Smaller, Better, Higher Paid?

Policy Exchange

How to Deliver Civil Service Savings

Stephen Webb

Foreword by Sir John Kingman KCB

Smaller, Better, Higher Paid?

How to Deliver Civil Service Savings

Stephen Webb

Foreword by Sir John Kingman KCB

Policy Exchange

About the Author

Stephen Webb joined the civil service in 1991. He started in HM Treasury, joining the Northern Ireland Office in 1995 working on political and security policy around the Good Friday Agreement. In 2002 he moved to the Home Office working on organised crime policy. At director level, he led finance for the crime and policing area, was Director of Corporate Services at the National Crime Agency and headed major projects in the law enforcement and biometrics area. In 2020 he moved to the Cabinet Office to work on borders issues post Brexit. Stephen is now Head of Government Reform and Home Affairs at Policy Exchange

Published by
Policy Exchange, 1 Old Queen Street, Westminster, London SW1H 9JA

www.policyexchange.org.uk

ISBN: 978-1-917201-54-4

Contents

Foreword

By Sir John Kingman

It is perhaps a bit of an oddity that the Conservative governments of 2015-24 presided over such a huge increase in the size of the civil service. The policy civil service alone doubled over this period.

This was not deliberate or thought-through. qIt was simply chronic mismanagement. There is no party politics in this: whether you believe in a big or a small state, we should all want one that is efficient and effective. An over-resourced administrative machine inevitably generates ever more process for itself and slows itself down. It is also extremely unlikely to create a working environment that can attract or retain the best talent.

Stephen Webb's paper for Policy Exchange shows conclusively that it is time to get a grip. Better than that, it makes a set of eminently clear, practical and deliverable recommendations for how to do so.

Grasping this would also point the way to a new deal with taxpayers. A decisive move to a substantially smaller administration would provide the only possible context in which taxpayers will ever accept an accompanying reset in pay of the best civil servants, something that has demonstrably been needed for a long time, but which Ministers and the leadership of the civil service are always very reluctant to confront.

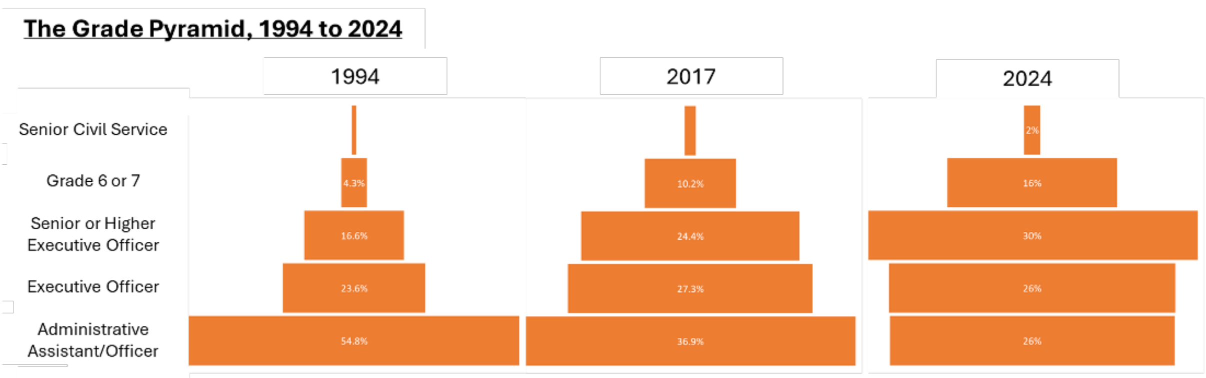
Policy Exchange also recommends a process of shrinking the civil service which is proactively *managed* in such a way that the best talent is retained and layers of bureaucracy stripped out to allow faster and better progression. This is critical. At the moment, we know from evidence to the Senior Salaries Review Body that it is the best people (those at the top of the performance distribution) who are leaving. We should want to stop and reverse that dynamic - otherwise it will be the poor performers and time-servers who are most likely to remain - but that will require a conscious strategy which is currently not evident.

Sir John Kingman is a former Second Permanent Secretary in HM Treasury; was the first Chair of UK Research and Investment, and has been Chair of Legal and General PLC since 2016

Introduction

Ministers of all parties have worried for years about the size of the civil service. It has expanded enormously, particularly since 2016, rising from under 380,000 to over 514,000 by 2024, and is within a whisker of being at its largest since the early 1980s[1]. The Chancellor of the Exchequer, Rachel Reeves, has announced plans to save around of 15% from the government's running costs, suggesting this may amount to 10,000 jobs from various 'back office' functions while protecting the frontline. But the required savings are going to need considerably more job reductions than that, and there is currently no plan for delivery.

In addition to its size the civil service suffers from structural problems, some of which are the unintended consequences of past failed efforts at reform. These include grade inflation, rapid job churn, pay packages that are uncompetitive in some areas and over-generous in others, excessive layers of management and short management spans, and overall Byzantine complexity of pay and conditions. With two extra layers of management and analysis showing permanent secretaries being appointed around 10 years younger than their predecessors in the 1980s and 1990s, the overwhelming incentive for high flyers is to rotate through jobs as fast as possible if they are to reach the top.



The current set up suits nobody: not the public receiving Government services, not Ministers and not even civil servants themselves. This paper proposes an approach that would deliver both far greater savings than Labour Ministers are proposing – around £5bn pa including future pension savings, compared to the £2bn currently proposed, delivered much quicker and at the same time significantly improving the working

1. Numbers were slightly higher in 2006

of the Civil Service.

This exercise involves targeted reversal of grade inflation, removing excess layers of management and focusing on some of the 'professions' where expansion has been most dramatic. Most of all, it builds on Ministers' recognition that the policy centre needs to be dramatically reduced. Analysis in this paper shows that the ratio of policy leads to the frontline has at least doubled over the past 30 years in policing, tripled in education and increased nearly sixfold in the counter terrorism space.

The savings resulting from this exercise should enable the government to rebuild pay in some areas where it has clearly become uncompetitive, for the most senior roles in the system and for technical specialists. It will also give people the opportunity to make their own choices on the balance between pay and pensions. It is extraordinary that civil servants on up to £40,000 salary who remain in the service are on track to receive more from the state through their occupational and state pensions than they were paid while working.

Increasing pay for top public servants is never politically appealing, but the deal is a great one for the taxpayer if the senior civil service is at the same time slashed by 50% or more and permanently capped in size at the same time. The UK will not get a Singapore style civil service while continuing to implement steadily declining real pay for its leaders.

The restructuring will be difficult and painful for civil service leaders to implement. If civil servants were actually as lazy and useless as some of their critics on the right claim, the process would be a lot easier. In practice, most are committed and conscientious – and these very characteristics, particularly in the centre of government, are contributing to the sense of overload and paralysis Ministers routinely complain about. At the same time civil servants themselves are routinely frustrated at the lack of action against poor performing colleagues – the last time the question was asked, only 41% thought poor performance was well dealt with, after which the question was removed from the People Survey. The proportion of staff dismissed on any grounds is negligible: only 0.5% of headcount across the civil service as a whole, and falling to fewer than 1 in 1000 staff in some traditional Whitehall policy-focused departments such as the Cabinet Office and the Department for Education.

These changes need to be implemented by civil service leaders, and coordinating the overall effort should be a major priority for the Cabinet Secretary personally. Ministers need, however, to keep a careful eye on the process to ensure the full benefits are realised – possibly a closer eye than during previous austerity and restructurings.

This paper sets out a programme which would deliver everything departments are currently doing. It is not dependent on a major efficiency programme in operational areas. It should, therefore, be seen as a minimal 'no regrets' programme with scope to go much further. The proposed reductions should enable the system to deliver what it is doing now, and in a more responsive manner. The reductions of around 5% in headcount at the operational frontline ought to be deliverable through normal efficiency.

There is scope for reform to go much further if Ministers were prepared to narrow down the activities Government does to concentrate on core priorities, as well as institute a radical plan to make major savings through automating processes using techniques like AI. This is a slightly longer term programme, however. It is much more dependent on political and policy choices, and would require additional investment. This first cut at reform should proceed regardless of longer term plans.

Recommendations

1. The Government should not exempt any part of the civil service from the need for efficiency, and should apply efficiency requirements to the operational and frontline areas as much as to the 'centre' or the 'back office'. This could largely be achieved through an urgently needed slimming of management layers.
2. The Government should set ambitious targets to reduce the civil service within 1 year of the announcement, involving a saving of £5b or 20% of the total budget[3]. This is considerably higher than the £2.2b that the Chancellor described as a 15% reduction in 'administrative costs' (a subset of the total civil service budget). The 80,000 reduction in numbers involved would only take the civil service back to 2020 numbers.
3. The Cabinet Secretary should be asked to take personal responsibility for ensuring these savings are delivered and departments are restructured in accordance with the strategic direction set. This restructuring should be driven by six core principles:

    a. The first principle should be a major rebalancing of the grade structure. We recommend
        - ii. A 50% reduction in the size of the SCS, taking it back to 2006 levels
        - iii. A 40% reduction in the size of the Grade 6 and Grade 7 cadre
        - iv. A 20% reduction in the number of SEO and HEOs
        - v. A 5% reduction in other grades

This amounts overall to a roughly 15% reduction in numbers, but a significantly larger reduction in costs – around 20% or around £5b annually. This exercise should be accompanied by a detailed department and agency review of their grades and spans of responsibility to identify opportunities for further reductions where grade inflation has been particularly severe.

    b. The second principle should be to roll back the expansion of back office functions and the policy profession that has taken place over recent years.

2. The total budget including gross paybill, national insurance and pension contribution is around £25b. The Government's proposed savings of £2.2b through a 15% reduction in 'administrative costs' uses a smaller baseline of civil service administration cost. See Public Expenditure Statistical Analysis table 1.7: Link

i. Specifically, we recommend a reduction of at least 50% in the policy function, bringing it back to 2016 levels (17k staff).
ii. A 50% reduction in HR to bring numbers in line with internationally recognised baselines (5600).
iii. A 60% reduction in the comms function (2800).
iv. A 30% reduction in commercial staff (2000). Several of these areas were specifically mentioned by the Chancellor as priorities for reductions. Combined with the SCS reductions across the board, these reductions by profession would approach 30,000 staff, leaving around 50,000 to be found through efficiencies elsewhere – a reduction of just over 10%.

c. The third principle is to remove excess layers of management. Departmental and agency plans should at a minimum eliminate G6 and Second Permanent Secretary as an additional layer of management, leaving G6 as a specialist role or managing a smaller team straight to an SCS payband 2. The Cabinet Secretary may agree some limited exceptions to the latter with Permanent Secretaries.
d. The fourth principle is that the restructuring process needs to include a range of tools, but it should not rely solely on natural wastage or voluntary exit, which disproportionately involve higher performing staff.
e. The fifth principle is that compulsory redundancy processes need to get the balance right between process and procedural fairness on the one hand and getting the right outcome on the other. There need to be clear processes and an opportunity for individuals to make their cases. At the same time, those making the decision need to have the widest range of information and feedback, and should not have whole categories of relevant information discounted on fairness grounds (e.g. using previous annual reports when unions argue grading may not be fully consistent).
f. The sixth principle is that Ministers should be closely involved in the restructuring process, and their views on officials' contribution should be fed into the decision making process[4].

4. To prevent the grade inflation of recent years recurring, we recommend a Whitehall wide cap on the number of senior civil servants, with strictly limited numbers of SCS posts in each department and a clear process for departments seeking to make the case for new roles to the Minister for the Civil Service. The centre should help create a 'peer review' function assessing job weighting to help departments with their reductions at senior levels, and remaining in place to oversee job weighting and

3. Transforming Whitehall, One Year On: Institute for Government 2014: Link

approving any departmental requests for additional headroom to create new roles.

5. The job appraisal system below SCS should also be refreshed with periodic peer review between departments to ensure that jobs are being correctly graded.
6. The Government should, however, recognise the need to balance these major reductions with action to address areas where pay is falling behind. The Government should set guidelines for the SSRB recognising the need to address growing pay gaps particularly for the most senior roles, and should also put in place proposals to address the problem with progression at all grades. We are assuming the outcome of this will be an average increase in SCS pay of around 20% for the remaining 3800 staff, but with more at permanent secretary level.
7. We recommend a reform to the pension system, allowing staff to take a pay rise of 10% in return for a comparable reduction in employer pension contributions and consequently pension benefits, given the balance of reward between headline salary and pension benefits is currently disproportionately high, particularly for lower grades. The recent offer by United Learning to staff at 100 state schools is a potential model.[5] This involves some staff moving out of a defined benefit to a defined contribution scheme, which would still be significantly more generous than almost any scheme available in the private sector. While more complicated, Civil Service Pensions could be asked to work up a revised defined benefit offer on the basis of lower employer contributions, ensuring that staff continue to enjoy the security of the DB offer.
8. Government should put in place a quick review of the delegated budget process. This should review the working of the current delegations, assess the costs and benefits of returning to the civil service being a single employer, or, conversely going down a route of much greater delegation including giving Permanent Secretaries the authority to seek to negotiate regional pay and reallocate savings from larger than required paybill reductions into other parts of the department.

4. Sir John Coles, CEO United Learning; article in Schools Week 11/07/24: Link

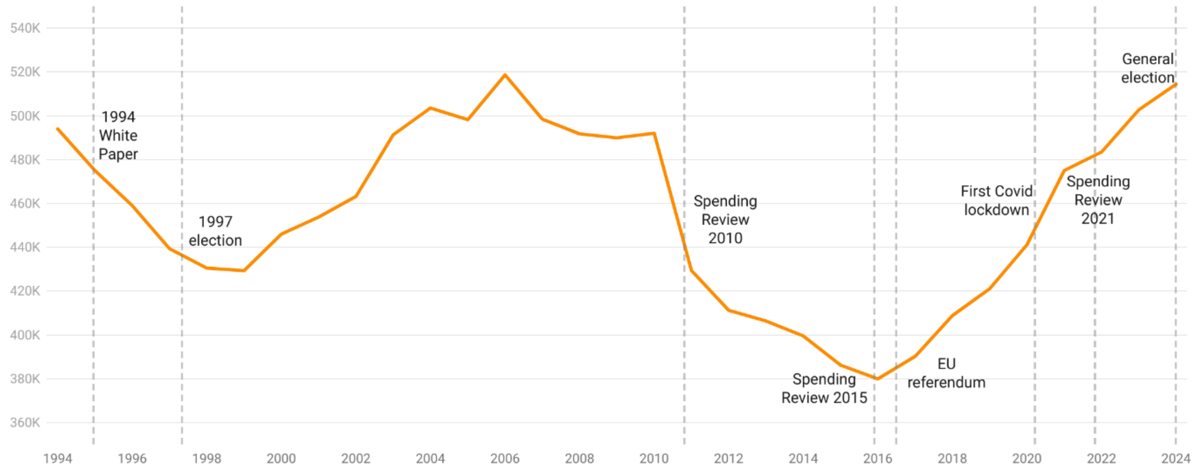
Focus on Civil Service Numbers: The Grand Old Duke of York

The long term picture of civil service numbers has been a rollercoaster, with periodic reduction exercises being reversed in succeeding years. The Thatcher and Major governments cut the size of the civil service to a post war low of 439000[6] by the time of the 1997 election. These numbers grew under New Labour, peaking in 2006 at just under 520000.

This was in spite of the Gershon review, which was supposed to reduce civil service numbers by over 70,000 between 2004 and 2007 but had little discernible impact on headline numbers. The numbers gradually began to reduce once the impact of the financial crisis had begun to make itself felt on departmental budgets.[7]

The Coalition Government came in with an austerity programme destined to have a major impact on numbers. While not aiming for a headcount target as such, the Civil Service Reform Plan noted:

Number of Civil Service Staff, 1994 - 2024



Source: ONS, Public sector employment; Cabinet Office, Civil Service statistics.
Created with Datawrapper

> *"Based on figures from current departmental change programmes, it is estimated that by 2015 the Civil Service will be around 23% smaller than it was in March 2010, operating with around 380,000 staff – the lowest since the Second World War, with departments ranging in size from around 400 to 80,000 people."*[8]

This number was almost achieved in 2016, though as we will see,

5. Non industrial, full time equivalent
6. The 2008 Pre Budget report claimed the Gershon net civil service reduction figures had actually been exceeded; this shows up nowhere in the actual statistics and the PBR did not explain how it came to its claim of "over 86,700 net workforce reductions, significantly over-delivering against the target of 70,600 net workforce reductions" Link
7. Civil Service Reform Plan p11: Link

achieving relatively few cash savings given the extent of grade inflation. The reductions were then swept away and more by the huge increases following the EU referendum and then the response to Covid. This has left the civil service with historically very high numbers at a higher average grade.

Towards the end, the previous conservative Government talked of headcount reductions of 90,000. This was cancelled by the incoming Labour government, but Rachel Reeves and Pat McFadden are now talking in turn about the need for savings and reform.

The plans announced for the forthcoming spending review are to cut departmental running cost budgets by £2b, described as 15% of administration costs by the Chancellor.[9] The Chancellor suggested in a media interview this might amount to 10,000 job reductions, though given the median cost of employing staff this seems far too low. Martin Stanley, author of *Understanding the Civil Service* has estimated that a 15% cut would lead to a reduction in jobs of 37,500-45,000.[10] The focus on 'administration costs' means the Government is talking about protecting the 'frontline' – those parts of the civil service providing services to the public, concentrating the cuts on areas like HR, 'policy advice', communications, and 'office management' jobs.[11]

8. The Government does not publish an aggregate cost for the civil service. However, this appears to be based on the 'Administration Budget' in table 1.7 of the Public Expenditure Statistical Analyses, which totals £14 billion in 2024 – 2025, of which £9.4 billion are staff costs. Link
9. Stanley, Martin, Substack 06/04/25: Link
10. Rachel Reeves BBC interview: Link

Squeezing Pay and its consequences

The Coalition and subsequent governments' austerity programmes depended heavily on public sector pay restraint. This was justified at the time by the fact that private sector pay had been hit very hard during the global financial crisis while public sector pay had continued to rise, so restraint was seen as sharing the burden and restoring broad parity. For understandable political reasons, the Coalition was keen to mitigate the impact of this policy on the low paid. In his 2010 budget speech, George Osborne noted:

> *"That is why the Government is asking the public sector to accept a two-year pay freeze. But we will protect the lowest paid. In the past I have said that we would be able to exclude the one million public sector workers earning less than £18,000 from a one year pay freeze. Today, because we have had to ask for a two year freeze, I extend the protection to cover the 1.7million public servants who earn less than £21,000. Together they make up 28 per cent of the public sector workforce. They will each receive a flat pay rise worth £250 in both these years, so that those on the very lowest salaries will get a proportionately larger rise."*[12]

In the 2013 budget, Osborne announced a further extension of pay restraint, this time limiting pay increases to 1%, while also taking steps to end pay progression:[13]

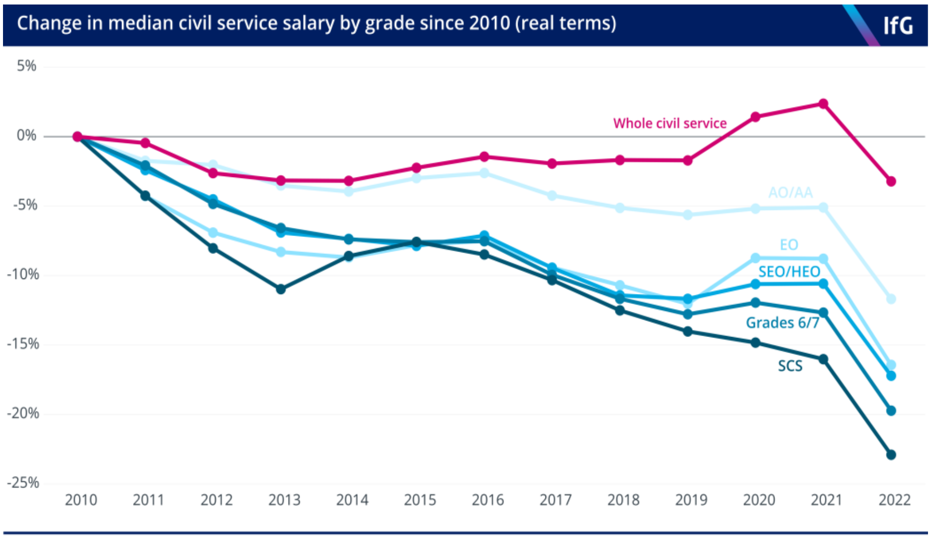
> *"The Government will extend the restraint on public sector pay for a further year by limiting increases to an average of up to 1 per cent in 2015-16.*
>
> *This will apply to the civil service and workforces with Pay Review Bodies...*
>
> *We will also seek substantial savings from what is called progression pay.*
>
> *These are the annual increases in the pay of some parts of the public sector.*
>
> *I think they are difficult to justify when others in the public sector, and millions more in the private sector, have seen pay frozen or even cut."*

This approach to more favourable pay deals at more junior grades has continued, including in the 2023 pay settlement. As a result, the real term pay situation varies strikingly between grades.

Pay at the most junior 'administrative' grades AO/AA level was only 8% lower in 2024 than 2010 in real terms, while pay at SCS

11. Osborne budget speech 2010: Link
12. Osborne budget speech 2013: Link

level was 24% lower. Within the SCS pay band, the more senior roles have lost out more, with permanent secretaries particularly hard hit.[14]



Source: Institute for Government analysis of ONS, Civil Service Statistics 2010-18; Cabinet Office, Civil Service Statistics, 2019-22. Notes: Real-terms figures calculated using Consumer Price Index (CPI) inflation as the Office for National Statistics uses in its estimates, 2022. AO/AA = administrative officer/administrative assistant; EO = executive officer; SEO/HEO = senior executive officer/ higher executive officer; G6/7 = Grade 6/7; SCS = senior civil servant

IfG analysis noted that in 2011 an average grade 6 or 7 salary would have put an official at around the 80th percentile of earners in the whole-economy 'business administrative professionals' category (the most comparable data category to civil servants, which includes consultants and economists among other roles). By 2024, an average salary was around the 70th percentile in that same category. A similar story holds at lower grades, although the scale of change is smaller because falls in civil service pay at those levels have been less significant. In 2011, an SEO or HEO average salary would have put a worker at 7% below the median of the business administrative professional category. By 2024 these grades were 14% below the median.

The tougher treatment of more senior staff has led to significant 'compression' within the civil service. Not infrequently managers are paid less than the staff they are managing, particularly SCS1 and G6 staff. This may reduce the incentive to seek promotion (though there is little sign of this), or lead to tensions.

The overall figure for the Senior Civil Service disguises variations, with pay restraint having hit the most senior ranks particularly hard. The government's own commissioned report from Korn Ferry suggests that SCS pay is lagging a long way behind private sector equivalents,[15] with SCS1 wages about 36% lower than private sector comparators, and director levels at 49% of comparator levels.

This would suggest that significant savings have been made from the civil service paybill over recent years. In reality, however, there are two key factors that have counteracted this. The first is grade inflation; the second the cost of the civil service pension.

13. Review Body on Senior Salaries, Forty-Sixth Annual Report on Senior Salaries 2024, Report No. 97, July 2024, Link

14. Government evidence to the Senior Salaries Review Body on the pay of the Senior Civil Service (December 2024): Link

Grade Inflation

The shift in grade structure means that pay restraint has saved less money than it could have. While average pay at each grade has fallen in real terms, the median pay level for all civil servants has barely shifted in real terms – down by about 2%.[16] In 2024, spending on civil service pay was approximately £19 billion – the same as in 2010 (in real terms). Had the grade structure remained unchanged since 2010, and pay for each grade had changed by the same amount, spending on pay would have been £1.9bn (10%) lower in 2024.[17]

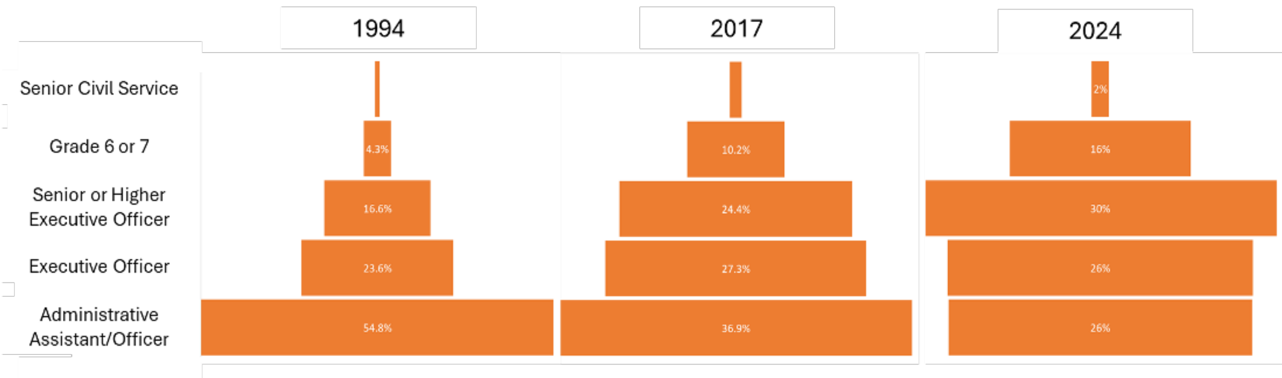
The grade mix of departments has changed dramatically.

The number of 'executive officers' (EOs), for example, having fallen between 2010 and 2016, had returned to 2010 levels by 2024. The ranks of senior and higher executive officers and grades 6s and 7s expanded by 62% and 106% respectively between 2016 and 2024.

In 2024, there were more than 100,000 fewer AO/AAs than in 2010 (a decline of 45%) but more officials at every other grade. This is the first year for which this is true – the number of EOs, for example, was still below 2010 levels in 2023 and is now 1.2% higher. Both the senior civil service and senior and higher executive officer ranks have expanded by around 50% since 2010, while the numbers of grades 6s and 7s have expanded by 121%. The result is that the civil service has become significantly more weighted towards the middle and more senior ranks.

The growth of the mid-level grades 6s and 7s has been particularly stark in some departments. While their numbers across the civil service have risen by 121% since 2010, this figure is more than 200% in the Home Office, DHSC, DCMS and DfE. In the Cabinet Office, it is an astonishing 422%.

The Grade Pyramid, 1994 to 2024



The shift in the grade structure over the longer term is quite remarkable.

To what extent does this reflect a different mix of work, with perhaps a higher proportion of higher skilled and thus higher paid jobs? There are reasons to be sceptical about this. There are not many examples of areas of public services that have been heavily automated, enabling a lot of administrative staff to be replaced – though AI may enable this in future.

A small but striking example of grade inflation is the job of private secretary, in charge of Ministers' private offices. This job has really not changed at all over the past decades, requiring similar handling skills,

15. Institute for Government, Civil Service Pay 15/08/24: Link
16. Institute for Government: Whitehall Monitor 2025 p36: Link

the ability to 'read' the Minister and his or her needs, and the ability to manage the private office team. The job grading has, however, increased dramatically over time.

In 1994, the Civil service Yearbook used to set out the names and grades of all private secretaries across Whitehall. At that time, a small majority of cabinet Ministers (13) had an SCS Principal Private Secretary at SCS1 level, but 9 had private secretaries at lower grades, and the private secretary at number 10 was a senior Director. The most senior junior Minister in the department typically had a fast stream HEO(d) or an HEO, sometimes an SEO. Three departments gave a Grade 7. Similarly permanent secretaries' private secretaries were normally more junior than Grade 7 with the exception of five more senior ones, including the Cabinet Secretary.

The situation now is radically different. All Cabinet Ministers now have a principal private secretary at least at SCS level, with MOJ and FCDO having one at director level, and the private secretary at Number 10 now being a DG. Junior Ministers' private secretaries are now grade 7s or 6s, and at least five permanent secretaries now have an SCS private secretary. Overall, there has been a shift of at least one grade, often two, across the board.

While there are not a large number of private secretaries, this trend reflects a broader trend in the policy centre.

The civil service has increasingly used Grade 6 as a management grade. This was extremely unusual 30 years ago, when grade 6s were either specialists or headed teams not considered weighty enough to justify an SCS lead. The use of G6 as a span breaker between the SCS and Grade 7s became more common, with some pushback during austerity. Some departments like the Treasury sought to remove the distinction between grades 6 and 7 to remove this as an additional management layer. Over recent years, however, grade 6 has become firmly established as a standard management grade, with promotion from grade 7 direct to SCS now almost unheard of.

A similar process has taken place at the top of the service with ever more departments introducing a Second Permanent Secretary role. There are currently 12 such second permanent secretaries, with most departments having one. While having been a second permanent secretary is not a requirement for promotion to permanent secretary, this route is becoming increasingly common.

Grade inflation has been aggravated by the fact that promotion is now the main route to securing a significant pay rise. Osborne's move to abolish progression (the process through which employees progress up the pay scale for this grade, previously dependent on seniority) was supposed to be followed by steps to achieve progression based more on performance. In practice, however, the money has never been there for this, and quite a few years have seen flat pay rises for all, or progression limited to those lower in the scale. Meaning it is almost impossible actually to reach the top of the pay range. An attempt to introduce 'capability based pay' by the last Government was abandoned, and successive Government submissions to the SSRB accept progression is a continuing issue.

As a civil servant, if pay is effectively frozen, moving outside the civil service, for example to a Non Departmental Public Body on different pay scales, may be one way of securing a pay rise. Promotion is the obvious route, however. Constraints on pay have incentivised departments to attract higher quality staff by offering promotion. This has been made more easy by the delegation to departments of pay and structures, meaning that departments have in effect a free hand creating and setting grades, certainly below the SCS and more recently at lower SCS grades too.

Churn

The increased reliance on promotion to protect real earnings poses obvious incentives for civil servants. Expertise in a single role is not even necessarily a route to a high performance marking. In the author's experience of 'moderation' meetings to agree performance markings across a cohort, those with considerable experience are not typically advantaged. Indeed, many argue their performance needs to be higher to justify a box marking than somebody going up the learning curve.

Remaining in a single role and becoming a subject matter expert is certainly not a good tactic for promotion. Breadth of experience is often more valuable.

In the interests of a 'level playing field', interview panellists are often told by HR they are even supposed to ignore things they personally know about candidates and their claimed achievements but which cannot be found in the paperwork (not always observed, fortunately). So, the logical step is to portray crisply how you came into an area; found it a mess; identified a better way and implemented it. Saying you built on what you inherited is less exciting. Given the lack of time, cycling through a couple of areas like this, with experience culminating in a White Paper, a new strategy or legislation is a quicker way of showing impact to the panel than the long wait for real world impact from your strategy.

Indeed, the time pressure on the most ambitious is even more intense now, given the increasing youth of permanent secretaries on first appointment. The current group have a median age of reaching permanent secretary level of 46, which is about 10 years younger than their counterparts in the 80s and 90s. Even for a fast streamer, there are therefore now 7 steps of promotion that need to be cleared in 25-30 years to reach permanent secretary ranks. This has helped turbocharge the process of fast tracked officials looking to move rapidly from job to job in order to maximise their experience and coverage to support the case for promotion.

There has also probably been a change, and narrowing, in the mix of personality types represented in the senior civil service. Relative reductions in pay means that specialists can increasingly get a better deal working on the same issues from the other side of the table. It also means through a process of self-selection that those remaining are less financially motivated than their predecessors. As well as being motivated by public service generally, an ever higher proportion of civil servants will also be motivated primarily by intellectual interest – which correlates with an appetite to move around and explore new areas.

Ministers at times have even encouraged this process. Tony Blair in a speech in February 2004 announced[18]

> *"We are establishing a new norm that all senior Civil Service jobs will be four-year placements, with no presumption of permanence in post. Indeed the burden of proof, as it were, will shift with change becoming the norm and continuity requiring justification."*

While this was never strictly enforced, it sent an important signal, and the idea has been repeated in subsequent reform proposals, for example Francis Maude's *Independent Review of Governance and Accountability in the Civil Service.*[19] This has fed into a culture of frequent moves: the Senior Salary Review Body reports a median stay in post across the SCS of less than 2 years.

The 'churn' that is lamented and criticised in successive reports on the state of the civil service is therefore a completely rational response on the part of civil servants to incentives set by the system, and signals sent by Ministers. It is facilitated by HR rules including no requirement to stay in a role for a certain period, particularly if the individual in question has secured a promotion.

The impact of grade inflation – Layers and spans of responsibilities

Grade inflation is not just a driver of cost, it also risks making departments harder to manage and operate, contributing to the inertia that has so frustrated incoming Ministers.

The concentration on losing more junior staff in order to demonstrate headcount reductions has led to departments' lacking people to oversee filing or even produce an accurate organisation chart, which frustrates Ministers enormously.

The whole structure of the civil service is now skewed, with a pyramid that bulges particularly in the middle, but is also much narrower at the base and larger higher up generally. This is a classic problem in bureaucratic organisations in the public sector but one which frequently arises in large private sector organisations too. Excessive number of layers have resulted from departments and agencies using promotion to compensate for declining real pay. Long hierarchies lead however to frustration and demoralisation, people at more than one level effectively attempting to make the same decision, and the proliferation of people who need to agree a policy – where anyone can say no, but everybody has to say yes. They are the enemies of responsiveness and agility.

The narrow spans the civil service is increasingly seeing are partly simply a mathematical result of the growing number of layers and the general grade inflation. They also however make management more

17. Full text, Guardian 24/02/04: Link
18. Review of Governance and Accountability, November 2023: Link

problematic. Single span management relationships (i.e. where one person manages just one other) make it harder for managers and staff to have an objective picture of relative performance. There is a strong incentive to mark generously in the interests of peace in the workplace, and to defend your own staff member's performance against challenge from outside. Conversely, and perhaps rarer, a manager inclined to be tough does not have the same amount of comparative performance data to look at in deciding on reporting.

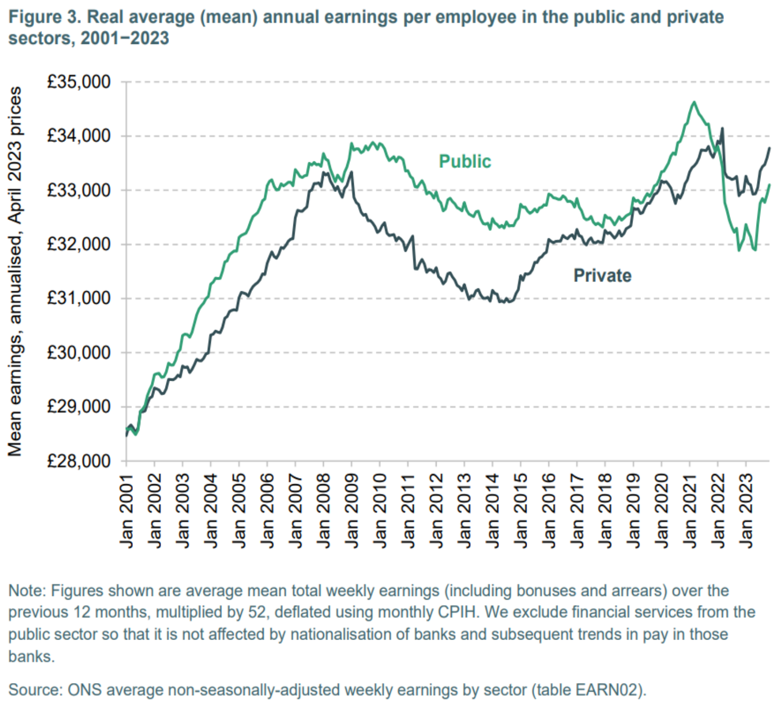
It is important to note that this process has taken place in every part of the civil service, not just the policy centre. While the proportion of staff at lower grades is higher in the operational parts of the civil service than the policy areas, the 'operational delivery' profession still has a grade structure suggesting a considerable excess of middle management staff. This suggests it would be a mistake to exempt 'frontline' areas from the requirement for efficiency savings.

The problem of layers and spans crops up again and again in the private sector too. Consultancy firms warn against rigid application of 'benchmark' rules, not least because they typically have bespoke techniques to sell. But there look to be at least 2 layers too many in typical current civil service management chains while the generally considered benchmark of 6 or so direct reports for a manager is extremely rare (typically only found at the very top of organisations).

In the private sector, these issues tend to be tackled during periodic downturns. The grade inflation of the civil service was already underway during the GFC, but was not reversed in austerity and has continued apace since. De-layering exercises are painful and require considerable commitment from top management, who are unlikely to undertake them unless Ministers insist. And too many Ministers are themselves keen to appoint more senior people when new issues arise, not realising, perhaps, that this might be contributing to the confusion and unresponsiveness that they otherwise complain about.

Relative reward between civil service and the private sector

The relationship between public and private sector pay levels is hotly contested, and trends vary enormously depending on the base year chosen. Overall however, it is fair to say that the higher inflation of recent years has materially affected public compared to private sector pay.



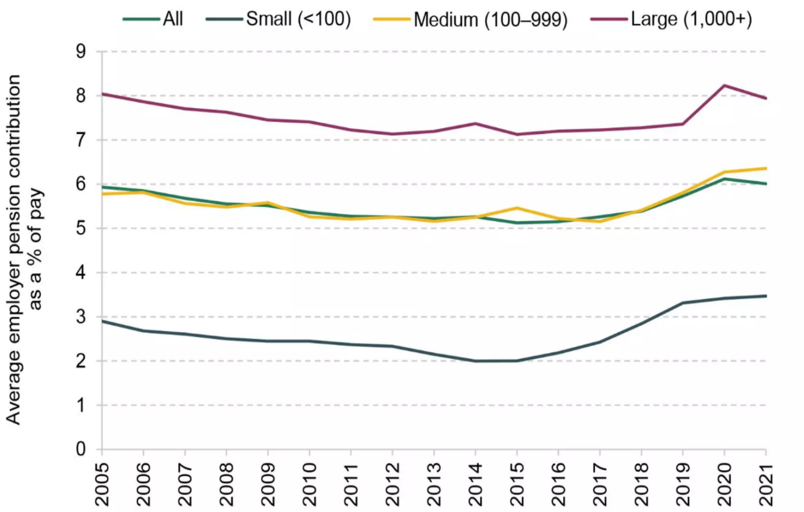
As noted above, the relatively modest real reduction in mean public sector pay reflects grade inflation mitigating real terms reduction at most grades, though the level of reduction has varied considerably by grade, with a growing gap at the most senior roles, and junior roles relatively protected.

A simple comparison of salaries fails, however, to take proper account of the value of the civil service pension promise, and the growing cost of this over time.

IFS analysis suggests a relatively flat level of employer pension contribution in the private sector[20] over the past 20 years, as the number in the private sector enjoying defined benefit schemes has tailed off.

19. Institute for Fiscal Studies: Adequacy of future retirement incomes: new evidence for private sector employees, September 2024: [Link]

Figure 3.1. Employer pension contributions to private sector employees' private pensions, as a percentage of total earnings, split by employer size



Note: Average employer contribution is calculated across all private sector employees, not restricting to those who participate in a workplace pension scheme.

Source: Authors' calculations using the Annual Survey of Hours and Earnings, 2005 to 2021.

There have been reforms of the civil service pension scheme too. IfG in their Whitehall Monitor report note that pay is only one part of the picture, suggesting that 'pension entitlement is more generous in the public than private sector, although the civil service scheme has become less attractive since 2010'. Some might claim the later pension age was an adverse change. But the numbers are clear. The overall cost of the civil service pension promise has increased sharply. Average employer contributions were 18.9% on average in 2012-13, and are now just under 29%.[21]

Employer pension contributions are not, obviously, reflected in take home pay. Civil servants who have remained at the same grade have clearly been hit hard by pay restraint and recent high levels of inflation with a sharp reduction in real pay since 2021 in particular.

They are, however 'deferred pay,' real benefits to the civil servant and real costs to the employer. If pay and pension contributions are combined, the relative position of civil servants and private sector employees have probably moved in civil servants' favour over recent years at all grades except the most senior ones.

Indeed, the overall pension offer has become highly unbalanced. With career average pensions for the civil service accruing at 2.3% of salary a year under the new scheme, civil servants who accrue more than say 35 years' service and earn less than £44k pa are likely to end up earning more in retirement than they were paid while working, once taking into account both occupational and the state pensions. This cannot make sense. The generosity of the pension deal is not widely understood, which means

20. Civil Service Pensions: Employer Contribution Rates: Link. See also Library of House of Commons, Civil service pensions - developments to 2010: Link

the taxpayer is getting the worst of all worlds – a highly expensive pension promise which is not, however, highly valued and does not tend to attract high performers as successfully as higher pay would do.

United Learning have recently made an offer to staff in 100 state schools of higher pay in return for leaving the Teachers' Pension Scheme and being enrolled in a Defined Contribution scheme instead, with employer contributions of either 10% or 20%. While this will lead to a reduced pension, for most people peak requirement for income is during working years rather than after retirement, so a pay for pension exchange on this may make a lot of sense for both sides.

The Messy legacy of 'New Public Management'

One of the challenging areas for Ministers seeking to deliver change to the civil service is the fact that it is no longer a unified employer. The 1990s move towards delegated budgets makes the UK somewhat of an outlier compared to the US, where the vast majority of civil servants are covered by 'General Schedule' terms and conditions, let alone the centralised systems in France and at the Federal level in Germany.

Ministers are often advised of the risks of seeking to drive changes to civil service terms and conditions across the board. The argument goes that these could lead to challenges on the grounds that this action shows the civil service is in fact a single employer, at which point the unions will be able to insist on alignment of pay and conditions, which in practice will be an expensive upward alignment.

The delegation of pay arrangements was completed in 1996, with departments and agencies given full authority to make their own pay arrangements below SCS, albeit within overall Treasury limits on running costs. SCS pay continues to be agreed through the pay review body process.

The thinking behind this was set out in the 1994 White Paper 'Continuity and Change.'[22]

The White Paper declared "the Government believes that delegation of further management flexibility is the key to improved performance… Departments and agencies will be given further freedoms to make use of a range of management techniques and approaches tailored to their needs."

This was to include the pay delegation discussed as well as 'giving departments responsibility for their own management structures so that these can be matched to their own particular needs." In practice, relatively little real flexibility has followed.

The White Paper followed the 'Next Steps' report which had recommended "agencies should be established to carry out the executive functions of Government within a policy and resources set by a department."[23]. As the White Paper noted 'a key theme of Next Steps has been the delegation of management responsibility to Agency Chief Executives, enabling management to design organisational structures and processes which match the needs of their particular task.'

The White Paper argues delegated systems 'can be more flexible and more closely tailored to the needs of the organisation,' giving examples of agencies that had used the delegations to simplify their grade structures.

There is no doubt that the Next Steps process and the thinking behind

21. White Paper The Civil Service: continuity and change (July 1994); Link
22. Jenkins K, C. K. Improving Management in Government, The Next Steps: Report to the Prime Minister (1988)

the White Paper addressed real problems with Whitehall at the time. Sir Peter Kemp, who was Project Manager for Next Steps, suggested "one of the best disciplines of writing the framework documents was the paragraph that describes what the unit was supposed to do. Many senior people in Departments had no idea about that, and if they had an idea, they could not write it down. It was important. It was a bright torch in the unfrequented world of the 490,000 civil servants of whom we never hear."[24]

The question, however, is whether Next Steps and pay delegation to departments ever fulfilled the hopes that were placed in it. In our earlier Policy Exchange work 'Getting a Grip on the System,' interviewees, both senior Ministers and civil servants, were doubtful there was any real evidence that arm's length bodies were more efficient than operational parts of departments. The current Government seems torn – several new regulators and arm's length bodies have been announced, but so has the abolition of NHS England.

As for pay delegation, the outcome has been messy. It has meant significantly more negotiations with every department engaging separately with the civil service unions. Variations in pay are striking at some grades, but certainly don't always reflect a logical response to market signals. The Treasury combines being one of the worst paying departments with a commendably tough approach to grading too, meaning that some of the most talented and marketable officials in Whitehall are also amongst the worst paid, leading to even higher rates of churn.

Flexibility of pay ought to allow departments to match their offer to the local jobs market. One of the problems with national pay structure has been that the same salary is both uncompetitive in London and the South East while over generous and putting pressure on local employers in poorer regions. At the lower end of the pay scales, there is very little evidence of a targeted regional approach, however. London pay is higher as a result of London weighting. For the other regions, at AA/AO level median pay bunches between £23850 in Wales and £25750 in East of England. The bunching is even tighter at EO grade, with median salaries varying from £29390 in Northern Ireland to £29630 in Scotland. London pay at £32920 is 12% higher than other regions. Cabinet Office EOs (the lowest management grade) tend to be London based, and have a minimum salary of £22555 while those in UK Research and Investment earn from £30076, despite being mainly based outside London.[25]

There is slightly more variation at higher grades, though this often bears even less resemblance to local job markets. The median salary of Grade 6 and 7 civil servants is higher in Scotland than in London, and only fractionally lower in Wales, probably because pay progression was retained in the devolved civil service.

None of this variation comes close to matching the national variations in pay levels. Median incomes in London are 24% higher than the national average, with the North East 11% lower than the national average, Yorkshire and the Humber 8% lower and Wales 7% (Scotland is 2% higher).

23. Kandiah, Dr Michael and Lowe, Professor Rodney: The Civil Service Reforms of the 1980s Link

24. *Civil Service Pay: why reform can't wait*; Labour Research Department, 1 April 2025: Link

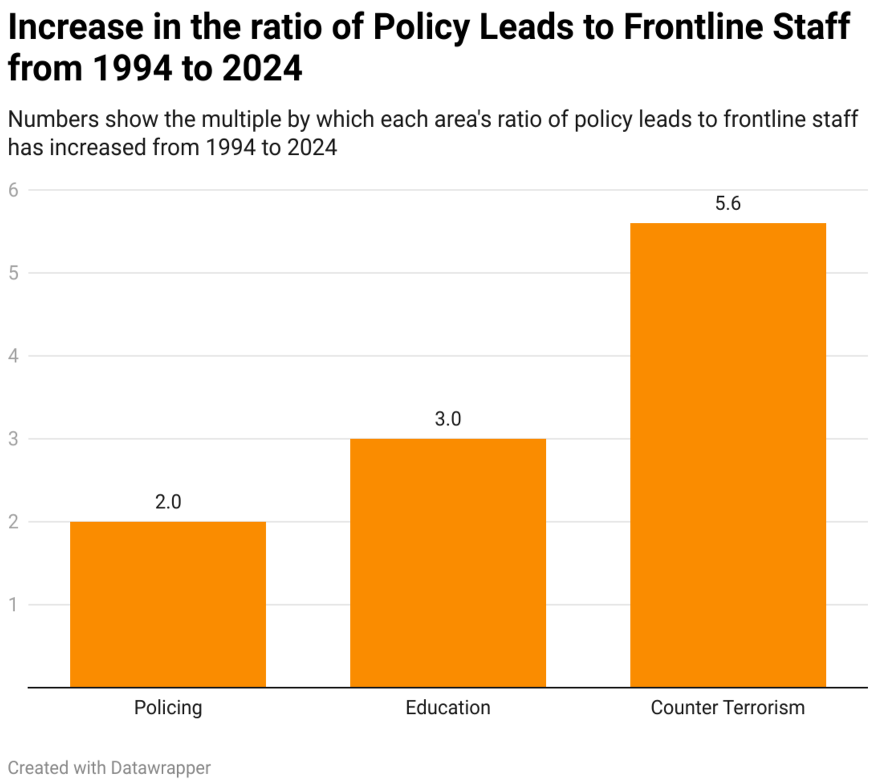
This means in particular that pay for junior grades, disproportionately strongly represented outside London, are likely to be particularly generous compared to local pay for comparable roles.

Unions tend to be in favour of abolishing pay delegation and returning to a single national set of terms and conditions. This presumably reflects their expectation that this process would level pay up to the highest rates and thus increase the overall size of the paybill. This should give rise to some caution about the case for reintroducing a single negotiating framework. But the inefficiencies of the current system are striking, including multiple negotiating teams, competition between parts of the public sector rather than between the public and private, and high friction costs to mergers and 'machinery of government' changes, which often lead to significant work aligning pay scales.

Too much policy – doubling the proportion of yeast doesn't improve the bread

Nowhere has the expansion of the civil service been more extraordinary than in the 'policy profession' which has doubled in size since 2016. Initially this was justified by the additional work required as a result of Brexit, and indeed the expansion has been largest in departments like DEFRA that had the greatest amount of new work. But the growth has not reversed once Brexit was over, and current Ministers do not seem to be actively seeking areas to diverge from past EU practice.

Policy is an important part of delivery – but the more there is the greater the risk of confusion, and indeed the less impact individual pieces of work are likely to have. It is striking how the ratio of policy leads in the centre to front line staff has exploded over the past 30 years or so. Comparing the number of SCS leads in policy departments with the number of front line workers in a number of areas shows a consistent trend.



Ratio of Frontline Staff to Policy Leads across different areas, 1994 and 2024

	1994			2024		
Area	Policy Leads	Frontline Staff	Ratio	Policy Leads	Frontline Staff	Ratio
Counter Terrorism	3	2,200	733	38	5,000	132
Policing	16	127,489	7,968	37	146,868	3,969
Education	43	409,300	9,519	148	468,693	3,167

Created with Datawrapper

Note that these ratios will understate the issue, because many of these frontline agencies have increasingly created policy and strategy functions of their own in place, e.g. the intelligence agencies, policy functions in NHS England, new ALBs in the education space. This means the ratio of policy to front line operations will have risen even further.

25. Sources: CT Operational numbers 1994 Andrews, Christopher, Defence of the Realm Penguin 2009: 2024; Link: Police operational numbers 1994; Link, 2024; Link. Teacher numbers 1994; Link: 2024; Link. Policy lead numbers (SCS roles in policy areas) 1994 for all areas; Civil Service Yearbook: 2024 For CT and Policing, Home Office transparency data Link: For teaching, Link

The move to 'functions'

The past 15 years or so has seen a significant effort to improve the professionalism of departmental functions. In the past it was common for permanent secretaries on the way up to have worked as a finance or perhaps an HR lead. This gave a broad understanding of how their department worked, but there were criticisms that corporate functions tended not to attract the highest performing staff. Starting in the finance area, a drive towards professionalism began.

Today, finance directors are now expected to be financially qualified, with the same applying to most HR professionals. The Coalition government's Civil Service Reform Plan went further than this, however looking to introduce a stronger central steer to entire functions. The belief was this would instal greater professional discipline and spread best practice. The White Paper saw this as necessary in any event given the shrinking civil service numbers at the time.

> *"As departments reduce in size, they will no longer be able to maintain high quality services in many expert and advisory services (such as policy making, analytical functions, and legal services) without sharing services with others. Sharing services will ensure that there is a high quality, flexible and resilient service available to every department.*[28]"

There are arguments either way for this. Clearly greater professional skills and reflecting on best practice in an area is a good idea. Having a 'head of profession' gives a sounding board to encourage vocational training and sharing best practice in niche areas that might not otherwise be focused on in departments.

While the author of this report is a qualified finance professional, and certainly benefited from the training the qualification required, his own experience suggests the vast majority of jobs in this area do not necessarily require technical accounting skills. Most of Government finance work is about tracking spend and seeking to ensure best value for money, prioritising one area over another. Central finance teams need to be able to draw up the accounts – but these are rarely the centre of scrutiny. Exceeding amounts voted by Parliament is the main nightmare of accounting officers. Poor value for money ought to be the main focus of scrutiny (though rarely is).

The move towards functions or professions also seems to have been used, particularly in the Coalition period and thereafter, as a lever to influence the way in which departments operated. This came through appointing 'function leads', often in the Cabinet Office, and taking the

26. Civil Service Reform Plan 2012: Link

ability to influence programmes through various central spend control and authorisation processes. This has particularly been the case for digital and commercial functions. Spend controls mean that departments have to subject a large range of their programmes and procurement to approval, not only by the Treasury, but also several parts of the cabinet office, notably commercial and digital.

Particularly in the 2010s, these Cabinet Office functions had very strong ideas about how digital and commercial should be delivered. There has been a strong trend towards getting rid of external companies acting as prime contractors, in favour of more modular, 'disaggregated' approaches with a larger degree of in house build and the use of 'agile' techniques. Similarly on the commercial side, there was major pressure to recompete contracts in order to break up long established incumbencies.

There is a rationale for these approaches, but the 'bifurcal' leadership between the centre and departments has problems, in that the increased delivery of risk tends to lie with the departments delivering the programmes rather the Cabinet Office functional leads setting the direction.

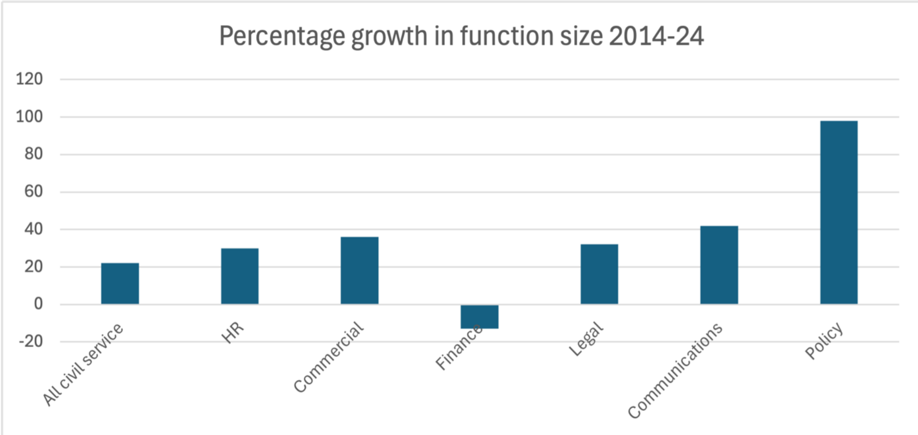
This model of splitting leadership between departments and the Government has obvious risks. A 'public choice' analysis of the relationships suggest some possible perverse incentives at play.

First, a function or profession that is semi autonomous from parent departments has slightly different incentives to the wider civil service. As people see their future in the profession (very much one of the purposes of the exercise), there is an obvious incentive to expand its remit and size. This may mean more complex and labour intensive processes, justified by assurance and best practice. It may also mean a lower bar to tasks that require function professionals to carry out.

One good example of this is the procurement process. In most large companies, a very large proportion of contracts are retained on a rolling basis, regularly renegotiated but rarely recompeted. Major procurement exercises are largely retained for relationships that have gone sour or new capacity.

In government, by contrast, procurement regulations require regular competition. These regulations have been replicated and arguably even strengthened since Brexit. Ever since the coalition, the commercial function has supported regular competition in the interests of getting the best deal for the taxpayer. This process however imposes significant costs on bidders which will ultimately be recovered from the taxpayer in winning contracts, or the bidding costs deter people from taking part, actually reducing competition. A much more focused concentration on a smaller number of contracts that really matter would require a smaller commercial function, but also more trust in Government departments to do the right thing without an oversight superstructure in the centre.

The data suggests that pretty much all of the professions and functions have expanded faster than the wider civil service over recent years. In some cases, like HR, the overall numbers continue to increase even as the transactional work is outsourced, and total numbers significantly exceed normal metrics (HR professionals in the civil service amount to more than 2% of all staff, which is more than twice the benchmark set by HR advisors themselves, possibly even more so given the size of departments which ought to involve economies of scale).



Former senior figures in functions like communications have suggested the Government would do considerably better with a radically scaled down function – one has suggested reductions of as much as 60%, arguing that "despite the skills of individuals, the system as a whole is failing in many of its most basic functions due to its overwhelming size, unclear command and control structures, and inability to understand and implement modern communication methods.[29]

27. Institute for Government: Modernising the Government Communication Service, Lee Cain; Link

Churn at the Top – the changing leadership cadre

Cabinet estimates published by the Senior Salaries Review Body suggest that, including moves within the same department, about a third of senior civil servants left or moved roles in 2022/23.[30] This is a constant cause of complaint by Ministers and commentators.

A look at the cadre of permanent secretaries reveals the impact of this churn throughout the careers of the highest fliers. Antonia Romeo has recently been appointed to the Home Office with no prior experience in the department. This is far from unusual. The last time the Home Office had a new permanent secretary with material experience in the department was Brian Cubbon in 1979.

The same applies across Whitehall. We have already discussed the incentives to move rapidly between jobs. The growing number of roles within departments that are now reserved to professions, as well as the move towards agencies and ALBs since the era of 'New Public Management' means that high flying policy officials are less likely to pick up experience in the corporate functions or senior operational delivery roles. Instead, they are shifting between policy roles in departments. There remain two departments – HMT and the Foreign Office – where there is near zero chance of anyone reaching permanent secretary without having spent the bulk of their career in the department. But the number of permanent secretaries with deep sectoral experience in other departments is now tiny. In fact, of the current cadre, there is nobody outside HMT and FCDO with 15 years or more prior experience in their current department, compared to 7 in the cadre of 1984 and 5 in that of 1994.

This could suggest elements of the reform programme have been counterproductive, or at least had unintended consequences. Is it possible that the move to 'functions' and professionalising the operational lead of agencies which were previously in departments has reduced the range of jobs open to future leaders. This in turn has reduced the extent to which the policy elite are actually immersed in any given area, leading to permanent secretaries with high policy and handling skills but an, on average, shallower understanding of the department and wider systems they are responsible for.

Many have argued – indeed ever since the Fulton Report it has been received wisdom – that the answer to this is that the civil service needs more leaders from specialist and operational areas. Sixty years on, very little has changed. Some see this as a determined rearguard action by the civil service.

28. Review Body on Senior Salaries, Forty-Sixth Annual Report on Senior Salaries 2024, Report No. 97, July 2024, Link

More plausibly, it reflects revealed preference on the part of Ministers. In practice, when given the choice between traditional 'Whitehall warriors' or outside candidates with a more operational background, secretaries of state repeatedly choose the more familiar type of policy specialist. The problem is, this type now has even narrower experience of the workings of the department than the generation criticised by Fulton in the 1960s.

Incentives in the system – bigger is better – except for Ministers

Calls to reduce the size of the civil service are routinely countered by civil service unions and their sympathisers with a demand that Ministers identify which priority areas they no longer wish to see pursued.

Clearly there comes a point where this sort of choice is required. But significant reductions could be made while actually delivering a system that is also more effective and responsive for Ministers.

The incentives for civil servants and Ministers are not aligned. For civil servants, more staff means more influence. To an extent this is the case in all large organisations including parts of the private sector. The civil service lacks, however, the P&L line which can provide a counter incentive to economise and improve efficiency.

The civil service machine combines this incentive to grow with strong disincentives to tackle management problems. Rapid churn and slow processes mean tackling complex and unpopular management problems in your area is unlikely to be a priority unless a clear message comes from above and from Ministers that it is expected – which doesn't happen. This helps explain why the civil service suffers from widely reported challenges on managing poor performance (regularly one of the worst performing areas in the civil service Staff Survey), high rates of churn and low staff morale – which has fallen for three years running.[31]

The proportion of staff dismissed on any grounds is negligible: only 0.5% of headcount across the civil service as a whole, and falling to fewer than 1 in 1000 staff in some traditional Whitehall policy-focused departments such as the Cabinet Office and the Department for Education.[32]

Dismissal on conduct grounds is difficult enough, but dismissal on performance grounds is formidably hard. This may be particularly the case in the policy centre where there are not the same obvious productivity metrics that can be used in operational areas. Departments have agreed laborious disciplinary processes with unions, which typically involve giving individuals performance improvement plans. Even relatively minor performance improvements can see the process halted or even set back to the beginning, while those subject to performance taking sick leave on the grounds of stress is a common occurrence. Civil service practitioners of HR will say that the official processes can in theory continue in the face of this,[33], but the practice is rather different. Not many are as open as one civil servant who told a friend of mine who was launching a performance process 'you'll be gone by the time this gets anywhere', but the unspoken

29. Ibid

30. Civil Service Statistics, Cabinet Office, 2024, Link

31. Cabinet Office: Managing Poor Performance Link

thought is around.

Even when departments are faced with the need for restructuring, all the incentives in the system make it harder to use this effectively to target poorer performance. The requirement for consultation with the unions and a strong cultural receptiveness to arguments against subjective decisions potentially open to bias have some curious results. The author has seen processes where the use of previous annual reports in the process was opposed on the grounds that annual reports were not sufficiently consistent. The use of 'hearsay' evidence about individuals' reputation is controversial. There is a strong preference for using voluntary exits or natural wastage to achieve reductions.

This explains why departments are not only very large particularly in policy areas but often carry a degree of poor performance which causes wider resentment among colleagues who feel they are carrying more of a burden as a result.

Even without the problem of poor performance (poor performers are generally kept as far away from Ministers as possible), Ministers find the unwieldy size of departments and the policy centre in particular a problem. It is a common theme of biographies and interviews that Ministers are baffled where much of the work coming across their desk originally comes from.

Lynne Fethersone, for example, suggested in an interview that "there is such a machine already going on, irrelevant of who is the minister… the bulk of what you do, maybe 80%, just goes round and it wouldn't really matter what party you were from or anything."[34]

Ken Clark's advice for incoming Ministers was:

> *"Don't sign the documents the permanent secretary will bring to you in the first week, saying 'secretary of state, your predecessor was just about to clear this before you arrived, we needn't bother about it too much, it is perfectly straightforward, just if you would authorise it'. They have been trying to sell that to every secretary of state they have had walk through the door for some time and it is probably dangerous. Find out what it is about."*[35]

Chris Mullin, in his brilliant work *The View from the Foothills* portrays the plight of being a junior Minister even more bleakly *"That's all I am really, a glorified correspondence clerk.*" He noted that much of the work felt *"entirely contrived and pointless"*[36] to him.

We have already noted that reducing layers and increasing spans ought to improve the responsiveness of department machines, and also make the processes less frustrating for the civil servants involved in them. This could go further, however. Ministers would arguably benefit from an even greater reduction in the overall amount of advice and work being put up to them.

Civil servants do not join the service for money, but to make a difference. If they were as lazy as critics on the right tend to assume, the expansion of departments, especially their policy functions, would cause less of a problem now and be easier to resolve in future. The better the officials are,

32. Institute for Government, interview with Lynne Featherstone 07/07/15 Link
33. Institute for Government, Getting things done in government: Twelve lessons from Ministers Reflect Link
34. Chris Mullin, A View from the Foothills: The Diaries of Chris Mullin, (2009), p. 30

and the more conscientiously they behave, the more work they generate for Ministers to do, the more the overload and reduced cut through with the public, and the greater the confusion generated at the frontline.

A headteacher or a local police commander may be confronted with a battery of strategies and guidance, potentially pulling in contradictory directions. It is not surprising if they are tempted to leave them all unread and allocate local effort in whatever way seems to make most sense for them. If they only heard from the Government departments once or twice a year, they might be more likely to pay attention.

Sir Robert Peel transformed the criminal law, policing, prisons and a huge range of other areas in a Home Office with 17 staff. This might not be realistic in the modern era – but 'less is more' is definitely an approach worth trying. Departments were still doing a lot of policy work in 2016 – arguably even then far more than was needed. So slashing numbers back to 2016 levels seems a bare minimum. Taking 75% out of the function is definitely worth trying. If Ministers discover that a policy function of this size is too small, the worst that would happen is a slower pace of delivery on new policy initiatives, and the policy team could be built up again later. A moratorium on new policy is not going to damage the front line, which might indeed welcome the respite. A leaner policy function with clearer lines of accountability will be able to focus proportionately more on Ministers' priorities and provide a better service as a result.

Conclusions

It is never a pleasant process having to restructure large organisations in the way recommended in this piece. But businesses tend to have to do this regularly as the business cycle progresses. It is a failing in civil service leadership, and the incentives that are set by Ministers, that the problems of grade inflation have been allowed to continue unchecked for 30 years now.

The civil service has a large number of able people. With the job market relatively tight, this is perhaps the least bad time to make major changes of this sort.

The recommendations set out in this report should be capable of being implemented rapidly. With redundancy payments capped at 12 months salary, exits should be manageable within existing salary budgets, potentially with some adjustments between budget years. For the vast majority of civil servants who will be remaining, this ought to deliver more satisfying jobs with the potential of a pay rise funded from pension contributions, while still retaining a very generous pension entitlement. Most importantly for Ministers and the public these changes ought to contribute to better public services and reversing what has been a worrying and sustained fall in public sector productivity.

£10.00
ISBN: 978-1-917201-54-4

Policy Exchange
1 Old Queen Street
Westminster
London SW1H 9JA

www.policyexchange.org.uk