

9 Use of manpower and other assets

9.1. In this chapter we describe CDC's staff structure and the disposition of staff between London Office, overseas offices and Managed Projects. Staff costs form about half CDC's total operational costs, which we compare with those in a number of broadly similar organisations. CDC's budget-based approach to staff productivity issues is described. The chapter outlines two aspects of CDC's personnel planning process: first the way in which recruitment, development and training are geared to future staff requirements across CDC as a whole, and secondly the steps taken towards replacement of CDC expatriate staff by locally recruited managers. We summarise CDC's personnel policies on grading, salaries and careers and employee relations, and look at staff turnover and absence as some measure of the employees' satisfaction with those policies. Towards the end of the chapter we turn to CDC's other operational assets, much the largest being its London Office premises at One Bessborough Gardens. Pending the next review of possible relocation, the major current question concerns the utilisation of space, which we examine. Similar issues arise in some overseas offices but to a much smaller degree.

Manpower

Staff structure

9.2. CDC's salary structure is divided into 15 grades, as shown in Figure 9.1. (The GMB level is handled separately.) In theory, Grades 1 to 7 cover support staff and Grades 8 to 15 managerial, professional and technical staff. CDC recognises, however, that there is a grey area at the dividing line, and for many planning and personnel management purposes Grade 9 is taken to represent the start of the senior grades. The manpower planning exercise described in paragraphs 9.8 to 9.10, for example, covers Grades 9 to 15.

Staff numbers

9.3. As shown in Table 9.1, CDC's total permanent staff, excluding those seconded to projects and whose costs are borne by the projects, amounted to 450 at the end of 1991. Of these, 241, including support staff, were employed at London Office.

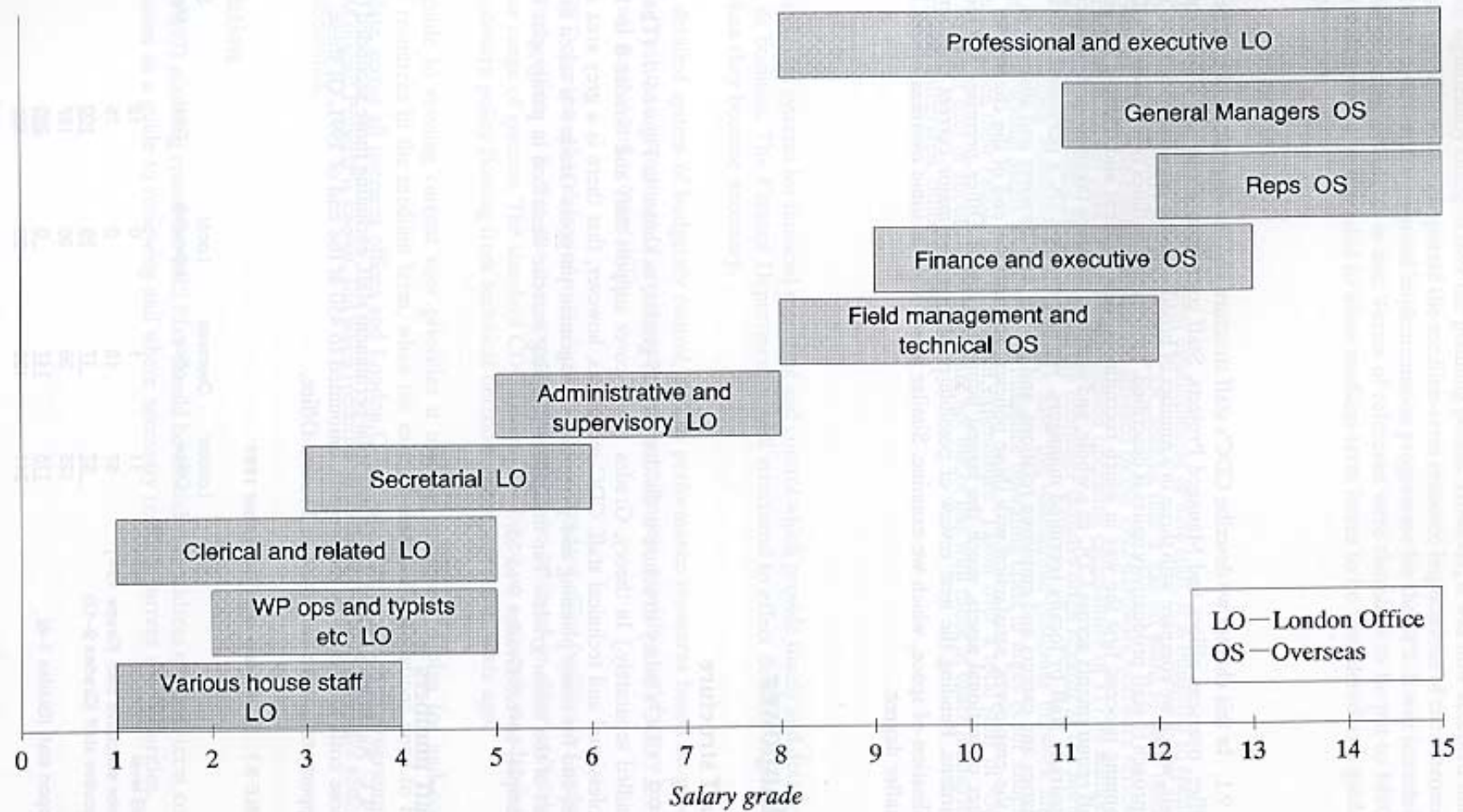
TABLE 9.1 Staff totals at 31 December 1991

	<i>London Office</i>	<i>Overseas office</i>	<i>Local executive</i>	<i>Total</i>	<i>Seconded to Managed Projects</i>
GMB level	11	1	0	12	1
Senior executive staff (Grade 13+)	57	18	0	75	31
Executive staff (Grades 9-12)	<u>57</u>	<u>17</u>	<u>26</u>	<u>100</u>	<u>103</u>
	125	36	26	187	135
Support staff (Grades 1-8)	<u>116</u>	<u>147</u>	<u>0</u>	<u>263</u>	<u>0</u>
	241	183	26	450	135

Source: CDC.

FIGURE 9.1

Job distribution by salary grade



Source: CDC.

Staff costs

9.4. CDC's staff costs are budgeted at £8.9 million for 1992, 52 per cent of the total operating costs of £17.1 million. CDC's plans allow for a rise in staff costs of 3 per cent a year in real terms for the remainder of the 1992 to 1996 planning period to cope with the increased business summarised in paragraph 9.11.

Cost comparisons with other undertakings

9.5. CDC suggested that the operations of the 11 organisations briefly described in Appendix 4.2 were in some respect comparable to their own. The respective ratios of operating costs to investment funds handled by these 11 organisations are summarised in Tables 4 and 5 of that appendix. In spite of the broad similarity between these organisations' operations and those of CDC there are also some important differences between them. Some, for example, are in the private sector and some the public. Some deal only in loans while others handle equity as well. Their spheres of operation vary widely, some being confined to Africa and some to developing countries generally, while others (EIB, 3i Group plc and Société Belge d'Investissement International SA) invest largely in Western Europe and North America. There are also substantial differences in size, and none of them is involved in direct project management in the same way as CDC. For all these reasons the comparisons must be treated cautiously, but subject to this reservation, Tables 4 and 5 of Appendix 4.2 show that, except for two organisations which are much bigger than CDC (EIB and CCCE), CDC has the most favourable ratio of operating costs to investment funds. Given the major part which staff costs play in CDC's overall operational costs, it seems likely that they too compare favourably with those of other organisations.

Productivity

9.6. CDC regards efficiency improvement as a continuing process. It believes that the establishment of staffing levels is, for the present, best handled via the annual zero-based budgeting exercise. For the 1992 budget round, both London Office and overseas offices were asked to restrict cost increases to an amount lower than the relevant rate of inflation. Staff numbers had to be justified from a zero base, and in the case of overseas offices a 'norm' of eight, derived from the present average position, was quoted. Messengers, guards and gardeners, where the requirements depend strongly on particular local circumstances, were excluded from the norm. In London Office the policy was that the ratio of support staff to professional managerial staff was not intended to increase from the 49 per cent of 1991.

9.7. Table 9.3 shows that CDC's total operating costs increased in money terms from 1990 to 1991 by some 7 per cent. Staff costs went up by about 11 per cent in money terms. The 1992 budget figures project a further staff cost increase of about 6 per cent in money terms, within a total operating cost increase of less than 1 per cent. The apparent reduction in other operating costs, however, is strongly influenced by the reduced rental payments arising from CDC's purchase of the One Bessborough Gardens lease. In the GMB paper covering the 1992 Group budget, CDC shows that between 1991 and 1992 the rental would have fallen by just over £900,000, offset by an increased amortisation payment for the premises of about £100,000. When account is taken of this £800,000 net saving in money terms, the total operating cost increase on a like-for-like basis is about 5 per cent. When the effects of inflation are removed, therefore, provided the budget figures are met, costs should have been contained in real terms as planned.

TABLE 9.3 Operating cost increases

	1991			1992			1990/91 actuals	
	Budget 1991 £m	Actual 1990 £m	Increase %	Budget 1992 £m	Actual 1991 £m	Increase %	Increase £m	Increase %
Staff costs	8.33	7.61	9.46	8.93	8.44	5.81	0.83	10.91
Other operating costs	9.41	8.31	13.24	8.16	8.59	(5.01)	0.28	3.37
Total	17.74	15.92	11.43	17.09	17.03	0.35	1.11	6.97

Source: CDC.

Manpower planning and control

9.8. According to the 1992-96 Corporate Plan, CDC aims to maintain the existing professional staffing levels within its London and overseas offices. However, no quantitative targets for support staff are given to London Office departments. CDC relies instead on the annual zero-based budgeting exercise, combined with the staff justification statements which are submitted as part of the budget round. Control of London Office departmental staff and overseas office staff is exercised through the budgets. Any proposed increases during the year to meet unforeseen requirements are subject to agreement with the Chief Personnel Executive and PMC.

9.9. CDC's aim is to continue to have at least one expatriate, and only exceptionally more than two, in each overseas office. It is intended to increase the number of professionally-qualified locally-recruited staff from the 26 set out in Table 9.1. Again, no quantitative targets are given to overseas offices. CDC told us that this was because the changes in any individual office would be small and staffing numbers needed to respond to local conditions. There are considerable cost pressures to increase the proportion of locally-recruited staff, as CDC calculated that their cost to an overseas office varies from about two-thirds to one-fifth of that for a CDC expatriate. We understand, however, that there is now increasing competition for good local staff, which will tend to reduce these differentials.

9.10. The staffing of CDC Managed Projects varies a good deal depending on the nature of the project and whether it is in a development or operational phase, but at present senior staff complements can reach as high as ten. There is therefore more scope on Managed Projects than in CDC overseas offices generally for the replacement of expatriates by locally-recruited staff—a process referred to as 'localisation'. CDC told us that Managed Projects were required to submit localisation plans to London Office. In the five years to the end of 1991 the number of posts held by expatriates on Managed Projects had been reduced by about 15 per cent. Table 9.4 shows that by the end of 1994, CDC expects to reduce the numbers of expatriate staff on direct CDC contracts but seconded to current Managed Projects by 31 posts, a further 34 per cent. The table excludes expatriates who are not CDC staff but are under contract to the individual Managed Projects, accounting for 50 posts at present. We understand from CDC that the percentage reduction here is about the same as for direct CDC employees. Neither figure allows for the increases caused by new management responsibilities in the pipeline, expected new Managed Projects and new phases in existing Managed Projects. As the table shows, the net effect of these developments is that by the end of 1994 CDC expects to maintain the overall number of expatriate staff on existing and new Managed Projects at 90.

TABLE 9.4 Plans for localisation in Managed Projects: projected number of expatriate posts

<i>Managed Project groups</i>	<i>Numbers as at 31.12.91</i>	<i>Target reductions</i>	<i>Expected additions</i>	<i>Expected numbers as at 31.12.94</i>
SCIF*	30	9	7	28
ACTAL†	25	12	13	26
CRROP‡	<u>36</u>	<u>10</u>	<u>10</u>	<u>36</u>
Total	91	31	30	90

Source: CDC.

*Sugar, Citrus, Industry and Forestry.

†Arable, Coffee, Tea, Aquaculture and Livestock.

‡Cocoa, Rubber, Rattan and Oil-Palm.

Staff numbers and the level of business

9.11. The current Corporate Plan says that CDC intends to increase the number of projects that it manages from 28 to 30 (net) outside the financial sector by 1996, and from 7 to 11 (net) in the financial sector. As regards the scope of operations, in mid-1992 it will form a view as to whether there is a role for CDC in South Africa, and there may be minor additions to CDC's operations elsewhere where these can be achieved without significant additional administrative expenditure, for example by supervising them from an existing office. In terms of new business, CDC aims to approve 50 to 60 investments a year with an average size of £4.4 million (1991 prices), compared with 47 and 56 in 1989 and 1990, with average sizes

of £3.6 million and £3.7 million respectively. There will also be some supplementary investment in existing projects. The net portfolio is planned to increase from about £1,040 million in 1992 to £1,552 million in 1996, equivalent to an increase of about 7 per cent a year in real terms.

9.12. CDC's intention is that this business growth will be handled within the 3 per cent a year staff cost increases referred to in paragraph 9.4. No explicit relationships have been established at present, however, between levels of business activity and CDC's manpower plans, either in aggregate or at departmental level. Indeed, the 1991 reorganisation might have made it difficult to establish such relationships much before now. CDC told us, however, that now the impact of the 1991 reorganisation is clearer it should be possible to correlate more closely the level of manpower requirements at departmental level with forecast business activity. It believes that the developmental and widespread nature of CDC's business, coupled with the need to react to the very uncertain and changing environments in which it operates, complicates the process and leads to a more reactive than proactive approach. However, it is aware of the need to try and develop a more meaningful correlation and will be looking at this aspect more closely in the 1992 planning round. In the meantime, department heads' views on their requirements based on their personal judgment are discussed with Personnel Department for planning purposes, both as regards total numbers and specific skills.

Skills and experience

9.13. CDC aims to retain and where necessary develop, via both formal and on the job training, a core staff with a range of skills and experience appropriate to its planned range of activities. Outside services are used where the permanent employment of experts is not justified. Some 90 different consultants were employed in this way by CDC in 1990, and about 80 in 1991, and we understand that this total is fairly stable. However, the length of engagement is seldom more than a few weeks, so that the effective addition to CDC's staff levels is not large. This is reflected in the budgeted expenditure for consultancy in 1992 of £126,000, compared with total staff costs of £8.9 million.

Training

9.14. At the Grade 8 level and above, CDC largely recruits staff who are already professionally qualified. CDC told us, however, that additional training amounts to between four and five days a year on average for the London Office staff, mainly directed towards maintaining expertise and developing management and leadership skills. For some specialists, language training is provided. Arrangements are also made in some cases for staff to take additional qualifications such as MBAs, for which three candidates are at present being sponsored. CDC told us that its total training expenditure in 1991 for all career staff, including those in overseas offices but excluding those on Managed Projects, was about £200,000. As well as management and professional development this covered activities such as transferring expertise between expatriate and local managers, attendance at seminars and conferences, and specialist activities such as training in financial analysis techniques.

9.15. Table 9.5 shows the present age breakdown by discipline of CDC staff. Though some specialists tend to serve in certain departments—for example, lawyers in Legal Department—most are distributed throughout London Office and overseas offices. CDC told us that, because career paths normally allow for moves among London Office departments and between London Office and overseas, these professionals form a staff core that can be called on as CDC's needs change and develop.

TABLE 9.5 Age breakdown by discipline as at 1 July 1991-pensionable staff

	21-30	31-40	41-50	51-54	55-57	58-60+	Total
Engineers	2	2	8	7	5	1	25
Agriculturalists	8	25	30	9	2	3	77
Accountants	15	31	32	11	5	2	96
Others	6	7	14	10	4	0	41
All CDC staff, Grade 9+	30	64	83	36	15	6	239

Source: CDC.

9.16. In order to project the skills position two years ahead CDC's Personnel Department uses a more detailed version of this information, and takes account of submissions by London Office departmental heads on their needs in terms of staff numbers and likely skill trends, and regular performance review and career planning discussions. SPC (see paragraphs 3.29 and 3.34 and Appendix 3.2) provides the planning mechanism for balancing CDC's existing staff resources with current and future operational requirements. Planned changes in investment activities are taken into account both when recruiting and when drawing up training plans. The indicative manpower forecasts produced by this process show a slight reduction in overall numbers of specialists by the end of 1993, after a sharp growth to a peak at the end of 1991. There has been a trend towards increased requirements for financial staff and a decreasing need for agriculturalists and engineers.

Job descriptions

9.17. Despite the major changes of responsibilities for individual managers brought about by the 1991 reorganisation, and the creation of many new posts, few job descriptions had been completed at the time our inquiry began. During the course of the inquiry, however, CDC submitted job descriptions for the heads of all London Office departments. We expect that the process of producing job descriptions will continue in respect of all staff both at London Office and overseas.

Salaries and careers

9.18. The CDC Board determines overall pay increases annually in the light of pay movements in the relevant market sector—generally the City, banking and finance houses for London Office posts, and multi-national firms such as Unilever and Booker-Tate for overseas. The Board indicates the general policy to be pursued. The emphasis is on individual merit as opposed to general market movement, awards to individuals being made in the light of a formal review of their performance. There is a career development policy covering staff at all levels which is based on formal appraisal methods and the development of training programmes to meet individuals' needs.

Staff grading system

9.19. Pay awards are made within the 15-grade structure referred to in paragraph 9.2. At the 1 to 7 levels, jobs have been graded since 1982 by the use of the Institute of Administrative Management (IAM) system of job evaluation. This involves listing the main duties or tasks of a job, then grading them by reference to sample gradings given in the Institute's handbook. A panel of departmental managers meets regularly to arrive at the gradings. The system relates directly to the IAM annual salary surveys, so that market rates for jobs are relatively easy to compare.

9.20. Grades for jobs at the 8 to 15 levels are based on exercises carried out in 1982 and 1983 for London Office and overseas posts respectively using the Inbucon Consultants' scheme. This took a sample of benchmark jobs and rated them against four factors: knowledge and experience, complexity and creativity, judgment and decision, and contacts. The jobs were then ranked after discussion by a panel of managers at head or deputy head of department level, chaired by an Inbucon consultant. The Inbucon approach is quite widely used. However, it has the drawback of being unable to offer comparisons with salaries in comparable organisations, particularly for specialist overseas jobs which have no obvious equivalent in the United Kingdom. CDC has told us that it has therefore been agreed that a review of grading procedures for senior posts will be carried out. [

Details omitted. See note on page iv.

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Employee relations

9.21. In London Office, CDC has a Joint Consultative Committee, chaired by the Director of Corporate Relations and including the Director of Managed Projects as a member, along with six staff representatives. It meets quarterly, and discusses any points raised by staff other than personal contract terms. There is no trade union representation.

9.22. CDC told us that within individual projects the position on trade union recognition depended on the country concerned. CDC's employee relations practice would always be in accordance with local labour laws.

Staff turnover and absence

9.23. According to CDC, executive staff turnover in London Office in 1991 was 11.2 per cent, and in the overseas offices 11.3 per cent. Both figures include normal retirements and completion of contracts. When these are removed the London Office 1991 turnover becomes 7.5 per cent and the overseas turnover 3.1 per cent. The crude London Office figure has been fairly stable for some years, having varied from 11 to 12 per cent over 1988 to 1990, a period which included the move to Bessborough Gardens. London Office support staff turnover was 18.8 per cent, having fallen from a high of 34 per cent in 1988 to about 24 per cent in 1989 and 1990. Direct comparisons with other organisations are not easy to draw. However, the Institute of Personnel Management (IPM) survey of the Finance/Banking/Insurance sector in 1991 showed 15 per cent of respondents with turnover as high as the 16 to 20 per cent range and 8 per cent in the 20 per cent plus category. To the extent that turnover gives a measure of staff satisfaction, and if comparisons with IPM survey figures hold, it would seem that CDC's personnel policies as a whole are attractive to the staff. The monthly departmental sickness absence records introduced in 1991 would also give some indication of staff morale, and CDC told us that trends here, which had been moving upwards, were monitored regularly.

Other assets

One Bessborough Gardens

9.24. Much the largest of CDC's operational assets is its office premises at One Bessborough Gardens, to which it moved from its Hill Street offices in June 1988. It was decided at that time not to purchase a long leasehold interest, but to enter instead into a 35-year rack rental lease. In 1990 the Crown Estate indicated a wish to sell a long lease on the property. CDC therefore reviewed its original decision, against the option of its commitment to the remaining years of the lease with five-yearly upward rent reviews. The possibilities of relocating partially or completely elsewhere in or outside London were also reviewed. It was concluded that relocation would have an adverse impact on CDC's business needs and was financially unattractive. CDC therefore decided in August 1991 to acquire [*] a 125-year lease on One Bessborough Gardens [*Details omitted. See note on page iv.*]. The purchase provided a gross floor space of 52,000 square feet, adequate for all CDC's foreseeable needs. The question of relocation will be reviewed every five years, with the next review in 1993.

9.25. CDC's analysis dealt separately with the issue of relocation and the decision to buy rather than rent. [

Details omitted. See note on page iv.

] Under the assumptions used, the analysis showed an initial return of 8.2 per cent from the proposed purchase.

9.26. On the question of relocation, CDC examined the potential savings in rental and rates likely to be achieved in a move to an outer-London location such as Reading, Watford, Uxbridge or Croydon. It was advised that these savings were unlikely to exceed £700,000 a year in total when compared with CDC's commitments under the One Bessborough Gardens lease then in force. Against these savings CDC weighed the likely costs of letting One Bessborough Gardens, acquiring a new lease elsewhere, and moving to and fitting out a new building, along with staff relocation, recruitment and redundancy costs. CDC concluded that the £5.6 million total of these costs allowed a likely return of only 4.3 per cent a year on the outlay. Unless therefore a move to the East or West Midlands, with much lower rental costs, were

*Figures omitted. See note on page iv.

contemplated there was no financial incentive to move the London Office operation as a whole. This being the case, CDC did not see that partial relocation was likely to be advantageous either, and it would have affected adversely the operational efficiency of CDC's business.

9.27. Given that no overall relocation could sensibly be considered in the immediate future, the effectiveness of the Bessborough Gardens asset depends on the way it is utilised, and in particular on the possibility of realising income from any surplus space. In April 1990, therefore, CDC commissioned from Cochrane McGregor Consultants a comprehensive review of the efficiency and effectiveness of the utilisation of London Office space. The results showed that the existing typical workstation arrangement for professional staff allowed just over 80 ft² per person. This figure appears well in line with good-quality modern office practice. Though some redesign of office layout and improved use of space for meeting rooms and waiting areas was possible, the consultants concluded that the space gained—one-third of one floor, about 3,200 square feet—would not be suitable for sub-letting. CDC decided therefore not to undertake any general redesign at present but to continue to undertake local improvements as opportunities arise.

Overseas offices

9.28. Overseas office assets amount to about £2 million in total. In a few cases CDC-owned offices are involved, but elsewhere the major assets are vehicles (including those provided for expatriate staff as part of their contracts) and housing for expatriates. Significant changes of investment in houses and cars are unlikely to be possible unless the contracts of employment for CDC expatriate staff are changed, or unless more executives are recruited locally in place of expatriates. It might be possible to change to renting houses or leasing vehicles, a straightforward investment decision to be made in the light of prevailing local economic conditions. In housing, in particular, however, there appear to have been some capital gains in real terms from CDC's ownership in the past.

Internal recharging

9.29. CDC is considering the possibility of internal recharging for asset use, but has hitherto felt that the additional expense involved would not be justified. Efficient use of assets is therefore at present left as a matter of good departmental practice. An opportunity cost, in the form of a notional rent, for the use of London Office is included in the standard CDC procedures for the calculation of scale fees, mission fees, secondment fees and other areas involving the charging out of executive costs.

Conclusions

9.30. Comparison of CDC's management costs with those of 11 broadly comparable organisations suggests that CDC's staff costs are not excessive. CDC exercises adequate control of London Office and overseas staff levels through its budgets.

9.31. CDC's manpower planning could be improved by an explicit link with changing levels of business activity.

9.32. CDC's arrangements for personnel planning, career and management development, and job grading systems reflect orthodox up-to-date practice.

9.33. Few job descriptions had been prepared at the time our inquiry began. A start has now been made and we were pleased to see the recent steps by CDC to draw up job descriptions for the heads of all London Office departments. We expect that this process will continue in respect of all staff both at London Office and overseas.

9.34. CDC went through a thorough and appropriate decision-making process before purchasing the lease of its headquarters building at One Bessborough Gardens, and the decision was taken for sound financial and operational reasons. A comprehensive review by consultants commissioned by CDC showed that the utilisation of office space was well in line with good-quality modern office practice.

Recommendations

9.35. We recommend as follows:

- (a) Now that the new organisation has had a chance to settle down, the operations of London Office departments and overseas offices should be examined with a view to establishing, for use in the 1992 planning round, quantified relationships between manpower requirements and the level of business activity.
- (b) With effect from the end of 1992 job descriptions should form part of the documentation for CDC's annual personnel appraisal procedures for all staff and should be reviewed every two years.