tell us this—how awful performance management is.

**Sir David Normington:** That is the perception. Our own staff tell us that. We are trying very hard to improve it. I certainly think that if you are paying over the odds for someone and, after a decent period for them to grow into the job, they are not performing, you have to tackle that otherwise it

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sends the really negative signal to everyone else. This is not all one way. There is some poor performance amongst people who have spent 30 years in the Civil Service.

**Q98 Chairman:** We are not paying them a premium though.

**Sir David Normington:** No, that is true.

**Q99 Mr Prentice:** How many of these premium league people have been invited just to go? That is a euphemism for sacking, is it not? They would be better off doing something else, deploying their talents in another way or whatever.

**Sir David Normington:** I do not know the figures. It does happen, but I am afraid I do not have figures.

**Q100 Mr Prentice:** It does happen?

**Sir David Normington:** Yes, it does.

**Q101 Chairman:** What surprises me, reading a lot of this stuff again, is how little research we have to underpin some of these things we want to do. We just do not know enough about what we are getting from these people we are recruiting. The work has not been done. It is a funny kind of organisation which has embarked upon this strategy yet in a sense does not quite know what it is doing.

**Sir David Normington:** It is quite true that we do not have a lot of empirical research into this subject. We are trying to supplement it, to fill in the gaps, by in a sense talking to a lot of people who are inside the system or are commentators on it to try to draw that evidence together. Essentially though it is more anecdotal than it is a body of research to underpin those findings. Remember that there are still relatively small numbers of people recruited externally into the Civil Service and it is over quite a long period and therefore actually it takes you quite a time to build up an accurate picture. Most of us could, if we sat down for a few hours, put our experiences into that pot and that is what we are trying to do in this report. It is underpinned by that sort of evidence but it is not hard evidence of the sort you would wish to have.

**Q102 Chairman:** You would wish to have it Gill, would you not?

**Ms Rider:** Absolutely and we are starting to collect it and to track it but it is relatively small numbers and in order to make any conclusions you really have to have trend data over three to five years at the very least. We are starting to look at it and try to pull analyses out of the database that we do have provided to us. As time goes on we will get better about it. We have started to do a number of things which will really help. For example, at the director general level we have created an assessment tool which allows us to get to some better comparisons of like for like. Obviously we have an incredible range of types of jobs people do and this tool looks at people's leadership and performance and we are starting to work with departments to build up

evidence together. That will help us as we build up that database to look at the strengths we have and also the areas for improvement.

**Q103 Chairman:** Knowing in general what kind of people from what kind of previous backgrounds tend to do better in which kind of jobs in the Civil Service, that sort of basic workforce planning information. It is all right having this anecdotal evidence and these suggestions which are thrown out but it is basic data, is it not?

**Mr Bell:** It is but some of us now have quite a bit of experience of this. If I think of my distinguished predecessor at the then Department for Education and Skills who is sitting to my left, David had begun a really quite significant programme of bringing in people from outside. When I first went to the department, sitting round our senior management table, we had an ex university vice chancellor, ex FE college principals, teachers and the like. For a time we have understood more about the kinds of skills which are required. It is back to my answer to Mr Prentice. I know that I have my own theology about this. I know what I am looking for if I am targeting recruitment to outside. I really want to test very hard whether people are going to understand the rhythms of politics and government because actually you have to learn that fast. We should not be under any illusions. When people come in from outside, they do not have a lot of time to get this right. If you cannot handle that first moment or two with the minister and you just do not get it, it is quite hard to retrieve it. It is really important, based on the evidence and experience we have, that we do get the right people coming in.

**Q104 Chairman:** On the 23% figure that you had the exchange with Gordon about just now, are we at a point where we can reliably say that we know these percentage figures overall, given horses for courses and all that, we know broadly, in terms of the organisation that the Senior Civil Service is, what percentage ought to be in? Some people have said for example that they thought probably 80:20 is the right kind of balance because then you retain enough internal memory and home-grown skills but you fertilise yourself outside too. Are we at the point where it is possible to say that is broadly the approach that we are going to take?

**Mr Bell:** I suppose if you think about it that feels about right but I have not done that kind of scientific analysis. When you are filling a vacancy you are looking at your team and you are thinking "Who have we got on the inside? Should we just try to look for possibly someone from outside?" recognising in the end that I would far rather have five really good insiders than four really good insiders and one token outsider who did not happen to be very good. If it does shape the kind of decision-making and whether it is 80:20, I do not know. I feel fairly relaxed about this. I do not set out thinking it is going to be 80:20 across the Senior Civil Service, how do we balance up injection of new talent and fresh blood with the organisational memory, the continuity that you have described.

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**Sir David Normington:** I do think it also depends where the organisation you are talking about is in its stage of development. Sometimes, if it is very poorly performing and that leadership team has pretty much failed you then need to do something much more dramatic. If it is in more of a steady state and performing well then you can take decisions one by one. Sometimes it may be higher than 80:20.

**Q105 Chairman:** It may be poorly performing—you gave the example—because it has denuded itself of its institutional memory.

**Sir David Normington:** It may be and of course it may not produce that answer. I am simply saying there are times in which you change a lot of your people and there are times when you do not. Sometimes you need new skills and new energy and if you cannot find those from inside then you go out and get them.

**Ms Rider:** I would just be very wary of setting targets. I just think 80:20 flexes, like 80:20 rules always should, does it not? You just have to look at each situation in turn and if you start setting walls, you start doing things which are not necessarily the right things for that organisation. It is always about the balance. Any organisation needs to balance, maintain the culture, maintain the history, have the right experience, have the right skills. Frankly, how you build the chemistry of the team is important as well. What I am very clear about is that at the heart of it really successful teams are diverse teams. They are teams which do have a variety of experience and background and whether that is from lots of different places in the Civil Service or from an external mix, you just have to get to that right balance and you have to make a judgment each time about that and just keep an eye on the picture.

**Q106 Paul Flynn:** Does this not create a monster in that by hiring people and giving them transfer fees because of their abilities you are dragging up the actual pay of the Civil Service generally to a situation we have now. We were in Wales yesterday and the First Minister in Wales has at least six civil servants earning more than he does and I think Gordon Brown has 195 civil servants earning more than he does. Do you think this is reasonable and desirable? Would you like to tell us whether any of you earn more than the Prime Minister?

**Ms Rider:** The data shows that, if you look at those public sector figures, civil servants are mainly quite low down the list. It is really important when you make these comparisons to look at the total package as well, not just the salary. I have also been to Wales recently and one of the stories which struck me as being a really significant issue for us was the difficulty they were finding in recruiting a finance director for the NHS because the health authorities were paying very much more. It was an extraordinary example. In all these cases we are operating in markets and pay moves in markets in different ways at different times. When you peg your base salary you have to take account of those markets. I think I am also right that in the public sector as a whole and the private sector over the last

10 years the salaries have increased at 53–54% whereas the Civil Service has only increased at 44%. The differential between the markets in which we play and the Civil Service has increased quite significantly.

**Sir David Normington:** We do worry about this and I am very uneasy about it. I am not sure about what the comparison with the Prime Minister would be because that is a different argument that somebody else should have. I am always very anxious when I have to pay a big premium. It results in many of us having people working for us who are paid more than we are and that is why I say in my report that we need to be absolutely clear that it is going to be worth it and, if there is no alternative, that you are recruiting someone who is going to be of great value to you. If you can be fairly sure of that then I think you should pay what you need to pay. However, I am always uneasy about it because of course it pushes the whole salary level up and it creates all kinds of disparities in the senior team which are unhelpful.

**Mr Bell:** I have nothing really to add. We see that in some sectors in particular. It is important for us, for example in our department and in other departments, to try to attract the best talent from local government but it is actually quite tricky looking for people from local government to come in at director general or even director level to be able to pay what people are being paid now at the level I would like to bring them in. It is a tricky one. I agonise over this but I end up taking a fairly pragmatic view about it. I say that if there are some skills that we really need and unfortunately people are in a different market to the Civil Service, we may just need to pay them.

**Q107 Paul Flynn:** I note none of you answered the most interesting part of my question. I should say that there is a big group, 195, not just civil servants but public servants but we will have to remain in ignorance of whether you are part of them.

**Sir David Normington:** I think we are paid less but we are not quite sure what the Prime Minister is paid.

**Q108 Paul Flynn:** In your report you said that you had not intended to increase the size of the Senior Civil Service pay. Clearly some of the recommendations would lead to increased pay for individuals in the Senior Civil Service. You say that there might be compensating savings elsewhere. How would you do that? Would you reduce the pay of other civil servants?

**Sir David Normington:** There are several ways in which there might be savings over the long term. One is that we will pay less perhaps to people we recruit from outside because we may not recruit so many, we may not have to go into the market so aggressively. I certainly think there are some savings to be made from reducing our dependence on what I call contingent labour where we often have to pay a daily rate in order to get skills we do not have. There is a big saving to be made there. The long-term aim of investing in skills and then increasing the supply of skills from within the Civil Service will also act as a dampening effect on paying higher salaries. There



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are some compensating things but we are also saying that in some cases we should be prepared to pay civil servants who have scarce skills and who compete for a job at the rate that we have advertised. One of the problems is that we sometimes advertise a job at a salary and then, if a civil servant gets it, we pay them quite a lot less than we have advertised. If you want something that causes upsets and a feeling of unfairness, there it is. In some cases we will pay civil servants more out of this and we will have to do that modelling in detail and frankly, if it is forcing the pay bill up, we will not be able to afford it and these proposals will not be able to be implemented. I am clear about that. There will have to be some detailed economic modelling of the proposal.

**Q109 Paul Flynn:** Would one of the possible savings be revising the pension arrangements?

**Sir David Normington:** I think so.

**Q110 Paul Flynn:** In what way?

**Sir David Normington:** Now I really am going beyond my remit. I say some things in the report about pensions. I think myself that there is a long-term need to look at reform of the Civil Service pensions. I do not think I had better go further than that because it is not my responsibility.

**Ms Rider:** It is important that we have actually significantly reformed Civil Service pensions and in 2007 we brought new arrangements in which have changed the deal for new joiners to the Civil Service. We have made a very major change in terms of pensions.

**Sir David Normington:** These are quite long term.

**Q111 Paul Flynn:** You talked about the difficulty of recruiting and it becoming difficult to recruit at senior levels, not just from the private sector but the wider public sector as well. The Civil Service can offer private sector recruits a kind of public sector package. I wonder what this includes. It does not include the gold-plated pension any more from 2007. What has the Civil Service to offer the wider public service if you cannot match it on pay. It would not be expenses would it?

**Mr Bell:** We should not beat ourselves up too much. These are clearly interesting jobs that we do. I look around and people say "Do you not think you should be paid this or that?". Actually I think I am incredibly well paid for the job that I do and I do a great job. For the record, I do a great job in the sense that it is a great job to do rather than that I do a great job. We should be quite prepared to say that there may be a case here that you will not get paid as much if you go and work at the top end of local government or the top end of the NHS but my goodness, these are really interesting jobs. We sometimes underplay the value and the benefits which accrue from doing these fantastically interesting jobs. I think we can do that. We have to accept in the wider public sector that we have seen quite a discrepancy in some areas and I mentioned local government. For departments like ours, which are outward facing into education and the children's services system, that is quite an issue. It would be

bad for a department like ours not to have any folk coming in from outside who had experience of that system adding to the Senior Civil Service. If it gets to the point where people out there are paid significantly more than we can offer, then we just will not attract them despite my "This is a great job, come and do it".

**Q112 Paul Flynn:** I recall when we were in America that somebody worked for the national printer and he explained that he had a very low wage but he was so proud that he was doing the job because he was serving his country. The ethos we found was an unexpected one, particularly when the wage was extremely low, but the status was high. Does this still exist?

**Mr Bell:** Yes.

**Ms Rider:** Yes.

**Sir David Normington:** Yes, of course it does. It is strong and it does attract people in and many of our external recruits do put that into the balance when they are judging whether they should take a job even if it is not a very competitive salary. We see this quite a lot actually.

**Q113 Paul Flynn:** Gill Rider, could you tell us what you have achieved in tangibles since 2006 in filling the gaps in the skills that you knew were there at the time?

**Ms Rider:** The things that we have been tackling, if I start from the wider workforce side of things, is that we do now have a shared agenda between permanent secretaries and HR directors about what the issues are that we should be prioritising and tackling together. We have built a very strong HR community. A lot of new individuals from both the broader public and private sector have joined us and we have created a community which works together in a very collaborative way across departments. That is really important for the people agenda because it saves us re-inventing the wheel on many things. On the broader workforce I am also responsible for the capability reviews which are the Cabinet Secretary's management tool, if you like, for working with departments on where they are in terms of building capabilities for the future. The other side of things would be the leadership agenda where I would just draw out two things: The Top 200 as a community— One of the things Gus recognised he needed was a Top 200 that would work together collaboratively to deal with so many of the issues of the day which are cross-departmental. We have done a lot to build a very strong community there to deal with things like the PSAs. Another intervention would be the SCS base camp which is a programme actually hosted by permanent secretaries to help new entrants into the SCS understand what it is that they need to do in terms of their leadership responsibility as a senior civil servant.

**Q114 Paul Flynn:** One of the permanent complaints one of the Civil Service unions told us about is that for at least 30 years there has been a shortage of project management skills. Is this a fair criticism and why has something not been done about it?

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**Sir David Normington:** I am the only one who can go back 30 years. It has certainly been said for all that time. Do we make progress? Yes, I certainly think we do actually. People have short memories about how absolutely hopeless it was and how far we have come. I went on my first project management course in 1992 and most departments have put a great deal of effort into building project management and programme management capacity into their departments. In the meantime, some of the project programmes in the Government have got bigger, more risky and more complex. One of my department's jobs is to deliver a secure Olympics. That is a very, very big project and even if I had trained extensively for that I might not have quite the level of project management, programme management skills, inside to do that, so I might always need to add to that. What I was going to say and I think it relates to the project management point is that there have been two big developments in recent times. One is a whole new set of senior leadership development programmes. The other is much stronger professional leadership on HR, on finance, on communications, including policy development and operational development and those heads of professions, some of whom are permanent secretaries, actually leading work to develop the professionalism of each of those strands. Apart from creating a leadership capability we are also developing the professionalism as well. A sub set of that is leadership on programme and project management with centres of excellence on project management in each department which feed into a central point in the Treasury. These are big developments in terms of developing our capacity. I think it is making quite a big change.

**Q115 Paul Flynn:** With this wonderful, well-oiled machine, which is staffed by the best skills in the private sector and public sector, why is it then necessary to call in consultants from outside?

**Sir David Normington:** It is not that well oiled yet.

**Q116 Paul Flynn:** Why is it necessary to call an increasing number of consultants in recent years?

**Sir David Normington:** Because the scale and size of programmes and projects has grown and we simply do not have all the skills inside that are needed. It is as simple as that. Some of the developments I have described have been over quite a long term but some have not. In the meantime some of the challenges have just grown. Most organisations have to supplement their internal capacity by buying in skills from outside. We have sometimes had to do it more than we should. Longer term we have to try to get that balance right too.

**Q117 Paul Flynn:** Do you think we have been spending too much on consultants in recent years?

**Sir David Normington:** I do. We have had to because we have not had the capacity inside and if you want to produce the results, then we have not had the capability to do it ourselves, we have had to buy it in. I am saying therefore that in the future I should like to get to a better balance.

**Q118 Paul Flynn:** Can you give me an example of poor value when consultants have been called in and possibly good value as well?

**Mr Bell:** I am quite happy to share my pain on this because the National Audit Office picked it up. We had the use of a consultant on the Building Schools for the Future programme. We ended up paying a lot of money. We should have intervened earlier and said that actually we were going to require that skill in-house so why were we paying the daily rate to the consultant? Out of that we have been much more forensic in saying where we need skills we will have them in the main body of the staff and pay the rate for the job as a civil servant and where we do not require these people for a long period we will bring them in occasionally. There are examples you could spot across government where we have just been a bit lax in the use of consultants. It is important and on some projects you are not going to need to employ people on a permanent basis so you might just be better to get the right kind of expertise and, if you buy in at a daily rate for a contracted period, you will pay more usually than you would pay for a permanent member of staff.

**Q119 Paul Rowen:** In his statement to us in March Jonathan Baume said that external recruitment was a distraction from developing internal talent particularly in specialist areas. You have mentioned Building Schools for the Future where you perhaps should have developed that talent earlier. What are you collectively doing to make sure that in the specialist areas, whether in finance, whether in IT or whatever, you are developing the talent from within the Civil Service rather than always having to bring someone in from outside?

**Mr Bell:** On the Cabinet Secretary's behalf I chair something called the corporate functions board which brings together all the heads of profession in the key professional area, finance, HR, procurement, communications, legal and the like. Part of our job has been to ensure from each head of profession that they have that people development strategy, that they are developing pay strategies, that they are developing workforce strategies and so on. I think that is a significant difference to where we were previously. Heads of profession now realise that they are not just there to provide the best technical advice as say the chief economist or somebody in Gill's position providing HR advice. Their responsibility as Head of Profession is to ensure that they are building the professional capability through the whole of the Civil Service. It will take time but I already see quite encouraging signs of how we are doing. For example, if you take the Fast Stream programme which is for the graduates, we now have graduate specialist programmes like finance, which we had not had previously. You build the talent from the beginning, you bring people in, you say you want to be a finance specialist but you are going to do that in the Civil Service. We are much better at organising the professions via their responsibilities. We now assume that the heads of profession, as part of their

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performance management, will see that as their job. It is not just the best technical advice but what they are doing to build the workforce.

**Q120 Paul Rowen:** In terms of getting through to the Top 600, have you any examples of where some of those people with those special skills have actually made it through to the top?

**Mr Bell:** It is quite early yet to think of people. If you look at the permanent secretaries' group, in the main that is still made up largely of people who have the traditional generalist experience of civil servants or in some cases outsiders. We are pretty confident that some of the people we have brought in recently at director general level, or probably even at lower levels looking into the medium term, will be permanent secretaries in the future. It is a really good question; it is a really good test whether professional expertise can broaden so that people can have that wider range of skills which you probably do need at the permanent secretary level.

**Sir David Normington:** I was a professional HR director. It is a bit of a cheat but there are one or two examples like that. The reason we have had to recruit many of those professionals late in their careers at senior levels in the Civil Service is precisely because some years back we did not invest heavily enough in that. Hopefully what David has described will put that right. It will take time.

**Q121 Paul Rowen:** May I ask a question picking up what you said earlier on about when it is appropriate to bring people in at senior level from outside. I think it was two Home Secretaries ago who described your department as not fit for purpose. I do not know whether that was just when you moved.

**Sir David Normington:** Fortunately it was fairly shortly after I had moved there otherwise I probably would not still be there.

**Q122 Paul Rowen:** Given your previous reputation at the DfES, how many external appointments at that level have you made since you moved?

**Sir David Normington:** How many external appointments have I made at the Home Office?

**Q123 Paul Rowen:** Yes, at director level or above.

**Sir David Normington:** I probably have that in my papers. Quite a lot but I am afraid I do not have the precise figures. Quite a high proportion because in 2006, as part of the response to both John Reid's comments but also a capability review which confirmed his view, we did change a lot of the leadership both at director general and director level. The majority of the people we recruited into the senior posts at that point were from outside the Home Office, although quite a number came from other parts of the Civil Service. I think it was probably about 70:30, that is 30% recruited from outside at that point.

**Q124 Paul Rowen:** So less than the average of the overall figure.

**Sir David Normington:** Slightly ahead of the average at that point in terms of 70% civil servants and 30% from outside, which is just ahead of the overall figure. I could let you have those afterwards.

**Q125 Paul Rowen:** Yes, that would be interesting. Given what you said in your letter about people from outside staying, what experience have you both had within your departments of those externally appointed people actually staying the course? Has there been a rapid turnover?

**Mr Bell:** I have a terrific example which used to be in my department but has now gone off to another department. I appointed a director general for finance and corporate services in the department who had previously, interestingly, been a director of finance in a local authority. He came in, did a terrific job for us, was appointed the head of the government financial management profession, which was a really interesting indication that here was somebody relatively recently brought in who had that professional standing and acclamation, and for doing such a good job he is now off to be the finance director at the Ministry of Defence.

**Sir David Normington:** Most of the people I have recruited are still with us, in fact almost all of them are. Of course it is about three years since they were recruited so we are coming up to some quite interesting conversations. The answer to your question will be proved in about a year's time probably.

**Q126 Kelvin Hopkins:** I have to confess that my old school prejudices lean the way of Sir David. I think they are good, the idea of a professional Civil Service recruited straight from university and trained in becoming servants of the state. On the other hand, each of you, coming from different backgrounds, is a perfect example and one could argue from the particular to the general and say David has done a splendid job and that is the route we should go. When you are recruiting from outside, do you have to look at their values, their character, whether they are going to be the sort of people who would be loyal to the state, to the public realm, who would not just see it as a business opportunity before they move onto something with ICI or whatever? Is that important?

**Ms Rider:** Yes.

**Sir David Normington:** It is absolutely central. I would not want to be characterised as thinking you should not have a mix of people. My report simply says that I think we may have gone slightly too far in that direction in recruiting people at the very senior levels but also saying you should have a balance. I think the Civil Service is immeasurably better than the one I joined for having that mixture. We should recruit people at middle levels so that they have a career in the Civil Service, one where they also bring expertise from outside but then have time to develop. This is one way of dealing with this issue of building values as well so that before they get into the very senior levels they have had a chance at middle management levels to develop not just their skills but their understanding of the culture and values of the

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Civil Service and of the public service. However, just to say again, you are absolutely right that one of the key tests, particularly when you are recruiting at senior levels is whether this person will make the transition. Do they share the basic values of impartiality and integrity and so on which you must have in the Senior Civil Service? Often they would not be putting themselves forward actually if they did not think they could make that transition. If they are very, very highly critical of the Civil Service and do not understand it, they will not be joining us. We do test this quite hard.

**Ms Rider:** It is a hugely important part of the recruitment process. I can look at my own experience and almost the first paragraph of the brief pointed me to the Civil Service values and Civil Service code. Certainly I felt that was the most important thing; I studied and learned and understood what it meant before I came along to the panel interview. I do think it is really important. The values absolutely go to the heart of what the Civil Service is. The Civil Service Commissioners are very strong on making sure their recruitment processes build them in and that we really make sure we are measuring how people respond. Certainly I can remember at my panel, on which a certain Sir David Normington sat, feeling that I was being questioned very strongly about the values.

**Mr Bell:** It is not just an issue for the outsiders. I know in our induction programmes we do it, in our middle management programmes we see every new recruit inside or outside for the Senior Civil Service on a one-to-one basis and I begin by saying “Just to remind you, particularly as you have moved into the Senior Civil Service, these are the particular requirements that I have of you, but these are based upon the Civil Service values which apply to every one of us in this organisation”. I do not think we can rest easy on this one. It is really important to continue to remind all our staff of the values which underpin the Civil Service.

**Q127 Chairman:** The evidence shows there is a problem. Ernst & Young, in their memo to us say their reading of the Senior Civil Service staff survey “. . . suggests that external recruits have less affinity with their department or the Civil Service than those who have worked a long time in the organization”. We do have some empirical data here to stress that there may be.

**Mr Bell:** I just wonder whether that is a statement in one sense of the obvious, that they have not been in the organisation for so long therefore they do not have the same affinity. I do not think that in any sense absolves us of our responsibility to remind them of the kind of organisation that they joined and what underpins our ways of working through our values. My sense of the very many outsiders, the ones I have dealt with in the Civil Service, is that people do not need a lot of reminding. They like to be reminded, but perhaps it is the case that those who have applied, whilst not actually understanding what it is going to be like to be in the Civil Service, have some orientation towards the public service and in particular the Civil Service.

**Q128 Kelvin Hopkins:** It strikes me that all three of you wear your Civil Service badge on your arm with pride, which is as it should be but it may not be the case with everyone. Some time a few years ago, and even today, there were some of our leaders who looked to a world where they could break up the traditional Civil Service and drive in the entrepreneurial spirit from outside and make it a different kind of culture. I must say I am deeply opposed to that and I just wondered what your views might be. Is it true that some of our leaders were trying to do that? It seems to have faded a bit now although Liam Byrne still seems to say things of that kind when he makes his speeches. I do not agree with him I may say. Is that kind of era over? It struck me as a kind of Maoist cultural revolution, bringing the peasants in from the fields to show the intellectuals how to be true to the faith and all that. That is the feeling one had a few years ago.

**Sir David Normington:** There have undoubtedly been periods when there has been a feeling that the Civil Service leadership and the culture of the Civil Service were too slow and too cosy. Those who wanted to bring in people to change the mix have been trying to inject, in my view sometimes rightly, into the Civil Service some of the other things you need apart from the public service ethos and the core values. This Cabinet Secretary, as you know, has overlaid the core values—I have written them down in case I forget them and I must not—with pride, passion, pace and professionalism. Sometimes those were not on show enough, particularly pace and professionalism, in the Civil Service. Some of the frustrations that some politicians of both parties have had with the Civil Service have been because it has sometimes felt not very responsive, too slow and not professional enough. The solution to that has been to inject some people who bring some private sector ethos to it. I understand why they feel like that because I feel sometimes it is too slow and not professional enough, but I think we have to change that from within if we can so that we do get protection of the core values but a real sense of pace, pride and professionalism.

**Mr Bell:** In the first letter I wrote to the Cabinet Secretary I did write that I observed when it came to the crunch that politicians really seemed to like and want close to them those who had some of the traditional skills of operating the machinery of government, providing wise counsel and advice, fixing things and making them happen, negotiating across Whitehall and so on. I think you can believe very strongly that that is what ministers want and like to have at the same time sometimes as external expertise, sometimes drive that the traditional Civil Service does not have. The trick for us is to combine the very best of those close-quarter skills with the proper openness to outside ideas and views.

**Ms Rider:** You can be reassured that those of us who have come in completely from outside, certainly I in my role, are absolutely relentless about reinforcing the Civil Service values because that defines what we are and what we do. We do have some extraordinary advantages, if you look at the data Ernst & Young has given us about civil servants, the commitment of

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civil servants, 98% committed to making it successful. These figures compare with international civil servants where you look at that sort of pride and commitment and their scores are down around the high 50s and we are up in the high 90s. So I think there is something very important about how values are driven through our Senior Civil Service that we need to continue and keep going.

**Q129 Chairman:** We had Geoff Mulgan in front of us a little while ago, the former head of the Strategy Unit, and he sort of echoed what Kelvin has been saying, not his exact words, that the period in which we thought that all the answers to our problems were to be found in the private sector is over. What is interesting is that in a way this chimes very much with this emerging thinking coming out of your own work. You are saying this in a context and a climate that would have made it very hard to say it just a few years ago.

**Ms Rider:** I think I did say it actually when I came to see you two and a half years ago. I did say that was one of the things I found myself saying most often when I arrived, that it is not private sector good, public sector bad. There are very many good examples in the public sector.

**Sir David Normington:** There are many private sector examples of companies which do exactly what the Civil Service does which is grow their own. Clare Chapman, who came into the Health Service from Tesco was surprised even now at the extent to which we took the risk, as she sees it, of recruiting at the very senior levels from outside the organisation. Although that happens of course in other organisations she had worked in, they would think very, very carefully about it. It is a slightly different reason. It is basically that, if you have a very strong ethos and it is successful, you need to be very careful who you bring in to that. However, when I did my report I did not really know, did I? My report was done during 2008. I did not realise quite the context in which it was being written even then. I still would not want to be characterised as saying that we should close off the recruitment from the private and public sector where that makes sense. After all, the private sector comes in many shapes and sizes. There are some great companies and there are some great people in those companies. The Civil Service can have its share of those and it will be better for it.

**Q130 Mr Prentice:** I do not want to go over old ground and we have flagged up Ernst & Young quite a number of times. So for the last time, let me quote Ernst & Young. A lack of confidence within the Civil Service has led it at times to be in awe of external recruits with impressive looking CVs and job titles, to be insufficiently critical and challenging and referencing in its assessment of fit and wider capabilities. That is a lot of management-consultancy-speak, is it not, but we understand the core of it? Is that a valid criticism now or is Ernst & Young describing a situation which applied before you came before us two years ago. Is this happening now?

**Ms Rider:** Their report is very current so we have to take the observation as being current. This is very judgmental, is it not, but I do believe we are every day improving our recruitment processes so that they are working closely with the Civil Service Commissioners? We are taking good references, we are doing proper assessments of individuals and we are extending the process beyond what essentially used to be the paper and then the panel interview. I do believe that we are constantly looking to improve the process.

**Q131 Mr Prentice:** Okay, so this is an unfair criticism. I do not want to put you on the rack over this. They could have got it wrong. They are just management consultants for God's sake.

**Mr Bell:** I would just say that we are not in awe of anyone who comes in. I respect people's skills from outside but actually I think I know a fair bit, as my colleagues across the Senior Civil Service know, about the business that we are in. I think I can speak for most of the senior colleagues in my department; I do not ever see them in awe of anybody else coming in.

**Q132 Mr Prentice:** When you got your present job in from Ofsted, were you given a buddy? Were you mentored? David, here is your buddy.

**Mr Bell:** Yes.

**Q133 Mr Prentice:** What did your buddy say to you? What did you confide in your buddy? Within these four walls.

**Mr Bell:** That is confidential. I was provided with another permanent secretary and of course I had my predecessor just down the road which was extremely helpful and he provided wise counsel and advice. I cannot actually remember what my buddy said to me. More importantly, the point of having a buddy is that they are somebody you can just phone up and say "Look, I just don't get this. How does this work?". Actually there was lots of advice in the department. One of the disadvantages I have had and still have is that I did not have the experience that many civil servants have of taking a bill through Parliament with ministers. I had never done that because I had never been in the Civil Service. So I had lots of buddies inside who would tell me how to do these things.

**Q134 Mr Prentice:** I have said this in this Committee before years ago. I am a great believer in demystifying things, demystifying jobs, demystifying the work that permanent secretaries do, unpacking it. I think there is an army of people out there who, given the encouragement, could do a lot of those "top" jobs. When I hear people talking about going outside for good people, I ask myself what the attributes are that these good people bring into an organisation. What are you doing to people within the Civil Service already to say "Listen, with a little bit of encouragement, with a buddy, with a mentor, maybe you can be a permanent secretary". Are you actively doing that work, scouring the department for talent, good people?

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**Mr Bell:** Absolutely, we are really aggressively doing that. To be fair, we are doing that aggressively across the Civil Service because it is really important to us. We have the next generation of people in middle management coming into the Senior Civil Service, going on to be directors and beyond. I take it really seriously as one of my responsibilities as an organisational manager, if I can put it that way. I need to find talent. As for demystifying the job of permanent secretary, I am not sure that will take very long because there is not a whole lot of mystery to it but sometimes people from outside have a perception of what the permanent secretary does and actually it is a serious point to try to give some of our more junior colleagues some sense of what we do so that they can think "Actually I might not fancy that job" or "I think I could do it". I absolutely agree with you.

**Sir David Normington:** We had a whole process in the Department for Education and Skills when I was there of matching senior staff up with senior people in the education world. I still have a sort of buddy head teacher in fact and I spent several days in his school over a period and he also spent time with me understanding what senior levels of the Civil Service did. We replicated that across a number of sectors. The head teachers who did that said that they had no idea how many similarities there were in leadership roles across sectors. I do believe in your demystifying point; a lot of the leadership jobs are the same. It is the elements which are not which put people off. We get this from people who are considering the Civil Service. A lot of people would not dream of applying at permanent secretary level because it is a very exposed position for someone to come into with no experience and understanding. That is why I have always favoured coming in a little bit below that and growing. We have a number of examples who have come in at one level down and are now progressing to that level. That just gives them a bit of time and a bit of protection.

**Q135 Kelvin Hopkins:** A simple question. If one pursued what Gordon suggested, bringing people in, might this not be a deterrent to recruiting the very best minds from good universities as an administrative class would have done and hopefully still does. It is perhaps not called the admin class any more. They had the prospect of being leaders of the country and that was one of the great attractions of joining. People like me were not clever enough; I did not get a first and so on, but these were very, very able people and if you have lots of recruitment from outside they might say they are not going to make it.

**Sir David Normington:** Again it is the balance we have been talking about. We have no problem attracting some of the best graduates. At this moment we are attracting a lot of the best graduates but even when times were not as they are, we did not have a problem attracting the best graduates. When you are recruiting I do not think the best graduates think about it like that. I do not think that they always think, as I did, that I was going to spend 36 years in the Civil Service. I do not think that is how people think now. They think they are coming to an interesting job and they hope it will offer them lots of opportunities but I am not sure they have mapped out their career ahead and perhaps that is the right way of approaching it these days.

**Q136 David Heyes:** That was the final point I wanted to make. The dramatic change, the unanticipated changes in the job market in the last 12 to 18 months are changes which have taken place subsequent to the thinking that went into your report and I just wonder to what extent your report might have been undermined a bit by those sort of changes, whether there is a need to revisit some of your recommendations. For example, David Bell gives a very convincing argument about the tendency for people who have an orientation towards public service to put themselves forward. I wonder now whether we have some former bank high fliers who will want to put themselves forward because they are looking for calmer pastures, they are looking for a safer environment. Has the market distorted significantly as a result of what has been happening in the economy?

**Sir David Normington:** No, I do not think we have seen that actually.

**Ms Rider:** No. What we have seen is the applications to the fast stream, which is for the brightest graduates, go up by 30% year on year; an extraordinary rise.

**Q137 Chairman:** Since last year?

**Ms Rider:** Yes, since last year. I think people at all levels are seeing us hopefully in the right light, not in terms of safe pastures, but in terms of the really interesting work that David talked about which we offer. We have not seen a significant change in the applications for the senior roles and certainly we have not seen a number of bankers queuing up to join us.

**Chairman:** Thank you very much for that. I think we had better let you get back to your day jobs as you described them. We have had a really interesting session and we have enjoyed reading all your thoughts written down. We have enjoyed talking to you about them today. I hope we can make some sense out of all this. Thank you very much indeed.

# Written evidence

## Memorandum from the Civil Service Capability Group, Cabinet Office

Following our conversation yesterday, I am now able to attach a short summary of key data on the SCS which you will wish to share with members of the Committee.

Also attached are two letters from David Bell to Gus O'Donnell. David is happy for these to be shared with the Committee. Please note that the letter dated 17 September 2007 was a personal note which, amongst other things, contained David's views about the appointment of "outsiders" to the SCS. We have therefore redacted the sections which would not be pertinent to the inquiry as well as named individuals.

May 2009

### ANNEX—Summary of key data on SCS

#### EXTERNAL SCS

As at 30 September 2008 the size of the SCS is 4,220 members.

#### EXTERNAL PROFILE

- The proportion of SCS that joined from outside the Civil Service has stabilised at 23%. This comes after a year on year increase between 2003 and 2006.
- For those in post at 1 April 2008, the median length of time in the SCS for externals was 3 years compared to 5.3 years for internals.
- The median age of external SCS is 50 years compared to 49 years for internals.
- The median salary of external SCS is higher than those of internals for all paybands. Overall the median salary for externals is £89,800 compared to £74,500 for internals.
- Around a third of externals are in medical, information technology or finance posts. The proportion of internal SCS in these professions is only 7%.

**Table 1: SCS by Source, April 2003 to April 2008 (percentages)**

Source	Headcount					
	2003	2004	2005	2006	2007	2008
External	18	20	21	23	23	23
Internal	82	80	79	77	77	77
Total	100	100	100	100	100	100

Source: SCS Database. Cabinet Office

#### INFLOWS

- In the year to 1 April 2008 there were 533 new SCS entrants; 157 (29%) of these were external entrants, a decrease of 9 percentage points on the previous year.
- Of those 157 external new entrants, 127 were recruited through open competition, the other 30 include secondments and short-term staff.
- Since 2004, about 200 SCS new entrants each year have been recruited through open competition (187 in year to April 2008). This includes those recruited from within the Civil Service and external recruits.

**Table 2: SCS entrants by source**

	2004		2005		2006		2007		2008	
	Number	%	Number	%	Number	%	Number	%	Number	%
Internal entrants	337	64	309	65	404	70	326	62	376	71
External entrants	191	36	169	35	172	30	196	38	157	29
Total	528	100	478	100	576	100	522	100	533	100

Source: SCS Database, Cabinet Office

#### OUTFLOWS

- In the year to April 2008 there were 358 leavers from the SCS, the lowest figure since 2004. Just under a third (31%) of these leavers were recruited to the SCS from outside the Civil Service, the same as in 2007.
- Turnover rates for external SCS have been consistently higher than internals over the last four years. For 2007–08 the turnover rate for externals was 11.8% compared to 7.8% for internals.



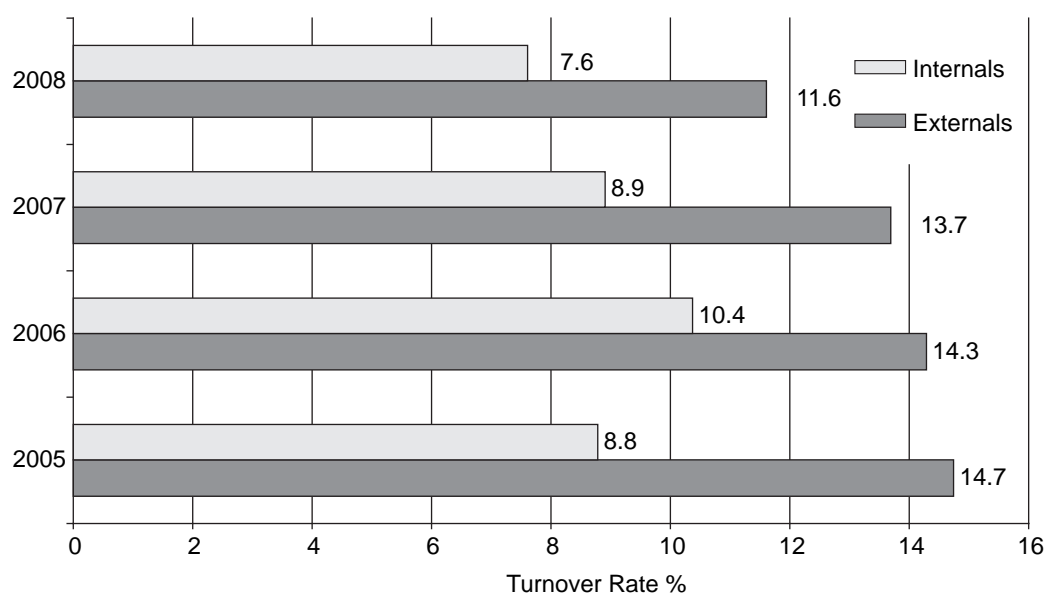
- Of external SCS who left during the year ending 1 April 2008, 51% resigned. For internal SCS who left during the same period, the most common leaving reason was retirement (33%).

**Table 3: SCS Leavers by Source, 2005 to 2008 (percentages)**

Source	Headcount			
	2005	2006	2007	2008
External leavers	31	28	31	31
Internal leavers	69	72	69	69
Total	100	100	100	100

Source:SCS Database. Cabinet Office

**Chart 1: SCS Turnover rates by Source**



#### DIVERSITY

There are targets on addressing under-representation in the SCS.

#### OVERALL SCS DIVERSITY

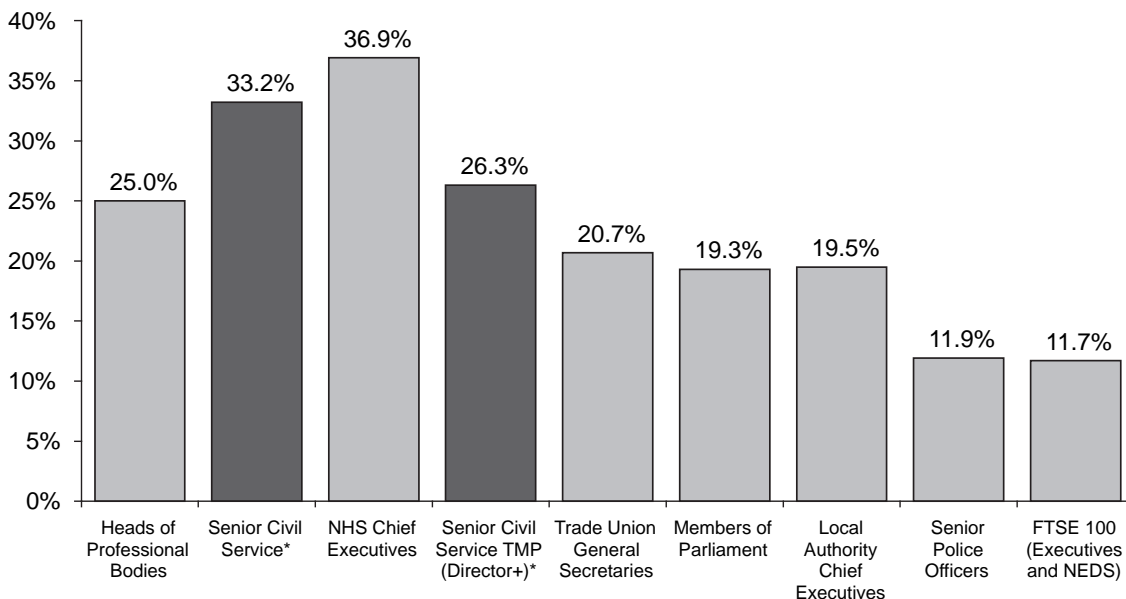
The targets to be achieved by 2013, with a stretch target to achieve them by 2011, are;

- 39% women in the SCS—33.2% (1401) as at 30 September 2008. Up from 32.6% (1374) in April 2008.
- 34% women in top management posts<sup>1</sup>—26.3% (248) as at 30 September 2008. Up from 25.4% (245) in April 2008.
- 5% minority ethnic SCS staff<sup>2</sup>—3.7% (142) as at 30 September 2008. Up from 3.6% in April 2008.
- 5% disabled SCS staff<sup>2</sup>—3.1% (117) as at 30 September 2008 Unchanged from 3.1% (118) in April 2008.

<sup>1</sup> Directors and above.

<sup>2</sup> As a percentage of those with a known ethnicity/disability status only.

**Chart 2: How the representation of Women in the SCS compares to leaders in other sectors<sup>3</sup>**



**DIVERSITY BY SOURCE AND STOCK**

- 32.1% of external SCS are women, compared to 33.5% of internal SCS (Sep 2008).
- 25.4% of external SCS in Top Management Posts are women, compared to 26.7% of internal SCS in TMPs (Sep 2008).
- 5.4% of external SCS are from black and minority ethnic backgrounds,<sup>4</sup> compared to 3.3% of internal SCS<sup>4</sup> (Sep 2008).
- 2.7% of external SCS have declared a disability,<sup>4</sup> compared to 3.2% of internal SCS<sup>4</sup> (Sep 2008).

**Appendix 1—Letter from David Bell to Sir Gus O’Donnell, dated 17 September 2007**

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**BEING A PERMANENT SECRETARY**

I began by reflecting a bit on my experience as a Permanent Secretary, with half an eye on my two year anniversary in post. To repeat what I have said previously to you; this has proved to be a fantastically interesting job in which I think that I have both learned a great deal and, I hope, contributed likewise from my experience in coming from “outside”. I will say a little more below about what that might mean for me personally going forward.

I suppose that I am particularly pleased that I have made such a smooth transition into the role. However, the reality is that not all of the outsiders we appoint to DG posts and below find it quite so easy, despite our rhetoric of wanting such people to join us, it is particularly interesting for me in this Department as I have recruited outsiders who have “landed” in quite different ways. What do I conclude from this and are there lessons to learn if we are to continue to seek to encourage outsiders to apply for senior positions?

**BRINGING IN OUTSIDERS; LESSONS LEARNED?**

I think that there are two key points for me.

Firstly, an understanding of how politics and politicians work is really important in terms of previous experience, particularly for those coming into senior positions and who will have early and on-going regular exposure to Ministers. This is pertinent for those coming in from the wider public sector as it is for those from the private sector. I am forming the hypothesis that those who cope best are those who have significant experience of senior politicians eg in local government. For those who have no such previous experience we need to think much more carefully about induction or even opportunities for short term attachments for those who might be considering career shifts.

<sup>3</sup> Sources: Sex and Power: who runs Britain 2008, EOC eg GMC, Law Society; The Female FTSE Index; and House of Commons weekly information bulletin July 2008.

<sup>4</sup> As a percentage of those with a known ethnicity/disability status only.

<sup>5</sup> Asterisks in this memorandum denote that part of the document has not been reported, at the request of the Cabinet Office Capability Group and with the agreement of the Committee.

Secondly, our selection processes do need to be reviewed as a matter of urgency so that we can test better the adaptability and likely resilience of those that we might want to bring in from the outside. I worry that the Civil Service Commissioners are so anxious about political interference in appointments that they prevent us from making more intelligent use of Ministers.

This is a conversation that Leigh Lewis and I began with the Commissioners during their away day which we attended on 11 September. I was pleasantly surprised to hear how open they were to thinking about new ways of undertaking selection, not just in terms of how Ministers might make a contribution but in terms of approaches that go beyond out rather formulaic and rather truncated processes. Many other organisations would spend a lot more time than we do assessing whether the ‘fit’ was right and it strikes me that we should explore whether that could help us, recognising the time and cost that might be involved.

#### DEFINING “OUTSIDERS” AND ASKING ABOUT THE VALUE THEY ADD

But who are the “outsiders”? I believe that we need to be cultivating those from outside the Top 200, but inside the wider NDPB world, who might well be serious candidates for Permanent Secretary posts in due course. I am particularly thinking of those who are now working in national bodies, having had experience of the “front line”. In my “world”, I would like to include people like:

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These colleagues would be very serious candidates for Permanent Secretary posts in a number of departments (including DCSF) and I do think that we need to be cultivating them now so that they are ready and eligible for posts in the future. I suspect that there are others too across Whitehall who might be in a similar position. Are we identifying and developing them?

Even if we have a broad definition of “outsiders”, we need to ask what value they add, something that I alluded to at CSSB earlier in the week. When we had my end-of-year review discussion, I commented on how I had become an increasing admirer of the “traditional” civil service skills. Certainly, the younger generation in DCSF and others that I have met across Whitehall are very clued up about delivery and are not the traditional “policy wonks”. I am optimistic that such colleagues will comfortably compete for Director General posts and beyond in the future.

This leads me to the position of asking myself what the added value is of bringing in outsiders, beyond the obvious one of giving us a different mix of backgrounds. I think that this is a particularly pertinent question if we are paying over the odds for such people. To put it bluntly, do we really get £20k/30k/40k (or more!) value out of such people even when we are recruiting so-called “scarce” skills? I think that it would be worthwhile doing a pretty hard headed review of such appointments to ask ourselves whether they have delivered what have expected.

I would observe that when it comes to the crunch (as you will have seen very vividly over the past couple of months), the politicians seem to really like, and want close to them, those who have some of the traditional skills of operating the machinery of government, providing wise counsel and advice, fixing things and making them happen and negotiating across Whitehall and beyond. And that is despite the rather lazy rhetoric that we have seen in recent years implying that outsiders must be better.

Any success that I have had in working with Ministers has not, in my view, been attributable to the supposed “street cred” that I have brought as someone from the education system. Rather, it has been based on a lot of experience of working at a very senior level with politicians and understanding their rhythms and motivations, ie very much the “kit bag” of the traditional senior civil servant.

I would though make an important point about “the deal”. It has been put to me that we say one thing about what we expect from outsiders in terms of challenging existing ways of doing things, utilising their external experience etc. but then when they get here, we expect something else and show ourselves to be quite resistant to challenge and change. What I have said in the previous paragraph might even be used as the case for the prosecution as what we really value, when push comes to shove, are the insider skills.

Now my response is that any outsider coming into a new organisation has to learn about the culture, see how things work, build alliances and the like if they are to succeed. Equally, they need to understand how “the machine” works if things are to get done. None of this is unique to the Civil Service and effective leaders should know how to adapt. However, I would acknowledge that there is a danger in bringing people, whose orientation is towards delivery, into an environment in which the focus is slightly different. Again, this reinforces the point about good selection processes, a clear understanding of what we want and a frank discussion with potential candidates about what they might be giving up as well as what they would gain by coming into the mainstream Civil Service.

There is also an argument that we should be clearer about what kinds of skills are required for particular posts. I am pretty certain that many of our NDPB’s across Whitehall benefit from people coming in from the outside but this is not the same as saying that such people will necessarily make a straightforward and smooth transition to the “mainstream” Civil Service. Also, it is not inconceivable that there are many people

we need with technical skills, often gained in the private sector, that might not suit them for regular interactions with Ministers (although I find myself immediately hesitating in the suggestion that you can be a member of the SCS and not be very good with Ministers, particularly if we know that from the outset).

#### SUCCESSION

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#### CONCLUSIONS . . . OF A TENTATIVE SORT

So, where does this leave me on all of this? A little confused, is the honest answer. Here I am as an “outsider” lauding the traditional skills of the civil service and indeed being very anxious to acquire them more deeply as part of my skill set. An outsider it seems who has some scepticism about how much value outsiders actually add, given what we often have to pay for them. And yet . . . it cannot be right or healthy that we sit here complacently assuming that all is well with us and that the people we have from within are sufficient to meet the changing demands in our country and beyond. We know that policy cannot be developed in isolation from understanding and driving delivery and we need people who are used to making things happen outside the world in which we inhabit. And surely too there has been real value in bringing people in from outside who have added significant value to our work and genuinely enhanced both our capacity and diversity?

I also wonder what it means for our younger generation of mainstream civil servants, particularly fast streamers and those whom we think are destined for greater things. We are unbelievably lucky in the Civil Service in attracting Britain’s brightest and best (some of whom are so scarily bright and talented that I stand in awe of them; it reminds me of being a teacher and occasionally teaching youngsters who, even at the age of 10, were manifestly brighter than me!). so, when we talk of “getting out to get on”, what do we really mean by this in terms of the skills and experiences required? What is the ‘rounded’ civil servant of the future going to look like?

And how does what I have said here play into the very tricky pay issue that we have touched upon at CSSB? You know that I am fairly relaxed about paying what we need to pay, particularly to attract good people to run NDPBs but I am very concerned about the longer term impact on our ability to attract the best people to mainstream posts. And even if we said that the insiders are best suited for ‘our’ posts and thus we can afford to depress pay rates, then we are back to the problem of the younger generation seeing what is happening and going elsewhere (except, as I have found, there is an inherent value in the fascinating and excitement of being a Perm Sec!)

The best I can say is that all of the is requires a bit more thought and could repay some further analysis and discussion, perhaps via a Top 200 group chaired by a Permanent Secretary. The timing is good because we now have a wider group of people at Director General level who represent a wide variety of backgrounds, some of whom we have paid a “premium” to appoint. It would be worth assessing how they have made the transition, how they compare with the insiders, what value we have got from them, what the likelihood is that they will succeed and so on. All of this I am sure would help you in planning for the future.

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#### **Appendix 2—Letter from David Bell to Sir Gus O’Donnell, dated 16 April 2008**

##### “OUTSIDERS” AND THE SCS

You will recall that I wrote to you about the above subject in September (my letter of 17 September 2007). You then suggested that I draw together a small group of interested colleagues to discuss this matter further and come back to you with any thoughts that we might have for the future. In the meantime, Sir David Normington has undertaken a commission to look at SCS issues more generally so I have copied this letter to him for information.

At the outset, I am very grateful to Gill Rider, Clare Chapman (Workforce Director General in the Department of Health), Lesley Longstone (Young Public Appointments Ltd, a recruitment company that specialises in public sector appointments) for joining the ad-hoc group and contributing so imaginatively and creatively to our discussions. Our deliberations were wide-ranging but I have tried to keep our conclusions fairly short and group them under a number of headings.

##### THE RATIONALE BEHIND APPOINTING “OUTSIDERS” TO SCS

Perhaps counter-intuitively given the recent practice of the Civil Service, we came to a fairly firm conclusion that appointing “outsiders” to the very senior posts in the SCS is *always* a risk. Clare Chapman was very powerful on this point, drawing upon her Tesco and PepsiCola experience in the UK, USA and Europe. If you start from this premise, it suggests that we need to grow our own talent more systematically *and* be very deliberate when we do appoint externally. There is evidence from the private sector that if no mitigating action is taken, circa 50% of external hires made at Director level are not successful (ie they either leave or become “blockers”).

There is no reason why the public sector should be different. Data suggests that between 2003–07 circa 30% of SCS Pay Band 1 executives who were recruited from outside the DH and DfES/DCSF have now left their departments. Further analysis is needed to get underneath this number and more work is required to know how many “blockers” we have in addition to the leavers. Early evidence however appears to reinforce the hypothesis that senior external hires can be risky.

Not surprisingly though, our group continued to see value in making outside appointments in certain circumstances. What is key is that mitigating action is taken to reduce the chances of failure. This is common practice in the best of the private sector but it is not yet mainstreamed in the Civil Service. Given the risk of a circa 50% failure rate, external recruits should be:

- Strategic hires: ie bringing new expert skill and experience.
- Future talent: ie should be hired for a career rather than a job (the test of this is whether you can make at least two suitable roles versus one job that is suitable).
- Fit Civil Service values: ie it is particularly important that they have a corporate versus selfish approach to leadership. Lack of corporacy can quickly become a fatal flaw.
- Are “worth it”: ie there is usually a circa 10% premium on bringing someone in from outside. This is usually a small price to pay, but value for money is a useful test.
- Given a formal “bridging” versus induction programme: ie between 3–12 months to learn the service from end to end (usually Ministers through to the frontline) is critical. Clare Chapman managed to complete two months of her three month programme and the payback in terms of a “fast start” on learning the service and the people was noticeable.

There are obviously other actions which can be taken but these give a flavour of the types of mitigating action we are pointing to.

#### SEGMENTATION

Not all external hires are the same and the group felt that the Civil Service had not done a careful enough segmentation of external recruits into different career trajectories which would help to set better expectations, induction and support. We identified three broad categories of recruits from outside:

- Developmental recruits/postings: Typically these would be recruited from within the immediate sector—for example, health or children’s services or criminal justice—where the objective of the posting would be to broaden the experience of the individual, strengthen capacity when they returned to their “home” organisation and build knowledge of policy and influencing issues whilst in the central department.
- Specialist recruits: these would be individuals recruited for a specific skill set (likely to be sector or profession related). If these are single job versus career appointments then they are more likely to be fixed term appointments with a clear expectation about exit at the appropriate point. Arguably, a financial premium may be more appropriate in such circumstances.
- Career recruits: These may be people who bring more general leadership and management skills, addressing capability or capacity gaps in central departments. These are the recruits that should be capable of making the transition to other SCS posts and beyond and who, with appropriate support and encouragement, should be expected to make further transition.

The three categories above are not mutually exclusive. For example, recruits in the first two categories may demonstrate an aptitude for, and be interested in, further generic opportunities. However such a segmentation may be helpful to permanent secretaries when thinking about the potential to recruit externally. It is also worth noting that, unanimously, Heads of Profession who sit on Corporate Functions Board believe that the pool of external specialists now able or willing to join the SCS has been exhausted, for the moment anyway. Each Head of Profession stressed that the long-term answer is to “grow our own” and recruit externally only when we need new skills or practices, rather than relying on external recruits for leadership. Clearly, this is something that David Normington may wish to examine in more detail.

#### THE PRE-APPOINTMENT PROCESS

Our group spent quite a bit of time thinking about appropriate preparation in advance of coming in, for those we appoint from outside. There was absolutely no doubt that exposure to government, politics and politicians was very important. In our view, some of the best translations in to the Civil Service were done by those who understood the “rhythms” of government and politicians.

Our current procedures (rules, even?) made it very difficult to “woo” potential candidates, significantly in advance of any particular selection process although Gill, John and Clare argued that this is common practice elsewhere. Indeed the suggestion was made that more use could be made of acting up or interim appointments to ensure that proper time, care and consideration was given to attracting the right candidate. This is partly behavioural, since ‘wooing’ requires the candidate to feel cared for as a person rather than processed as a candidate. It is also partly procedural however, since our appointments process is robust but can be inflexible when there is a need to move quickly on decisions or package issues.

The group concluded that it would be worth, via the permanent secretaries' network and beyond (eg into the LGA and CBI) asking for suggestions of those who might, at some stage, be the sort of people we would be interested in attracting into central government. Then it might be that we could organise one or two events for such people and give them the opportunity to understand more about the way central government works and the opportunities that might be available. This was an initiative that Gill's team could lead from the Cabinet Office.

#### INDUCTION

Strong induction and bridging where necessary is clearly important for those coming from outside and there was a recognition that this was rather haphazard and patchy. Our group thought that a piece of work could be done involving one or two external recruits, and Gill's colleagues, to outline the key elements of such an induction. This could then be circulated to permanent secretaries as well as new arrivals so that both parties knew what was on offer.

#### PAY

We did some analysis of the pay patterns, ably assisted by the data that Gill provided and that some work Lesley and Clare have done on the DfES/DCSF and DH. As you will know for the Service as a whole, the facts are straightforward in relation to the "premium" we are paying for external recruits. This was confirmed when looking in more detail at entry to Pay Band 1 in DfES/DCSF and DH where an external "premium" of around 10% was being paid.

Overall, we felt that selection panels needed to be much more critical when considering rates of pay, perhaps using the segmentation approach above. We also felt that payment should, except in the most exceptional circumstances, be for a career in the SCS rather than a specific job.

It is fair to say that we did not come up with any startlingly new insights as a result of our work. However, I think that we did identify some areas that might be worthy of further work including:

- Agreeing a better rationale for the appointment of senior staff from outside the SCS, drawing upon the work the group has done on segmentation, and circulating this as a note of advice to permanent secretaries and the Civil Service Commissioners (who we know are concerned about our practice in this area, particularly in relation to pay).
- Identifying and cultivating those from a variety of backgrounds who we might think could make the transition into the SCS at some point in the future and putting on some events for them.
- Asking a couple of recently appointed "outsiders" to prepare short case studies of their experience, focusing particularly on the requirements for the most effective induction.
- Analysing further career trajectories and performance patterns of those brought in from outside, majoring particularly on the evidence of a tailing off in performance (as assessed via box markings) in the second and subsequent years in post.

Clearly, it will be for you to decide what, if any, of this work should be taken forward and by what means. Whatever happens though, I think that I can safely say that those of us involved in the ad-hoc group have found it extremely interesting. At the very least, it will help us as individuals to think more carefully about our hiring decisions in the future.

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### **Memorandum from the Civil Service Commissioners**

#### INTRODUCTION

1. As part of its scrutiny programme, the Committee has launched an inquiry into outside appointments to senior levels of the Civil Service. The Committee wishes to examine the effects of making such appointments on the nature, ethos and performance of the Civil Service.

2. The Civil Service Commissioners welcome this inquiry. The Government's White Paper "Modernising Government", published in 1999, initiated a reform programme aimed at developing a Civil Service for the 21st Century. It called for a substantial increase in recruitment through open competition, to bring in new talent and to increase diversity. Since then, external appointments to the senior ranks of the Civil Service have been substantial. It is therefore timely that the effects of that programme were examined.

3. In this response, we set down, for the sake of clarity, the role of the Commissioners in external recruitment before offering some insights related to the questions raised by the Committee in their consultation paper.

4. This written evidence supplements that given by the First Civil Service Commissioner, Janet Paraskeva, at her appearance before the Committee on 5 March.

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 BACKGROUND

5. The Commissioners' role in relation to outside appointments to the Home Civil Service and Diplomatic Service is essentially regulatory. As required by the Civil Service and Diplomatic Service Orders in Council, it is to give an assurance that appointments into it are made through the application of the principle of appointment on merit on the basis of fair and open competition.

6. This principle and the role of the Commissioners in upholding it are earthed in the Northcote-Trevelyan Report of 1854. They were devised as a means of bringing to an end the system of patronage which had been identified as one of the main reasons for the then Service's endemic inefficiency and public disrepute. However we believe that the principle remains as important today—not just because it has always been there, but because it continues to provide a robust and flexible framework for recruitment at a time of change.

7. The recent round of departmental Capability Reviews has given emphasis to the need for the Civil Service to continue to develop its leadership capacity. If, then, the Service is to be equipped to meet the new demands being placed upon it, it must be able to guarantee that its members have been recruited for their skills and ability to do the job—that is on merit and merit alone—rather than as a consequence of the people applicants happen to know and the political and/or personal prejudices they may happen to share with them. Equally important is the concept of fair treatment and open access. Assurance that selection is by fair and open competition and not because an individual is known to a select group—however good he or she might be—is as necessary to protect the rights of potential candidates as it is in providing the best candidate for the job.

## THE COMMISSIONERS' ROLE IN RELATION TO SCS APPOINTMENTS

8. For the majority of posts up to and including SCS pay band 1 level, departments and agencies are free to conduct open competitions<sup>6</sup> without direct Commissioner involvement. In doing so, the Orders in Council require them to adhere to the Commissioners Recruitment Principles (which replaced the Recruitment Code with effect from 1 April 2009). Recruitment at these levels is also subject to an audit regime which the Commissioners undertake on an annual basis.

9. The Commissioners are directly involved when a vacancy within the top pay bands of the Civil Service—SCS pay band 2, SCS pay band 3 and Permanent Secretary (a total of around 600 posts)—is subject to open competition. We may also chair the recruitment boards for some other posts by agreement. It is for government departments to decide whether or not to go to open competition at SCS pay band 2 level. At SCS pay band 3 and Permanent Secretary level (top 200 posts) the decision is taken by the Senior Leadership Committee on which the First Commissioner sits. In doing so, it is guided by a "Top 200 Protocol" agreed in July 2007 between the Commissioners and the Senior Leadership Committee. This provides that:

- appointments will generally be subject to competition, unless there is an exceptional case of immediate business need or a lateral move is desirable; and
- appointments will go to open competition, unless the business requirements are such that there is little prospect of recruiting someone from outside the Civil Service.

10. The recruiting department decides the characteristics of each competition and the terms and conditions on offer, including the level of remuneration to be awarded to the successful candidate, seeking advice and, if necessary, approval from the Cabinet Office. The Commissioners oversee the process of selection by chairing the recruitment panel. In that capacity we approve the final versions of the job and person specifications; the advertisement and publicity strategy; the assessment processes to be used; and, ultimately, the appointment to be made.

11. Commissioners record in their annual reports the number of appointments to the SCS which require their approval. The key statistics in recent years are:

Year	Appointments from Commissioner-chaired open competitions at SCS Payband 2 and above	Sources of successful candidates		
		Civil Service	Wider Public Sector	Private Sector
2007–08	105	43 (41%)	23 (22%)	39 (37%)
2006–07	90	36 (40%)	21 (23%)	33 (37%)
2005–06	111	42 (38%)	30 (27%)	39 (35%)
2004–05	91	38 (42%)	17 (19%)	36 (39%)
2003–04	89	43 (48%)	19 (21%)	27 (30%)
2002–03	97	29 (30%)	26 (27%)	42 (43%)

12. Taking these six years as a whole, it will be noted that candidates from the private sector were successful in 37% of the competitions and that candidates from the Civil Service or wider public sector were successful in 63% of the competitions.

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<sup>6</sup> An "open" competition is one that is externally advertised and open to all-comers, including existing civil servants.



13. Under the terms of the Top 200 protocol, Commissioners also now chair internal competitions<sup>7</sup> at SCS pay band 3 and Permanent Secretary level. In accepting this broader remit, we saw it as a logical extension to our role in relation to open competitions. As we have previously highlighted to the Committee, we hope that in time the Government might come to see value in the independent regulation of promotion at all levels.

14. Civil Service Commissioners play no part in ministerial appointments to boards of public bodies which are regulated by the Commissioner for Public Appointments, nor in the many thousands of public sector appointments including, for example, executive appointments to other non-departmental public bodies, which fall outside of both the Commissioner for Public Appointments' and the Civil Service Commissioners' regulatory regimes.

#### THE APPROACH TO RECRUITMENT

*Q2 How effective are the existing arrangements for making and overseeing outside appointments to the Senior Civil Service?*

*Q4 Should there be ministerial involvement in appointing outsiders? If so, what mechanisms would need to be in place to safeguard against inappropriate political influence in the recruitment process?*

15. When chairing a competition, the primary role of the Commissioner is to ensure that the process applied is consistent with the principle of appointment on merit on the basis of fair and open competition. Departments are responsible for deciding the characteristics of any particular competition.

16. However we have sought to be influential in ensuring that the senior recruitment processes are rigorous and enable appointment decisions to be made on the basis of extensive evidence of suitability, and that good practice is shared. For instance in recent years we have pressed for:

- competitions to be fully pre-planned at the outset;
- careful consideration to be given at the outset to the preparation of the job and person specifications since they are used as the basis for the selection criteria;
- opportunities for candidates to be extensively briefed to ensure there is a comprehensive understanding of the job to be done;
- testing other than interview to be incorporated into the selection process where appropriate. For instance candidates may be tested for their presentation skills or media handling skills where relevant; and
- interviewing time to be extended, which might include more than one opportunity for candidates to be interviewed by the panel, in the light of research that the validity of recruitment decisions can be improved by the addition of extended, structured interviewing.

17. We have also recently published a new Guide to the approach of the Commissioners when chairing competitions. The Guide describes the outcomes required by the Recruitment Principles at each stage of a competition and the Commissioner's and the recruiting department's respective roles in securing them.

18. Our impression is that departments value our interventions and, increasingly, are developing more sophisticated senior recruitment processes and allowing time from the outset for them to be properly applied. There remain, though, instances where recruitment exercises are rushed with insufficient thought being given to the characteristics of the competition at the outset. As departments increasingly recognise the value of involving their HR Directors in senior appointments, we hope that they will resist the temptation to rush these critical competitions. Apart from the direct costs of mounting an open competition, which are not inconsiderable, there are potentially the much greater costs to an organisation of making a wrong appointment at these senior levels.

19. Commissioners recognise that ministers will have an interest in appointments to certain senior posts. However that interest has to be accommodated within a system which selects on merit, is free from personal or political bias and ensures that appointments can last into future Administrations or, indeed, simply a change of minister of the same political complexion.

20. Our Recruitment Principles (which replaced the Commissioners' Recruitment Code on 1 April 2009) make it clearer than ever before that for those appointments where ministers have an interest, departments should ensure that they are:

- consulted at the outset to agree the terms on which the post is advertised, the job and person specifications and the criteria for selection, including the composition of the selection panel;
- kept in touch with the progress of the competition throughout, included being provided with information about the expertise, experience and skills of the candidates;
- given the opportunity to have any further views they may have on the balance of expertise, experience and skills required for the job conveyed to the selection panel; and

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<sup>7</sup> An "internal" competition is one that is internally advertised and can only be filled by existing civil servants.

- given the opportunity to brief the Commissioner chairing the panel, who may invite the minister to brief the selection panel and/or each of the shortlisted candidates.

21. We believe this approach works well in practice and is generally welcomed by ministers. It continues to provide assurance about the integrity of the appointment process. On the one hand, it maintains the principle of an impartial and permanent Civil Service with appointments being made on the basis of a recommendation by a panel chaired by a Civil Service Commissioner to assess and decide merit between candidates taking all the evidence into account; on the other, it accommodates the interest of ministers in the senior appointments being made in a way that protects them from accusations of improper influence.

22. Ultimately, a minister can decline to make any appointment if he or she is not persuaded about the suitability of the candidate ranked first in the panel's order of merit. However, our experience is that this has happened only very rarely.

#### THE POLICY OF OPEN RECRUITMENT

*Q1 Is the current level of external recruitment to the Senior Civil Service justified? Does it achieve the objectives set out for it (eg filling skills shortages in the Civil Service, ventilation with new ideas and ways of working)?*

*Q8 Is there the right mix of external appointees in terms of where they came from? Should there, for instance, be greater or fewer appointments from the private sector?*

23. From the beginning, the role of the Commissioners, while based in regulation, has been about ensuring an efficient and effective Civil Service respected by the public. The Commissioners have always valued open competition as a means of securing the best available people for the Civil Service while, at the same time, benchmarking internal talent.

24. It is for that reason that we supported the introduction of the current Top 200 Protocol with its presumption in favour of open competition when the most senior posts fell vacant. We saw this as a means of ensuring that the best people were being appointed to the most senior posts in the Civil Service, pending the development of a more sophisticated internal senior talent management system.

25. Nevertheless, we have always recognised that open competition might not be the right approach in every case. For that reason we encourage a proper analysis of each upcoming vacancy at the outset as to whether the nature of the post and the context in which it is set is such that it should be filled internally, or whether an external competition is indeed the appropriate course. That is the judgement which SLC has to make in respect of the Top 200, and which departments continue to make at lower level.

#### THE EFFECTIVENESS OF EXTERNAL APPOINTEES

*Q3 What steps should be taken to ensure outside recruits, once appointed, are able to operate effectively within government?*

*Q6 What evidence is there to demonstrate the difference made by senior outside appointees to the performance of their departments?*

*Q9 How could the effects of making outside appointments be most effectively monitored?*

26. We have long encouraged careful induction of new appointees with appropriate "buddying" arrangements put in place. And our sense is that departments increasingly recognise the costs—direct and indirect—involved in recruiting from outside and the need to take all reasonable steps to ensure that the appointee is successfully introduced to the working culture.

27. The Cabinet Office is now beginning to track the performance of appointees to the SCS. However we have yet to see any evidence that feed back systems are sufficiently robust to inform the development of improved recruitment processes or of the success of the overall policy. The recent report of the Group chaired by Sir David Normington on the "Senior Civil Service Workforce and Reward Strategy" recommends more analysis; we would support this. We hope that any analysis will, though, recognise that an external appointee who is in post for a relatively short period is not necessarily a sign of failure. Some external candidates go on in short order to secure another Civil Service appointment, while others leave having achieved the objectives which were set for the appointment. We need to bear in mind that increasingly people view their Civil Service appointment as a step in their long-term career profile.

28. Ultimately, these are issues for departments, and the Cabinet Office. Capability Reviews will provide the ultimate test.

#### PAY CONSIDERATIONS

*Q5 One issue of significant concern is that of pay differentials between those appointed from outside and existing civil servants. Is the practice of paying higher salaries to some external recruits justified?*

29. Whenever a post is being advertised, it is for the department concerned, in consultation with the Cabinet Office, to decide what it should offer. For our part, we recognise that departments need to set the compensation package taking account of the market being tapped and the availability of people with the skills demanded. This will inevitably lead to different rates being offered for appointments requiring different skills even within the same SCS pay band. We also accept that this can lead to the offer to an internal candidate being pitched lower than to someone with particular expertise from outside.

30. In accordance with the principle of “openness”, however, our concern is that all potential applicants are clear about the benefits package that might be available to them, including any scope for flexibility depending on their background, skills and experience. This, then, provides the framework within which the competition can be run and for candidates, eventually, to be placed in merit order. Offers of appointments can then subsequently be made within the advertised salary range and in a way that also recognises the link between the successful candidate’s particular attributes and the pay which they justify.

31. In our 2006–07 annual report we mentioned that there had been a number of occasions where salaries awarded to successful candidates did not match those advertised. We expressed particular concern about the payment of salaries considerably in excess of those quoted since this challenged the principle of openness: had the job been advertised at the higher rate it may well have attracted a stronger field. Underpayments do not cause us the same concern though clearly they could lead to some potential corporate management issues for departments. At the very least, such cases may be an indication that the job has not been properly thought through prior to advertisement. In our 2007–08 annual report we reported that the picture was more mixed and less extreme.

32. When commenting in this area we recognise the need for a degree of caution. Salary is only one element of the compensation package. Sometimes the scope for variable pay and for flexing all the compensation elements within the total value of the package to better suit the circumstances of appointees might lead to an outcome apparently at odds with the advertised salary.

33. Overall, our experience is that current practice in the way compensation packages are described varies between departments, and that there is also some uncertainty about what factors to take into account in deciding how to pitch an offer to the successful candidate especially when it is an existing civil servant. We believe that additional guidance from the Cabinet Office on these matters would be welcomed. It should include information on how the compensation package at these senior levels is best determined in the first instance, particularly where specialist skills are sought. It should also give advice on how the package on offer might be best described to allow for it subsequently to be flexed in relation to the successful candidate.

#### THE IMPACT ON CIVIL SERVICE VALUES

*Q7 What are the implications of making external appointments for the culture of the Civil Service, including effects on the morale of civil servants and on shared values such as the public service ethos?*

34. With our responsibility for helping departments promote the Civil Service Code we regard it important that new appointees understand the values of the Civil Service. In relation to recruitment we require departments to ensure that all applicants are made aware of the Civil Service Code. For those competitions we chair, we will often test candidates at interview on their understanding of the Civil Service values and ethos.

35. We have commented on many occasions that departments should build on this in their induction arrangements; indeed this was one of the recommendations in the “Best Practice Checklist” published jointly by Permanent Secretaries and Civil Service Commissioners in 2007. We shall be probing the extent to which departments have applied the Checklist as part of our forthcoming audit of work to promote and uphold the Civil Service Code.

36. Cabinet Office and departments will, we understand, also be using the regular staff surveys which now take place as a means of securing more information about the extent to which Civil Service values are understood by all staff.

#### PRACTICE OVERSEAS

*Q10 What can be learnt from the experience of the devolved governments or other countries when it comes to making external appointments to the senior ranks of the Civil Service?*

37. As the Civil Service in Scotland and Wales (and certain elements of the Civil Service in Northern Ireland) is part of the Home Civil Service, appointments are subject to the same regulatory regime as applies in England. The Commissioners’ Recruitment Principles and the Top 200 Protocol apply equally for Civil Service appointments in the Scottish Government and the Welsh Assembly Government, and Civil Service Commissioners chair competitions in Edinburgh and Cardiff.

38. Appointments to the Northern Ireland Civil Service are subject to a separate Order in Council with their own Northern Ireland Civil Service Commissioners. However the regulatory regime is similar to the one that operates in the Home Civil Service, and the Commissioners there also play an active role in chairing competitions at senior level.

39. Our understanding is that in terms of regulation of appointments into the Civil Service, Westminster-style democracies operate similar principles as the UK. Even the US—which has a large number of political appointees—operates a merit system for its permanent officials.

April 2009

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### Memorandum from Ernst & Young

1. Ernst & Young welcomes the opportunity to make a written submission to the Public Administration Select Committee. Ernst & Young is one of the world's largest professional services firms, with over 135,000 people serving our clients in more than 140 countries. In the UK we have over 9,000 staff in 20 locations providing nationwide coverage to our client base. Ernst & Young is a global leader in assurance, tax, transaction and advisory services and aim to have a positive impact on business and markets as well as on society as a whole. The UK Government is one of our most important clients and we have valued relationships with many departments and agencies.

#### SUMMARY

*A successful integration is one in which both the individual and the organisation are transformed for the better and are able to leverage each other's strengths to achieve mutually beneficial goals. Diane Downey, Assimilating New Leaders, 2001*

2. Over the last year, Ernst & Young have interviewed a range of Permanent Secretaries, career civil servants and external recruits about their experiences of recruiting into the Senior Civil Service, particularly from the private sector. Our observations are based upon these interviews, desk-top research and our own experience of working with government organisations and their leaders over many years.

3. Our overall conclusion is that, despite the cost and risk of failure, there remain compelling business reasons for bringing in external talent who can inject new skills, ways of working and broaden networks. The challenge for the Civil Service is how and when to recruit more systematically as part of a wider resourcing strategy that allows for successful integration both for the individual and the organisation.

- There is a risk of setting up new recruits to fail. Expectations have not always been clear on arrival. Some new recruits have arrived without clarity over their priorities, how long they have to make an impact and without open feedback in the early months. This becomes an ongoing problem where external recruits lose confidence and can either become blockers or leave disenchanted with the organisation.
- An over-reliance on external recruitment can be costly and risky. The Corporate Leadership Council in the US reported that between 40–60% of external hires into major corporations will be unsuccessful and leave their job within 18 months—which does not even allow time to settle in and begin to make a lasting impact. For the Civil Service, recruitment costs are typically £40k per head in addition to the opportunity cost for those involved in the process.
- Organisational fit matters. Of our interviewees, those working in agencies had found the transfer from private sector to public sector easier than those who had moved into Whitehall departments. This was due to agencies having clear performance goals, generally being more arms length from political decision-making and having more autonomy. It is also possible to succeed in Whitehall but seems to be more dependent on former experiences and skills. There are examples of former local authority senior leaders and those from professional service firms moving successfully into Whitehall roles and there is a clear sense of them having benefited from their experience of complex, bureaucratic and political organisations.
- It is critical to match the right people to the right jobs and culture. While important, too much weight has been given to technical skills. The Civil Service should select people on their technical skills, organisational fit and personal qualities—particularly adaptability and an ability to listen and learn. A lack of confidence within the Civil Service has led it, at times, to be in awe of external recruits with impressive looking CVs and job titles and to be insufficiently critical and challenging in referencing and in its assessment of fit and wider capabilities.
- Improvements need to be made to the HR processes. There are good examples to be found but, too often, sourcing has lacked rigour and induction has been poor both on basic orientation and on “how things get done”.

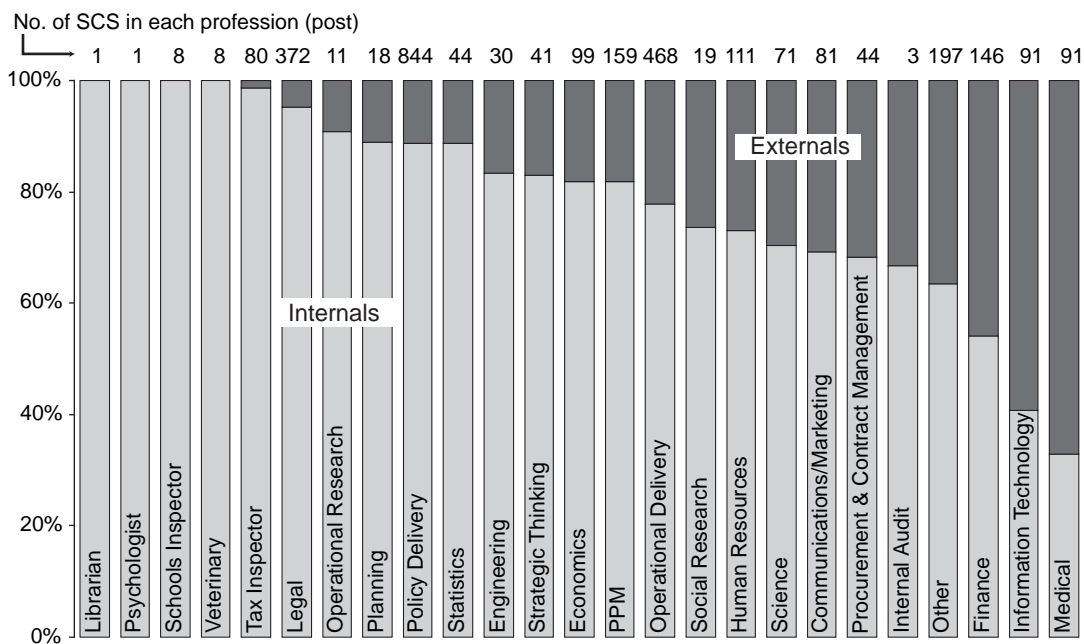
4. At the end of this response we summarise our main recommendations but first we turn to the specific questions you raise in the consultation.

QUESTION 1

*Is the current level of external recruitment to the Senior Civil Service justified? Does it achieve the objectives set out for it (eg filling skills shortages in the Civil Service, ventilation with new ideas and ways of working)?*

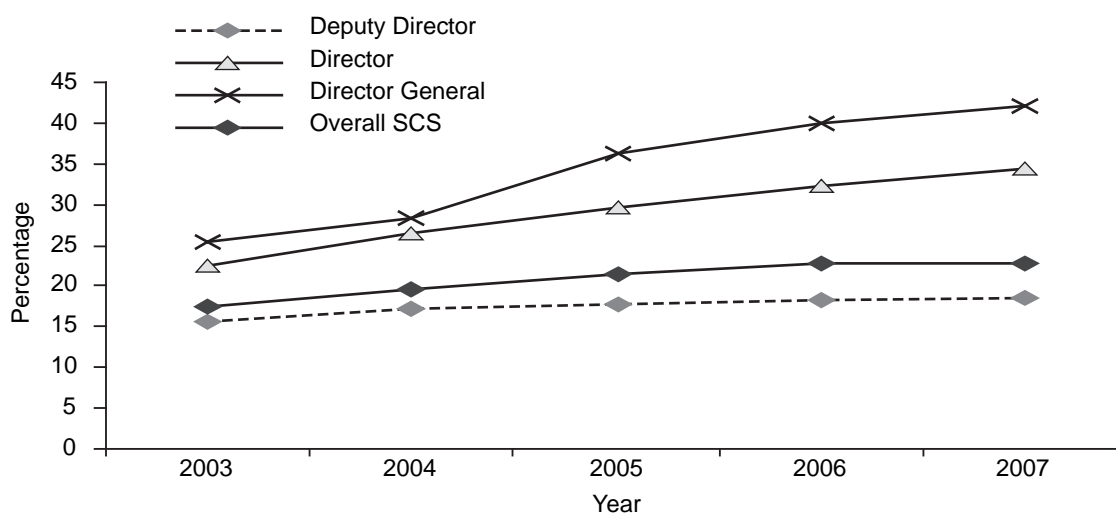
5. External recruitment is still a necessity for the Civil Service but there is currently too much tactical recruitment for individual roles concentrated at senior levels. Despite the desire to bring in new ideas and ways of working there is more evidence of filling skill shortages largely in corporate service functions. External recruitment tends to be concentrated in certain professions such as medical, IT, finance, audit, and procurement. In contrast 60% of all internal SCS are in policy delivery, operational delivery or legal professions (see chart below from Cabinet Office, SCS database 2008).

SCS PROFESSION OF POST BY INTERNAL/EXTERNAL  
(% OF TOTAL IN PROFESSION)



6. We agree with Sir David Normington’s recommendation that there should be an overarching workforce strategy which should:

- Have clear plans for each of the professions. The corporate service functions have worked with departments to raise capability including bringing in external recruits but the Civil Service would also benefit from plans and a clearer strategy for resourcing policy and operational delivery—the core roles for SCS. The plans need to be explicit on the current state, the organisational skills required and the likely sourcing balance between internal and external over the next five years.
- Identify from which sectors and for which roles external recruitment is likely to provide the best fit. For example, with the growth in partnering with a broader range of service providers, private sector experience could assist greatly in filling commissioning and commercial roles. We have seen how private sector hires can bring both the right skills and experience, and the right culture and mindset to these areas. (Also, see our observations on recruitment from the private sector in response to question 8 below)
- Focus on recruitment at Deputy Director level. External recruitment directly into board level posts from outside the sector is unusual in the private sector and is more likely to increase the risk of failure. Yet, the Civil Service continues to fill over a third of Director and Director General posts from the private sector. It would be less risky and less expensive if external recruitment is encouraged more at Deputy Director level. The chart below shows the growth in the proportion of external recruits filling the most senior roles.



The proportion of Director Generals who are external has increased from 25% in 2003 to 42% in 2007  
 Source: Cabinet Office, 2008, The SCS database

## QUESTION 2

*How effective are the existing arrangements for making and overseeing outside appointments to the Senior Civil Service?*

7. Sourcing and selection are critical in making successful appointments into the Civil Service. In interviewing over 20 existing or ex-senior civil servants, we found that:

- Sourcing needs to be more rigorous: new recruits into the Civil Service were generally ready to move and found their roles in a number of ways. There are examples of former non-executive directors of government departments filling permanent executive positions; others were approached to apply through open competition by government board members; and others were approached by search firms. There were few examples of candidates simply responding to an advertisement.
- Selection needs to pay more attention to fit: most found the recruitment process straightforward although heavily reliant on formal interviews. If anything, some said the process was less rigorous and had fewer stages than those for senior positions outside the public sector where there is more emphasis on ensuring the right fit for both the organisation and the individual and potentially many meetings with senior colleagues.

8. Our recommendations are to build on existing good practice and to be more systematic particularly in sourcing. This is particularly important as there is a concern that the suitable pool of external talent is drying up. The Civil Service should therefore consider:

- Increasing expectations on board members to network and identify potential talent.
- Retain information within departments and professions on potential recruits similar to the approach taken by professional search firms. Private sector organizations that hire many senior professionals often find that having search capabilities in-house is more cost-effective than relying on external firms.
- Improve knowledge of where the search firms differentiate from one another. There is the opportunity to do this through the new Cabinet Office framework agreement which is currently being tendered.
- How to provide opportunities for potential recruits, particularly those not from the public sector, to be involved in government work either as NEDS or in an advisory capacity.

9. We also have recommendations on selection practice. Most important is the criteria used for making appointments. There continue to be benefits in using the Professional Skills for Government framework to ensure that there is an objective standard for testing skills and leadership capabilities but our interviews revealed a consensus that it was necessary to look beyond this. The most successful external recruits are likely to be those who combined:

- A high level of technical skill or sector knowledge.
- Strong leadership and team-building skills.
- An understanding of the environment they are entering with its unique political governance and rhythm.
- Personal qualities including adaptability, an ability to focus over the long term and balancing an appreciation of public sector values and skills with different ways of working.

10. It should be the responsibility of the selection panel to get to the heart of this with their candidates and to ensure that the processes, including referencing, fully test motivations alongside skills and experience.

11. Our comments on overseeing appointments are limited to the observation that, from the point of the view of the candidates, the process becomes less transparent, more delayed and uncertain at the end of the process where approvals are sought for the proposed appointment. This contrasts starkly to best practice where this would be treated as a critical step in the process, when the candidate needs to be courted and brought on board.

### QUESTION 3

*What steps should be taken to ensure outside recruits, once appointed, are able to operate effectively within government?*

12. Our research provides helpful insight across all steps in the on-boarding and integration process.

#### *Induction and on-boarding*

13. Successful on-boarding arrangements are essential for learning, building effective relationships and meeting performance expectations. Induction is at best patchy for new recruits. The on-boarding arrangements also matter for internal candidates promoted into senior roles but those from the private sector need much more systematic support.

14. Those we interviewed had been appointed before the introduction of the SCS base camp—which is a concept we very much welcome—and there are likely to have been other changes within departments too. Nonetheless, we have identified two key shortcomings:

- a failure to provide basic induction for SCS recruits who are often locked outside the traditional departmental induction processes as it is thought unnecessary or unsuitable for them; and
- the lack of regular contact with their line manager again contrasts with the experience of other recruits below SCS level. This can leave the new recruit feeling isolated without established peer networks and lacking ongoing feedback.

15. In order to overcome these problems, we observed that the better examples of induction have included:

- A 100-day transition plan agreed with the recruit before they arrive.
- Clarity and co-ordination over the responsibilities of the line manager, HR, the mentor, Head of Profession and personal assistant.
- Participation in departments' own induction procedures so that the new arrival can get to grips with the basics such as office systems and a wider cultural absorption than that provided by purely SCS events.
- Clarity over terms and conditions which are very different between public and private sector—we heard comments from some who said that had they fully understood what they were signing up to then they would not have joined.
- Mentoring. This was universally seen as very important for new recruits. Those we interviewed who were mentored highly valued this to ensure they did not trip up on arrival and learned more quickly how to get things done and make a difference.

16. There are also some wider requirements around role expectations and creating the conditions for new ways of working.

#### *Clarifying expectations*

17. For new recruits to stand a chance of success, the recruiting department needs to:

- Agree role, objectives and 2 to 3 key priorities.
- Set expectations on ways of working. In particular, being clear about the balance being sought between bringing in new technical skills and bringing in new ways of working and broader cultural change.
- Recognise that it will typically take at least 18 months to make a demonstrable difference to the organisation and possibly three years to embed this and leave a sustainable legacy.
- Provide honest and ongoing feedback rather than leaving the new recruit to judge themselves on impact both in terms of delivery and organisational fit.
- Finally, the individual and the Civil Service should be clear about career expectations. Is the individual being recruited for a specific skill set and/or set of circumstances such as a turnaround or one-off activity or is the new recruit interested in and likely to bring more general leadership skills? More than one interviewee commented on how difficult it was to find another role in government or to make a clean exit.

*Creating the conditions for new ways of working*

18. As well as bringing in skills, a new recruit particularly from the private sector is often asked to bring new ways of working while, at the same time, adapting and fitting into the existing structures and systems. If a new recruit is truly to operate effectively and to change the status quo, they will require:

- Their appointment to be part of a wider change programme embracing organisational structures, systems and culture.
- HR and Commercial to demonstrate a willingness to create agile processes which bring in, reward and incentivise high performance.
- Strong teams. No individual can succeed by themselves. We were struck by how many interviewees saw as essential the ability to identify and appoint quickly an able deputy, often a civil servant, whom they knew and trusted to help them get things done.
- Senior sponsorship. While we have commented on the challenge of regular contact between the new recruit and their board member, it was nonetheless very powerful for the new recruit to know they had permission visible to all to make changes and challenge the status quo. While this needed to be accompanied by an understanding of how far one could push without alienating oneself, senior sponsorship is critical in traditionally hierarchical organisations like the Civil Service.

## QUESTION 4

*Should there be ministerial involvement in appointing outsiders? If so, what mechanisms would need to be in place to safeguard against inappropriate political influence in the recruitment process?*

19. The Code carefully sets out ministerial involvement and appears to strike the right balance between involving ministers while ensuring the Civil Service takes the decisions on most appointments.

20. One observation we would make is that any sense of ministerial involvement in external hires could make them more vulnerable than internal civil servants to the arrival of a new administration who may view the external hire as too closely associated with the outgoing administration unlike internal civil servants who will normally have experienced working for other administrations and will be more used to the impartiality of working in the Civil Service.

## QUESTION 5

*One issue of significant concern is that of pay differentials between those appointed from outside and existing civil servants. Is the practice of paying higher salaries to some external recruits justified?*

21. Evidence provided to the Senior Salary Review Body in December 2008 showed that in 2007-08, the median starting salary of external recruits was between 15% and 54% greater than the median salary of internal promotees to the same payband.

22. There is a case for paying higher salaries to some external recruits for the following reasons:

- There should be a risk premium for external recruits given that the chances and consequences of failure are significant at between 40–60%—although taking action on other points raised here could reduce that risk.
- Existing civil servants entering the Senior Civil Service are likely to benefit from reserved rights on pension such as a final salary pension retirement age of 60. New recruits will be working to a career average pension age of 65. It is reasonable to increase base pay to compensate for this shortfall.
- In many cases the Civil Service is paying for a skills shortage or to inject new ways of working and must expect to pay a premium where it does not have these skills internally.

23. Circumstances where the Civil Service needs to ensure that it does not pay over the odds include:

- ensuring that candidates understand that the total reward package will look different to that in the private sector by computing more explicitly the cash benefit of the total reward package and ensuring that this is not undersold;
- attracting candidates who are motivated by more than remuneration; and
- putting people on permanent contracts when using fixed term contracts and paying performance premia will achieve better return on investment.

*What evidence is there to demonstrate the difference made by senior outside appointees to the performance of their departments?*

24. There is evidence that external recruits have had a positive impact in the following circumstances:

- where there is a clear and explicit strategy or reason for recruiting into particular roles. The approach in the Finance Function is the most obvious example where the Head of Profession worked with departments to bring in financially qualified Finance Directors either from elsewhere



in the public sector or in the private sector. Whilst there are cases where some individuals have not been entirely successful, overall it seems clear that the external hires have made a strategic difference to finance professionalism and service in government;

- where there is a clear requirement for new skills or sector experience that can be found better from other sectors such as in commercial or commissioning roles, then these have proved their worth; and
- where the personal fit is right. Even where there is a skills requirement, it is important that the person has the right personal qualities and is adaptable to working within the Civil Service. However good the strategy and planning might be, round pegs in round holes are critical.

#### QUESTION 7

*What are the implications of making external appointments for the culture of the Civil Service, including effects on the morale of civil servants and on shared values such as the public service ethos?*

25. It is possible to overstate the impact of external appointments on shared values such as the public service ethos. It is true that most of those whom we interviewed who joined the Senior Civil Service from outside were more motivated by the specific role than by the notion of working in the public sector generally. Typical comments were “The initial attraction was the status and role. It equated to working as FD in a large FTSE 100 company”, “I saw the attraction of a big job” and “I could see the potential for the initial role leading to other opportunities”.

26. It is also true that our reading of the SCS Staff Survey in 2006 suggests that external recruits have less affinity with their department or the Civil Service than those who have worked a long time in the organization (see below):

Section 6 - Overall Perceptions of your Department and the Civil Service									
Please note: Results are not shown for results of fewer than 10 respondents. Question	Overall	Length of Service - SCS				Length of Service - Civil Service			
		Less than 1 year	Between 1 & 3 years	Between 3 & 5 years	Over 5 years	Less than 1 year	Between 1 & 3 years	Between 3 & 5 years	Over 5 years
<b>Number of respondents:</b>	<b>2985</b>	<b>362</b>	<b>696</b>	<b>567</b>	<b>1300</b>	<b>107</b>	<b>209</b>	<b>167</b>	<b>2443</b>
49. I am committed to seeing my Department succeed	98	99	98	98	97	100	99	98	98
50. I am willing to put in a great deal of effort beyond what is normally expected to help my Department succeed	91	96	93	91	89	100	97	96	90
51. I am proud to work for the Civil Service	81	82	81	84	78	72	75	83	81
52. I feel a strong sense of belonging to the Department	70	68	67	74	70	60	55	67	72
53. I feel a strong sense of belonging to the Civil Service	67	65	63	68	69	42	44	61	70
54. I feel a strong sense of belonging to the Senior Civil Service	52	44	48	54	56	45	41	50	54
55. I would recommend the Civil Service as a good place to work	68	72	70	73	63	57	65	69	68

27. Both of these may suggest that new recruits do not feel they belong to the Civil Service or more broadly the public sector. Whilst this does not mean that Civil Service values are eroded, we consider that it reinforces the importance only to bring in external talent where it is genuinely able to add value above and beyond what an internal candidate could provide.

#### QUESTION 8

*Is there the right mix of external appointees in terms of where they came from? Should there, for instance, be greater or fewer appointments from the private sector?*

28. It is more important to get the right person for the right role than to be concerned about overall numbers. Within the context of the Civil Service, too often search firms are told that someone is needed from the private sector without being clear why. There should be much more consideration given both to the skills required and the organization’s requirement. For example, is transformational change required and is this more likely to be achieved from a private sector recruit? Is there a need for a particular sector experience or roles where there are internal skill shortages? Examples of where private sector recruits are likely to bring in skills and add higher value include:

- Commercial and commissioning services. Government is looking to a much broader range of service providers and to bring new commissioning models into the public sector such as in the NHS

and Offender Management. Private sector recruits can bring considerable knowledge of the supplier market, an understanding of risk sharing and the skills required for strategic partnering and contracting.

- Corporate services. Private sector recruits are more likely to have an impact if the government department is looking for transformational change. One DG F&C arrived to find that the job for the first two years was getting the basics right before it was possible to move into influencing and shaping spending decisions. More positively, the DG HR Head of Profession has looked to recruit specific skills to match the requirements of the various departments at the time. Those departments going through transformational change have benefited from the organizational development experience of private sector recruits while others have looked for HR generalists who have operated in large scale organizations.
- Delivering culture change. In one department, the Permanent Secretary told us that he had deliberately brought in two external DGs to shake up the department one of whom went on to replace him as Permanent Secretary.
- Policy delivery. Most of those we interviewed from the private sector were full of admiration for the policy delivery skills of existing civil servants and thought that the internal pipeline was strong for senior policy roles. We believe there is a case for strengthening the role of the Civil Service Policy Delivery Head of Profession and being more explicit and systematic where the balance should be between internal and external recruitment. While those we interviewed are right to value the traditional skills of policy civil servants in getting things done in Whitehall, there are potentially more roles that could be opened up as external recruits bring strategy development, sector and stakeholder knowledge, delivery experience, and marketing and others skills to the benefit of the organization.

#### QUESTION 9

*How could the effects of making outside appointments be most effectively monitored?*

29. The absence of a clear workforce strategy has made it difficult to monitor outside appointments. Implementation of Sir David Normington's recommendation will make it possible for Cabinet Office and Heads of Profession to set standards and expectations both for internal and external recruits. The capability reviews provide good supporting evidence of the impact of functions which have recruited externally too.

#### QUESTION 10

*What can be learnt from the experience of the devolved governments or other countries when it comes to making external appointments to the senior ranks of the Civil Service?*

30. While we have not yet carried out an international study, we found the 2003 Canadian Centre for Management Development report on *Making Transitions Work: Integrating External Executives into the Federal Public Service* a useful piece of research which raised very similar issues to those we identified in the UK from our own work.

#### ERNST & YOUNG OVERALL RECOMMENDATIONS

31. We have recommendations both for those looking to join the Senior Civil Service from outside and for changes the Civil Service should look to make itself. We recognise that many of these actions are ones that the Civil Service is committed to making and we particularly support Sir David Normington's conclusion that a workforce strategy should be developed for the SCS.

#### TIPS FOR SUCCESS FOR THE NEW RECRUIT WHO SHOULD:

- Before committing to join, meet other Board colleagues, negotiate your key deliverables and be clear about the terms and conditions including restrictions on future work.
- Have a good number two. Some of our interviewees had identified an internal Director or Deputy Director who knew the Civil Service and how to operate within the department and across Whitehall.
- Push for honest feedback. Encourage those you work with to give constructive feedback to help fit in. This does not come naturally to many SCS but is key to success.
- Get a mentor. All those we asked who had a mentor found it invaluable both to access networks and to learn about the unwritten rules of the Civil Service.
- Don't try to run before you can walk. Being action-oriented is good but external recruits should not succumb to organisational or self-generated pressure to do too much too soon. Early credibility will come through strong technical advice and the right behaviours. Hard and sustainable delivery can follow later.

THE CIVIL SERVICE SHOULD:

- Develop a workforce strategy which fits round pegs into round holes. The strategy will need to:
  - Segment the professions, including policy and operations, identify the balance between external and internal resourcing and between levels. Increasing recruitment now at Deputy Director level will help increase the talent pool for more senior roles over the next five years.
  - Be flexible enough to accommodate the range of roles and cultures in departments and agencies.
  - Be clear where in the marketplace the right skills are to be found whether from the private sector or elsewhere in the public sector.
- Get the basics right. Invest in improving HR systems and processes such as search, induction, development and deployment.
- Ensure there are clear expectations between the new recruit and the Civil Service on priorities, timescales, and career opportunities.

32. We would be very happy to discuss these points further with the Committee if that would be helpful, and we look forward to seeing the outcome of your work.

*April 2009*

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**Memorandum from Sir David Normington KCB**

During my Appearance at the Committee on 12 May, in response to questions from Paul Rowen, I undertook to write to the Committee with more detailed information about the proportions of external recruits to the Home Office since I moved here in January 2006.<sup>8</sup>

When I moved to the Home Office I did take active steps to strengthen the team through external recruits and, indeed, in the 18 months to October 2007, 32% of the appointments at the key Director roles were external appointments. Since then I have tried to restore balance, developing some of the internal talent from within the Home Office or recruiting from other parts of the Civil Service. Over the whole period from 2006 to 2009 29% of Directors and Director Generals have been externally recruited and the proportion of current Home Office Senior Civil Servants who were external recruits currently stands at 23%.

I have defined external recruits as recruits to permanent and fixed term appointments. This definition excludes contractors and consultants working in permanent posts and it also excludes people with a background predominantly outside the civil service and who joined another civil service department before moving to the Home Office.

I hope this is helpful to the Committee.

*June 2009*

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**Memorandum from Prospect**

INTRODUCTION

1. Prospect is a trade union representing 102,000 scientific, technical, managerial and specialist staff in the Civil Service and related bodies and major companies. Our members are professionals, managers and specialists across a diverse range of areas, including agriculture, defence, energy, environment, heritage, justice and transport.

2. Prospect welcomed the opportunity created by the Normington Review to take a fresh look at Senior Civil Service (SCS) workforce and reward strategy. Both Prospect and our sister union FDA also welcomed the support of the Senior Salaries Review Body (SSRB) for urgent progress towards a bold reform package and for additional funding to implement the necessary changes. In the event our assessment is that whilst the Normington Review sets out some useful recommendations, it presents a partial perspective.

3. For example, the Normington Review defines the SCS largely in terms of skill and professionalism in policy and service delivery, project management and financial management. These are clearly core elements of the SCS, but there is no mention of the vital role played by staff with specialist skills and expertise—which the SCS currently lacks. We are also concerned that Normington's approach predominantly seeks to define the SCS as a separate and distinct body. This in part reflects a partial view of leadership, when in reality this is actually undertaken at a series of levels throughout the Civil Service and across a wide range of functions. A close relationship is retained between those responsible for policy and its execution is key to efficient and effective government.

4. Our comments on the specific questions posed by the Select Committee are set out below.

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<sup>8</sup> Q124

*Is the current level of external recruitment to the Senior Civil Service justified? Does it achieve the objectives set out for it?*

5. This question presupposes a view about the level of recruitment to the SCS generally and of the reasons for it. We would challenge the assertion in the Normington Review that upward pressure on the size of the SCS has been inevitable. Such an argument cannot carry conviction without analytical evidence to support it. It would be helpful to have a breakdown of the size of the SCS by department and agency and some analysis to identify genuine upward pressure as a result of new initiatives.

*Should there be ministerial involvement in appointing outsiders? If so, what mechanisms would need to be in place to safeguard against inappropriate political influence in the recruitment process?*

6. Direct ministerial involvement in appointing external recruits would create challenges for impartiality and could confuse lines of accountability. There have already been examples of such confusion when ministerial advisers have apparently encroached on, or sought to influence, the role of civil servants. Having said this however, we do not agree that the size and structure of the SCS should be left to permanent secretaries, who are unlikely to create any impetus for change. There needs to be greater “corporate” oversight and accountability of permanent secretary decisions. Normington’s vision of a greater role for the Cabinet Office is useful in this regard but we do have doubts, based on experience, over the Cabinet Office’s ability to exercise effective influence. Whilst an expanded role must be supported by an appropriate level of resourcing, action will be needed in parallel to mount a concerted challenge on deeply rooted SCS culture.

*One issue of significant concern is that of pay differentials between those appointed from outside and existing civil servants. Is the practice of paying higher salaries to some external recruits justified?*

7. Whilst we would not argue that there is never a case for specialists to be externally recruited, there is not a strong evidence base to support the value of doing so. The Government’s own evidence to the SSRB noted that “It has not been possible to produce a robust metric that would allow us to definitively measure the value for money of external hires compared to internal appointees”. The Government’s evidence also notes the conclusion of David Bell’s review that “It is always risky for any organisation to bring in ‘outsiders’ to very senior posts, with about 50% of external hires made at Director level being unsuccessful”. Although the Normington Review recognises the problems caused by differences in treatment of external appointees and internal promotions, in Prospect’s view it does not sufficiently convey the huge sense of frustration and resentment that these practices cause.

*What are the implications of making external appointments for the culture of the civil service, including the effects on morale of civil servants and on shared values such as the public service ethos?*

8. We would be concerned about over-reliance on external appointments leading to denudation of civil service in-house capability and expertise—including loss of corporate memory. Of course there should be appropriate weight on proper valuation of core policy and administrative skills and corporate leadership, but unless there is an accompanying aim to properly value specialists in government, this will reinforce the existing SCS dual culture of “specialists” and “generalists”. Normington’s perspective ignores the value of senior specialist roles—both as functional leaders and in delivering key government objectives. For example, it is clear that government’s capacity as an “intelligent customer” has eroded and that there is insufficient technical expertise both among SCS policy and decision makers resulting in increased use of external consultants without either contextual knowledge or “corporate memory”.

9. Furthermore, Normington’s emphasis on performance pay and part of a new SCS reward strategy fails to acknowledge the difference between public and private sector cultures, though performance pay is increasingly discredited in the private sector too. The pay and workforce strategy for the SCS should flow from a commitment to public service rather than the high risks and big rewards of the private sector. We are opposed to any approach that seeks to replicate the practices of the private sector, and in particular we strongly object to any approach that focuses on a bonus culture at a time of growing public hostility to bonuses. Information gleaned in response to recent Parliamentary questions relating to civil service bonuses reinforces our concerns over lack of transparency and accountability. There is a lack of clarity, both at individual and departmental level, about the criteria for bonus payments. In addition, access to bonus payments appears to be inconsistent and there is often a clash between “corporate” and individual objectives. We of course acknowledge that there are market pressures, particularly where there are pay pinch points, but remain strongly of the view that underlying principles need to inform SCS pay policies.

*What can be learned from the experience of the devolved governments or other countries when it comes to making external appointments to the senior ranks of the civil service?*

10. Whilst Prospect is not in a position to provide a detailed response to this question, we note with interest that the National Assembly for Wales (NAW) reported that it had made no bonus payments in the 2007–08 financial year. Yet, in our experience, the NAW is more effective and directly accountable to stakeholders than some Westminster-based departments.

## Memorandum from the Public and Commercial Services Union

### INTRODUCTION

PCS welcomes the opportunity to make a written submission to the Public Administration Select Committee. PCS—a union representing over 300,000 members, the majority of whom work in government departments, agencies and public bodies—also welcomes the invitation to give oral evidence as the inquiry topics are issues that are of concern to our union.

### OUTSIDE APPOINTMENTS TO THE SENIOR CIVIL SERVICE

Although the bulk of PCS members are concentrated in middle and lower civil service grades, we have some members in the Senior Civil Service (SCS) which means that we organise at all levels except for specialist professional grades. PCS negotiates on training and career development from workplace to national level, and has had particular success in setting up a network of union learning representatives and in providing learning through our Learning Centre.

PCS also supports the work that the Government has been doing towards developing a highly skilled civil service and, through the Council for Civil Service Unions (CCSU), sits on the Board of Government Skills.

We welcome the fact that the Select Committee is reviewing outside appointments to the SCS, as we believe that this is long overdue. Whilst external recruitment into the SCS is nothing new, there has, over the last decade or so, been a consistent growth in external recruitment to the SCS accompanied by an alarming use of external consultants. Proponents of this drive have argued that it was a necessary response to the increasing professionalisation of certain corporate activities in the service such as Human Resources, Information Technology and Finance. But more importantly, external recruitment would also raise the pace of making the SCS more diverse.

Despite the extensive investment that has gone into recruiting from outside, emerging evidence suggests an increasingly high turnover in the SCS. Whilst there are various reasons for this phenomenon, anecdotal evidence suggests that turnover is highest amongst women and ethnic minorities. Furthermore, as the 2007 Review Body on Senior Salaries report noted, external recruitment has led to a pay differential between internal and external recruits.

PCS believes that there needs to be a shift in terms of the perceptions attached to skills possessed by external recruits and to those of internal recruits. Whilst we acknowledge that certain SCS posts may have to be filled through external appointments, this should be done only where it is absolutely necessary, and for the Civil Service to consider ways in which the massive untapped potential that exists amongst staff in lower and middle grades can be developed. As well as widening the skills pool available to the public sector, this would also help address the diversity gap at senior levels, since the majority of women, ethnic minorities and staff with disabilities employed by the Civil Service is currently concentrated in the middle and lower echelons.

March 2009

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## Memorandum from the Welsh Assembly Government

### QUESTIONS

1. *Is the current level of external recruitment to the Senior Civil Service justified? Does it achieve the objectives set out for it (eg filling skills shortages in the civil service, ventilation with new ideas and ways of working)?*

Yes.

WAG has a rigorous process in place to ensure that vacancies are real and that they cannot be filled by other means ie business redesign. The recruitment process for each vacancy is considered by the SCS Remuneration Committee which is chaired by one of the Non-Executive Directors and members are the Permanent Secretary, the Director General, People, Places and Corporate Services, the Director General for Public Services and Local Government Delivery and the other two Non-Executive Directors. The majority of SCS posts are advertised openly.

2. *How effective are the existing arrangements for making and overseeing outside appointments to the Senior Civil Service?*

Covered in part at Q1 above.

With regard to director level appointments and above, the panels are chaired by civil service commissioners and this ensures the Code is adhered to, thus adding credibility to the process.

3. *What steps should be taken to ensure outside recruits, once appointed, are able to operate effectively within government?*

All SCS appointees are given an induction pack and an induction plan is arranged for them when they start. The induction plan includes meetings with relevant colleagues and ministers. New SCS members are also allocated a mentor/buddy. All new SCS entrants also meet the Director General, People, Places and Corporate Services or Deputy Director, People, depending on level of appointment.

4. *Should there be ministerial involvement in appointing outsiders? If so, what mechanisms would need to be in place to safeguard against inappropriate political influence in the recruitment process?*

We always ensure that ministers are kept informed during the recruitment process and can input into the advertisement and person and job specifications. Each minister is briefed on long and short listed candidates and are given an opportunity to comment. We believe this is an appropriate level of involvement by ministers in the appointment process.

5. *One issue of significant concern is that of pay differentials between those appointed from outside and existing civil servants. Is the practice of paying higher salaries to some external recruits justified?*

This is a complex issue and one must bear in mind that a number of the SCS have been in post for some years and therefore their salaries and progression are based on legacy policies and historic market values. For new recruits we pay the advertised salary regardless of whether the successful candidate is internal or external, but take care over the advertised salary not to over-inflate the value. This is not always achievable and sometimes there is a necessity to pay the “market rate” to attract high calibre external candidates. We have recently carried out some detailed analysis of SCS salaries. 99 SCS posts have been advertised externally since January 2004 and the appointments can be broken down as follows:

- 35 appointments from outside the Civil Service;
- 54 appointments from within the Civil Service (including those recruited from OGDs); and
- 10 posts were not appointed to.

Of the 35 recruited from outside the Civil Service, 32 are still employed by WAG.

#### SALARY INFORMATION

##### *Deputy Director level posts*

	<i>Highest Salary</i>	<i>Lowest Salary</i>	<i>Average Salary</i>
Recruited Externally	£110,000	£60,000	£80,096
Recruited Internally	£80,750	£52,403	£63,928

##### *Director level posts*

	<i>Highest Salary</i>	<i>Lowest Salary</i>	<i>Average Salary</i>
Recruited Externally	£153,083	£85,000	£119,816
Recruited Internally	£121,714	£80,706	£99,546

##### *Director General level posts*

	<i>Highest Salary</i>	<i>Lowest Salary</i>	<i>Average Salary</i>
Recruited Externally	£150,000	£130,000	£137,500
Recruited Internally	£131,710	£130,000	£130,236

Whilst this information is not generally available to SCS members in WAG, no doubt if it were, a number of issues would be raised.

6. *What evidence is there to demonstrate the difference made by senior outside appointees to the performance of their departments?*

There is no evidence to support this assertion. We use a robust selection process which delivers the best person for the role. Performance data and other metrics show no differentiation from internal and external appointees.

7. *What are the implications of making external appointments for the culture of the civil service, including effects on the morale of civil servants and on shared values such as the public service ethos?*

Positives—as an organisation we benefit from the innovative ideas external appointees bring to the posts, a less cautious attitude to taking (calculated) risks and a willingness to question working practices.

We endeavour during the recruitment process to ensure that external candidates understand what it means to be a civil servant and the values of the Civil Service

Negative—a reduced morale for those who may feel overlooked and undervalued. Although again there is no evidence of this within WAG.

8. *Is there the right mix of external appointees in terms of where they came from? Should there, for instance, be greater or fewer appointments from the private sector?*

The mix is determined by ensuring fair and open competition with appointment on merit—an ethos and value we strongly support and advocate.

Generally there could be an argument that there should be more appointments from the private sector for the diversity they bring, but this group often has the additional difficulty to prove they are able to “hit the ground running”, especially at this level.

9. *How could the effects of making outside appointments be most effectively monitored?*

Options could include:

- monitoring retention of outside appointments and comparing to internal appointments;
- conducting an evaluation exercise across a sample of external appointments (across government and devolved administrations) to determine how candidates have integrated into the Civil Service and to canvass employing managers on how the appointment has added value to the organisations delivery; and
- including an element in staff surveys to get a broader view of the impact of outside appointments on staff morale.

10. *What can be learnt from the experience of the devolved governments or other countries when it comes to making external appointments to the senior ranks of the civil service?*

Generally candidates appear excited about working within a devolved administration and the difference that can be made in a small country. The issues tend to be around salary, working partners and difficulties of relocating families at a time of economic uncertainty. Wales for some is not an attractive option as it does not provide the same mix and variety of future job opportunities as London and the South East.

April 2009

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#### CORRESPONDENCE BETWEEN CLERK OF THE COMMITTEE AND THE CIVIL SERVICE CAPABILITY GROUP

##### **Letter from the Clerk of the Committee to the Civil Service Capability Group, 24 July 2009**

The Committee has asked me to write to you with the following requests for background information relating to their inquiry into Outside Appointments to the Senior Civil Service. A reply by Friday 28 August would be particularly helpful.

1. Profile of senior civil servants: Table 1 of the Cabinet Office’s note to PASC (titled “External SCS”)<sup>9</sup> outlines the percentages of the SCS that are from external and internal sources respectively. Are there equivalent figures for:
  - (a) The “Top 200” posts within the SCS?
  - (b) The “feeder grades” to the SCS, ie Grades 6 and 7 civil servants?
2. Inflow: Table 2 of the “External SCS” note<sup>10</sup> sets out figures on the numbers of new entrants recruited to the SCS since 2004, with a breakdown of how many are internal entrants and how many external. Are there equivalent data for:
  - (a) The “Top 200” posts within the SCS?
  - (b) The “feeder grades” to the SCS, ie Grades 6 and 7 civil servants?
3. Since 2004, what proportion of appointments to SCS posts have been open competitions? (If possible, it would be useful to have figures on the overall number of SCS appointments and the number of open competitions in each year since 2004.)

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<sup>9</sup> Ev 24

<sup>10</sup> Ev 24

4. Are statistics collected on the specialist skills/background of external recruits to the SCS, for both Top 200 civil servants and the SCS as a whole? What proportion of appointments are from the following professions/specialisms:
  - (a) Information technology.
  - (b) Finance.
  - (c) Human resources.
  - (d) Medical.
  - (e) Other (please specify).
5. What statistics are available on numbers of external appointments to SCS posts in individual government departments?
6. Beyond the data on “Outflows” contained in the “External SCS” note,<sup>11</sup> what statistics are collected on the retention of external recruits over time? For example, what proportion of external recruits from 2004–07 remained working within government in 2008, compared to the same proportion for internal recruits?
7. What data exist on the performance of external recruits compared to that of internal recruits, and what time period do these data cover?
8. Are there SCS induction procedures and on-going support measures that are tailored specifically for external recruits, and if so, how do these differ from those directed at new SCS entrants in general?
9. Are exit interviews conducted with people leaving the SCS? If so, are results from such interviews analysed according to whether the leaver was an external recruit or an internal one?

Many thanks for your help, and I look forward to hearing from you.

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**Letter from the Civil Service Capability Group to the Clerk of the Committee, 25 August 2009**

Thank you for your letter of 24 July seeking some additional information as part of the Committee’s current inquiry into Outside Appointments to the Senior Civil Service.

**STATISTICAL INFORMATION**

In response to questions 1–7 in your letter, we are able to provide data for the Top 200 and the SCS as a whole. This information is taken from the Cabinet Office SCS database and is set out in the attached Annex. However, corresponding data for the feeder grades to the SCS cannot be given as this information is not collected centrally.

**SCS INDUCTION**

Regarding question 8, individual departments are responsible for providing their own departmental induction for new members of the SCS. This will usually cover the business of the department, its governance and operating arrangements as well as tailored induction to fit the needs of the specific role being filled. A wider range of issues may be covered depending on the needs of the individual, taking into account his/her background, knowledge and experience of the department and the Civil Service more generally.

As part of the induction process, all new members of the SCS are required to attend Base Camp. This is a two and a half day course which sets out the leadership expectations for the SCS and is delivered, on behalf of the Cabinet Office, by the National School for Government.

We recognise that external recruits usually require more comprehensive guidance and support, particularly in terms of making the transition from other sectors to the public sector and understanding how the Civil Service operates. We therefore encourage individuals to have a mentor who is either a recently retired or serving member of the SCS with wide experience of the Service. He or she can provide an invaluable insight into how “Whitehall works” and be a source of practical advice and support.

The National School provides a number of events covering public and parliamentary accountability, board membership and the machinery of government, ethics and the political context, which are drawn to the attention of external recruits. One is a training and familiarisation programme called Working in Government, which all new SCS members are encouraged to attend in their first year. E-Learning modules on government finance, policy and strategy are also available, so that joiners can receive tailored learning.

In addition, the Cabinet Office provides corporate induction for all new members of the Top 200. This includes a 1:1 discussion so that specific and tailored advice can be given. It includes leadership responsibilities, Civil Service governance and corporate development, and the offer of further support, including a buddy and/or a mentor if one has not already been arranged.

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<sup>11</sup> Ev 24



I also run a twice-yearly Top 200 induction workshop, hosted by a permanent secretary, for new recruits to the group and offer on-going support to individuals, including advice on specific development needs.

The Cabinet Secretary hosts a regular event to meet all new external recruits at this level as part of their induction and familiarisation process.

Those joining the Top 200 at Director General level are also required to undertake the DG Effectiveness tool within six to nine months of taking up post. This is an assessment process designed to identify the individual's leadership style and behaviours, key strengths and areas for development which are then addressed through a personal development plan agreed with his or her Permanent Secretary. The timing of this allows the individual time to settle into the role and build relationships with colleagues who may contribute to the assessment through 360-degree feedback.

#### EXIT INTERVIEWS

Regarding exit interviews (question 9), departments are asked to undertake interviews with individuals leaving the Civil Service. Although the results of such interviews are not currently held centrally, departments have been asked to provide the collated results of exit interviews as part of their feedback to the Cabinet Office on the operation of the 2009 pay round. This is a matter of interest to the Senior Salaries Review Body and we will include the information on the data we receive in the Government's evidence for the next pay round in 2010. We expect to publish the evidence towards the end of this year and would be happy to provide the Committee with a copy if it would be helpful.

Cabinet Office is also currently conducting research into the reasons why members of the SCS, particularly external recruits, choose to leave the Civil Service. The research is being conducted in two distinct ways:

- by direct contact with former colleagues from the SCS who have resigned since January 2007; and
- through interviews with line managers of leavers, to gather their views as to factors which might have caused former colleagues to leave, and the impact of departures for the teams left behind.

Findings from the research will be presented in a paper in the Autumn, with recommendations as to how we might address factors which cause members of the SCS to resign from the organisation, in order to help us retain our SCS talent.

I hope this fully addresses your questions—don't hesitate to get in touch if not.

**Annex**

#### STATISTICAL INFORMATION REQUESTED IN QUESTIONS 1–7

1. *Profile of senior civil servants: Table 1 of the Cabinet Office's note to PASC (titled "External SCS") outlines the percentages of the SCS that are from external and internal sources respectively. Are there equivalent figures for:*

(a) *The "Top 200" posts within the SCS?*

**Table 1**

SCS TOP 200 BY SOURCE, APRIL 2004 TO APRIL 2008

Source	2004	2005	2006	2007	2008
External	26%	34%	38%	39%	40%
Internal	74%	66%	63%	61%	60%

Source: SCS Database, Cabinet Office

Percentages are as a proportion of those where source is known.

(b) *The "feeder grades" to the SCS, ie Grades 6 and 7 civil servants?*

Source information on feeder grades to the SCS is not centrally available.

2. *Inflow: Table 2 of the “External SCS” note sets out figures on the numbers of new entrants recruited to the SCS since 2004, with a breakdown of how many are internal entrants and how many external. Are there equivalent data for:*

(a) *The “Top 200” posts within the SCS?*

**Table 2**

MOVEMENTS\* INTO THE TOP 200 BY SOURCE ON ENTRY TO SCS, AS AT APRIL 2008

Source	2004		2005		2006		2007		2008	
	Number	%	Number	%	Number	%	Number	%	Number	%
External SCS	14	40	22	61	15	52	18	60	21	54
Internal SCS	20	57	14	39	14	48	11	37	18	46
Unknown	1	3	0	0	0	0	1	3	0	0
<b>Total</b>	<b>35</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>29</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>39</b>	<b>100</b>

Source: SCS Database, Cabinet Office

\* Movements into the Top 200 consist of (a) *promotions* from Director to Director General and (b) *direct external* entrants into a Top 200 post.

NB: promotions will include members who were external on original entry to the SCS.

(b) *The “feeder grades” to the SCS, ie Grades 6 and 7 civil servants?*

Source information on feeder grades to the SCS is not centrally available.

3. *Since 2004, what proportion of appointments to SCS posts have been open competitions? (If possible, it would be useful to have figures on the overall number of SCS appointments and the number of open competitions in each year since 2004.)*

**Table 3**

COMPETITIONS\* AND OPEN COMPETITIONS IN THE SCS: 2004–05 to 2007–08

	Headcount			
	2004–05	2005–06	2006–07	2008–08
Number of Competitions	569	657	607	771
Number of Open Competitions	245	259	229	305
* percentage of competitions that were Open Competitions	43	39	38	40

Source: SCS Database, Cabinet Office

\* Competitions only include movements between departments, promotions within the SCS, and new entrants to the SCS. Competitions in this context do not include movements within a department at the same pay band.

4. *Are statistics collected on the specialist skills/background of external recruits to the SCS, for both Top 200 civil servants and the SCS as a whole? What proportion of appointments are from the following professions/specialisms:*

(a) *Information technology*

(b) *Finance*

(c) *Human resources*

(d) *Medical*

(e) *Other (please specify)*

**Table 4**

EXTERNAL SCS BY PROFESSION OF POST, AS AT APRIL 2008

Profession of Post	Headcount	
	Number	% of known
Economics	15	2.2
Engineering	5	0.7
Finance/Accountancy	79	11.4
Human Resources	43	6.2
Information Technology	63	9.1
Internal Audit	7	1.0
Legal	19	2.7
Medicine/Nursing	66	9.5
Operational Delivery	113	16.3
Other	60	8.7

<i>Profession of Post</i>	<i>Number</i>	<u>Headcount</u>
		<i>% of known</i>
Planning	4	0.6
Policy Delivery	92	13.3
Procurement & Contract Management	19	2.7
Programme & Project Management	30	4.3
Science	19	2.7
Social Research	4	0.6
Statistics	4	0.6
Strategy	9	1.3
Tax Inspection	2	0.3
Teaching	1	0.1
Veterinary Science	1	0.1
Not Known	271	—
<b>Total</b>	<b>964</b>	<b>—</b>

Source: SCS Database, Cabinet Office

**Table 4**

EXTERNAL SCS TOP 200 BY PROFESSION OF POST, AS AT APRIL 2008

<i>Profession of Post</i>	<i>Number</i>	<u>Headcount</u>
		<i>% of known</i>
Communications/Marketing	2	4.0
Economics	4	8.0
Engineering	1	2.0
Finance/Accountancy	9	18.0
Human Resources	3	6.0
Information Technology	3	6.0
Legal	2	4.0
Medicine/Nursing	3	6.0
Operational Delivery	5	10.0
Other	4	8.0
Planning	1	2.0
Policy Delivery	9	18.0
Programme & Project Management	1	2.0
Science	2	4.0
Strategy	1	2.0
Not Known	32	—
<b>Total</b>	<b>82</b>	<b>—</b>

Source: SCS Database, Cabinet Office

5. What statistics are available on numbers of external appointments to SCS posts in individual government departments?

**Table 5**

EXTERNAL SCS BY DEPARTMENT AS AT APRIL 2008

<i>Department</i>	<u>Headcount</u> <i>External SCS</i>
Business Enterprise and Regulatory Reform	31
Cabinet Office	39
Central Office of Information	4
Charity Commission	4
Crown Office and Procurator Fiscal Service	2
Crown Prosecution Service	4
Department for Children, Schools and Families	20
Department for Communities & Local Government	24
Department for Culture Media and Sport	4

<i>Department</i>	<i>Headcount</i>
<i>Department</i>	<i>External SCS</i>
Department for Environment Food and Rural Affairs	34
Department for Innovation, Universities & Skills	9
Department for International Development	17
Department for Transport	57
Department for Work and Pensions	82
Department of Health	169
Estyn	0
Export Credits Guarantee Department	7
Food Standards Agency	11
Foreign and Commonwealth Agency	8
Government Communications Headquarters	6
Government Offices for the Regions	20
Health and Safety Executive	5
HM Crown Prosecution Service Inspectorate	0
HM Revenue and Customs	43
HM Treasury	14
Home Office	48
Land Registry	3
Ministry of Defence	30
Ministry of Justice	57
National Archives	4
National Savings and Investments	5
National School of Government	2
Northern Ireland Office	2
Office for National Statistics	8
Office for Standards in Education	10
Office of Fair Trading	13
Office of Gas and Electricity Markets	10
Office of Government Commerce	12
Office of Rail Regulation	4
Ofwat	3
Ordnance Survey	6
Parliamentary Counsel Office	0
Postal Services Commission	1
Revenue and Customs Prosecutions Office	2
Royal Mint	1
Scottish Government	62
Serious Fraud Office	3
Treasury Solicitors Department	1
Welsh Assembly Government	63
<b>Total</b>	<b>964</b>

Source: SCS Database, Cabinet Office

6. Beyond the data on “Outflows” contained in the “External SCS” note, what statistics are collected on the retention of external recruits over time? For example, what proportion of external recruits from 2004–07 remained working within government in 2008, compared to the same proportion for internal recruits?

Of external joiners to the SCS in the year to April 2004, 49% were still in post as at April 2008. This compares to 68% of all internal joiners (in the year to April 2004) still in post as at April 2008.

7. What data exist on the performance of external recruits compared to that of internal recruits, and what time period do these data cover?

#### SCS BY SOURCE AND PERFORMANCE GROUP, 2007–08

<i>Source</i>	<i>Performance Group</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Internal	22.6	47.3	26.5	3.6
External	21.2	50.7	22.1	5.9
<b>Total</b>	<b>22.2</b>	<b>48.3</b>	<b>25.2</b>	<b>4.3</b>

## SCS BY SOURCE AND PERFORMANCE TRANCHE, 2006–07

<i>Source</i>	<i>Performance Tranche</i>		
	<i>One</i>	<i>Two</i>	<i>Three</i>
Internal	25.0	69.2	5.9
External	21.4	73.0	5.6
<b>Total</b>	<b>24.3</b>	<b>70.0</b>	<b>5.8</b>

In 2007–08 the SCS moved to Performance Grouping and away from Performance tranching. Departments rank SCS members' performance from the strongest to the weakest within an appropriate peer group. Once ranked, they are then allocated to one of four performance groups:

Group 1—top 25% of performers

Group 2—next 40% of performers

Group 3—next 25–30% of performers

Group 4—bottom 5–10% of performers

NB: Care must be taken in interpreting these figures. Performance markings take into account delivery against objectives as well as relevant performance. Anecdotal evidence from Departments suggests that salary levels are taken into account when deciding markings because performance grouping drives base pay increases and bonuses. Given the higher median salaries of external recruits it is therefore possible that the figures show that their relative performance is generally in line with what would be expected of internal recruits on similar salaries rather than showing that their performance is comparable to that of internal recruits although at greater cost. Unfortunately we do not have the evidence to substantiate this.

#### Letter from Clerk of the Committee to Civil Service Capability Group, 3 September 2009

Many thanks for your letter of 25 August, in response to my original letter requesting information as part of the Committee's current inquiry into Outside Appointments to the Senior Civil Service. The information contained in your letter will be very helpful to the Committee's inquiry. I am especially grateful for such a timely reply.

You were kind enough in your letter to offer to answer any further questions we might have, and I wonder if I could ask a few questions of clarification regarding the information in your 25 August letter. These are as follows:

1. The response to Question 5 sets out the numbers of external SCS members in each government department. To put these figures in context, what is the total number of SCS members in each department?
2. In relation to your response to Question 9, are the results of exit interviews conducted by departments categorised and analysed according to whether the leaver was an external recruit or an internal one?
3. What monitoring of the progress of Fast Stream civil servants takes place over their careers after initial recruitment? What proportion of SCS come from a Fast Stream background? What proportion of Fast Stream civil servants reach the SCS?

I would very much appreciate a response to these questions by Wednesday 23 September.

Many thanks once again for your help, and I look forward to hearing from you.

#### Letter from Civil Service Capability Group to Clerk of the Committee, 22 September 2009

Thank you for your letter of 3 September. We are very happy to provide the further information you have requested.

##### Question 5—*statistical information*

A table showing the total number of SCS members in each department is attached. This information is taken from the Cabinet Office SCS database.

##### Question 9—*exit interviews*

Departments take different approaches to conducting exit interviews and recording the information gathered. It is likely that individual departments will be able to analyse the results of such interviews to identify whether the leaver was an internal or external recruit, but this is not information that is held centrally.

However, the Cabinet Office Workforce Planning project, mentioned in my letter of 25 August, has been conducting research in order to gain a greater understanding of why SCS members have chosen to resign from the Civil Service. This research is being categorised and analysed according to whether the leaver was an internal or an external recruit and the findings will be available in the Autumn.

*Fast Stream—monitoring*

You asked about monitoring the progress of Fast Stream civil servants. Until 2004, the Cabinet Office maintained a database of Fast Streamers, but this was discontinued in line with the policy of minimising the reporting burden on departments. We have, however, recently introduced a new system of annual data collection, developed with input and support from departments' Fast Stream grade managers. This is managed for us by the Office of National Statistics, and the first year's collection, which will capture data on all Fast Streamers who have joined since 2005, is well under way. The value of this exercise will increase over time, since the more information we acquire, the easier it will be to identify trends in the performance of the Fast Stream, and strengths and weaknesses in the way it is managed. It will be possible to track individual careers over a number of years and establish, for example, whether any common factors are driving performance. We shall also be able to monitor the speed of Fast Streamers' progression into the SCS.

The data will have other practical applications, such as a check on the impact of initiatives such as Professional Skills for Government; a means of benchmarking and comparing departments with each other, especially with regard to promotion and retention rates; and scope to analyse diversity, and the relative characteristics and progress of different groups within the Fast Stream.

The results of the first collection are expected to be available early in 2010.

You also asked two further questions about the Fast Stream:

*What proportion of SCS come from a Fast Stream background?*

A quarter of all Senior Civil Servants come from a Fast Stream background. Fast stream representation increases with seniority as 23% of Deputy Directors have been in the Fast Stream, while 31% of Directors and 33% of Directors General come from a Fast Stream background.

*What proportion of Fast Stream civil servants reach the SCS?*

The data collection exercise will give insights into Fast Streamers progression to the SCS. However, we do know that ex Fast Streamers at grade 6/7 level are more likely to progress to the SCS than those at grade 6/7 who have not been in the Fast Stream. We estimate that just over 3.5% of ex Fast Streamers at G6/7 level are promoted to the SCS each year, compared to around 0.5% of grade 6/7s that have not been in the Fast Stream.

I hope this helps to clarify the information given in my earlier letter. Please let me know if you need anything further.

**Annex**

*Statistical information requested in question 5*

SCS BY DEPARTMENT, APRIL 2008

<i>Department</i>	Headcount SCS
Business Enterprise and Regulatory Reform	209
Cabinet Office	153
Central Office of Information	14
Charity Commission	10
Crown Office and Procurator Fiscal Service	34
Crown Prosecution Service	31
Department for Children, Schools and Families	117
Department for Communities & Local Government	133
Department for Culture Media and Sport	40
Department for Environment Food and Rural Affairs	180
Department for Innovation, Universities & Skills	59
Department for International Development	94
Department for Transport	177
Department for Work and Pensions	302
Department of Health	392
Estyn	4
Export Credits Guarantee Department	14
Food Standards Agency	41
Foreign and Commonwealth Agency	42

<i>Department</i>	<i>Headcount</i>
	<i>SCS</i>
Government Communications Headquarters	41
Government Offices for the Regions	69
Health and Safety Executive	45
HM Crown Prosecution Service Inspectorate	3
HM Revenue and Customs	417
HM Treasury	99
Home Office	194
Land Registry	34
Ministry of Defence	266
Ministry of Justice	224
National Archives	6
National Savings and Investments	11
National School of Government	11
Northern Ireland Office	16
Office for National Statistics	53
Office for Standards in Education	31
Office of Fair Trading	39
Office of Gas and Electricity Markets	17
Office of Government Commerce	30
Office of Rail Regulation	15
Ofwat	7
Ordnance Survey	7
Parliamentary Counsel Office	45
Postal Services Commission	5
Revenue and Customs Prosecutions Office	8
Royal Mint	1
Scottish Government	240
Serious Fraud Office	12
Treasury Solicitors Department	73
Welsh Assembly Government	147
<b>Total</b>	<b>4,212</b>

*Source:* SCS Database, Cabinet Office