

Cross-Cutting Review of the Public Sector Labour Market

November 2002



HM TREASURY

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CONTENTS

	Page
Chapters	
1	Introduction, summary of findings and recommendations..... 1
2	The UK Public Sector Labour Market..... 8
3	Recruitment and Retention 21
4	Flexible working and retirement..... 31
5	Career development 39
6	Regional variations 46
7	The impact of e-Government..... 63
8	Recommendations..... 72
 Annexes	
1	Earnings and hours of work in the private and public sectors..... 77
2	Principal Public Sector Employment Groups, ranked by percentage of female employees..... 78
3	Employment of disabled people in the public sector..... 79
4	Ethnicity of workers in certain public sector occupations..... 80
5	Ethnicity..... 87
6	Topics for further research..... 88
7	Evidence-based research..... 90

1 INTRODUCTION, SUMMARY OF FINDINGS AND RECOMMENDATIONS

BACKGROUND

1.1 The Government's plans to improve public services are dependent ultimately on the performance of those responsible for their delivery. The modernisation of public services has involved a number of significant changes to the ways in which public sector employees are managed and rewarded, and working practices have been updated. The Spending Review of 2000 (SR2000) allocated significant new resources to the recruitment, retention and training of key public sector workers, in particular those in the NHS, education, and the criminal justice system.

1.2 These changes were made against a background perception, by some at least, that the public services were undergoing some form of workforce crisis; recruitment and retention was said to be extremely difficult and motivation at an all time low, with the result that the Government was facing a real prospect of failing to meet its own targets. At a more detailed level, the process of allocating public expenditure appeared still to be based on the traditional assumption that affordability was the main constraint on the recruitment of public sector workers. In general, the labour market was assumed to be sufficiently flexible to respond relatively easily to changes in the level and pattern of public expenditure, and to a significant degree this assumption was maintained during SR2000.

1.3 This cross-cutting review was set up to look at the issues affecting the public sector workforce in the round. How real was the 'crisis'? Were the Government's current targets achievable, and what could be done to improve the performance of public sector employers in an increasingly tight labour market? And, could a more intelligent approach to workforce issues be integrated within the public expenditure system?

1.4 This review has attempted to answer these and other questions. In some cases, its work has been hampered by the lack of reliable data, itself a result of the neglect of public sector workforce issues for the best part of two decades, but there is sufficient information to allow some broad conclusions to be drawn, and future actions recommended.

1.5 The review has attempted to look at all labour markets which might be said to have a significant impact on the delivery of public services, including those delivered by the private sector or voluntary organisations, such as child care. It has not covered the subject of public transport, which has its own distinct labour market, nor has it addresses the issue of the 'two tier workforce' and TUPE, as these are being considered elsewhere in Government.

MAIN FINDINGS

1.6 This review has not uncovered a wholesale crisis in the public sector workforce; for much of the public sector the position on recruitment and retention looks reasonably healthy, reflecting on average generally competitive pay even at a high point in the economic cycle. This review has nonetheless identified a number of challenges for employers in their attempts to recruit, retain and motivate staff delivering public services. Amongst the most pressing of these challenges are the following:

- a) Existing commitments, both announced and implicit, to expand the numbers employed in key public services;
- b) Increasing the diversity of the public sector workforce, and in particular breaking down the still marked occupational segregation between men and women, and smashing the ‘glass ceilings’ that continue to exist for the latter;
- c) Increasing the employment opportunities for ethnic minorities in the public services;
- d) Redesigning service delivery and working patterns to allow greater flexibility for both staff and customers;
- e) Enabling remuneration packages to be tailored more specifically to local labour market conditions and the specific conditions facing individual employers;
- f) Making more effective use of the full range of recruitment channels available, in particular those that offer the opportunity to access groups underrepresented in the public sector.

1.7 Average public sector pay grew more slowly than private sector pay from the mid-1990s until the middle of last year, though some employment groups within the public sector did relatively well during this period. This trend may largely be cyclical, but the relatively long period of economic upswing in the latter half of the nineties has undoubtedly created perceptions of a long-term trend towards poorer public sector pay. Traditionally, public sector pay has grown faster than private sector pay during economic downturns and there have been signs in the last six months that this pattern is being repeated.

1.8 On average pay levels for men in the public sector, even after such a long economic upturn point in the cycle, are comparable to those of their private sector counterparts, when compositional and demographic factors are taken into account. Women are paid more in the public than in the private sector, again controlling for demographic and occupational characteristics, probably at least in part reflecting progress towards equal pay in the public sector.

1.9 This average hides significant disparities between different parts of the country. Public sector workers outside London are probably better paid than their private sector counterparts, but those in London are worse off than equivalent workers in the private sector. This is arguably a consequence of the dominance of national pay bargaining in the public sector, which has arguably benefited public sector workers outside London and the South East much more in relative terms than those in and around the capital.

1.10 The relative pay disadvantage in London is not, however, reflected in recruitment and retention difficulties across the board. London suffers from shortages of certain public sector

professionals, but the position for other occupations shows a much less marked regional pattern. Moreover, there are large variations within regions, suggesting that local factors play a critical part.

1.11 SR2000 generated plans to increase the public sector workforce by 310,000 by 2004 (including some private or voluntary sector deliverers of public services). The UK workforce as a whole is forecast to increase by about 180,000 or 0.6% per year over the three years to Spring 2004, from around 28 million to around 28.6million. This implies a significant switch in the composition of employment growth from the private to public sectors beyond the current short term loosening of labour market conditions. If the SR2000 targets are to be delivered, for some groups there may need to be a shift in relative wages. SR2002 identified that the increase in the public sector workforce is to increase until at least 2006, suggesting that recruiting and retaining public sector workers is going to be an ongoing challenge for public sector and public service employers.

1.12 The composition of the public sector workforce is significantly different from that in the private sector. It employs a larger proportion of female workers, is on average older and is on average more highly qualified. However, gender segregation remains a major issue. Occupations such as nursing, teaching and childcare remain predominantly female concerns, with men continuing to dominate in the police, prison and fire services, and at senior levels of most professional groups

1.13 Public sector recruitment practices seem less flexible than those in the private sector, which may mean that it is particularly disadvantaged when labour markets are tight. Also the public sector may not be making best use of recruitment channels targeted at the unemployed or at particular ethnic minorities

1.14 This review has revealed that for many groups local labour market conditions, and the position of public sector employers in those local labour markets as reflected for example in vacancy rates, varies as much within regions as between them. This suggests there should be greater use of targeted flexibility – on pay and non-pay benefits – at local level to deal with existing recruitment and retention difficulties. The review also found no strong evidence to support further financial assistance for public sector workers to purchase housing in London and the South East, given the constrained supply in these areas, but has recommended action to increase the supply of accommodation available for rent and to use this more effectively.

1.15 The review has drawn together a significant amount of material. However, gaps in both the statistical and policy analysis remain, which it is desirable to remedy as part of a focused programme. The review makes some recommendations how this, and more generally the spreading of best practice, may be taken forward.

SUMMARY OF RECOMMENDATIONS

1.16 The recommendations can be brought together under six main headings with some overlap between them:

- i. competitive pay and local flexibility
- ii. expanding the workforce base
- iii. other benefits and presenting an attractive image
- iv. expanding the opportunities for career development
- v. collaboration, and establishing and sharing good practice
- vi. building on the existing data, research and analysis

1.17 These are expanded below. Numbers in square brackets indicate the recommendation number in the summary of recommendations at the end of the review.

i. Competitive pay and local flexibility

- there is a case for local pay flexibility. Local pay flexibility could be used to enable employers to take account of cost and other local factors affecting the ease of recruitment to particular posts or groups of posts without the deadweight cost of increases across a region or for all public sector groups [40];
- where housing is an issue, public sector employers might consider measures to increase supply, such as using their bulk purchasing power to secure rented accommodation for staff at reduced cost [43]; and
- employers could consider providing free or subsidised transport [20].

ii. Expanding the workforce base

- with a focus on service delivery, reconsider when public services should be available and identify the right working patterns to deliver them, including considering how greater variety in working patterns can promote diversity and a better work/life balance [28, 29 and 30];
- encourage older public service workers who are willing and productive to continue in work, including by removing pay/pension disincentives, and make better use of older workers [34, 35];
- offer refresher training to ex-public sector workers willing to return [21];
- introduce more flexible recruitment practices [42] and make wider use of available recruitment channels such as Jobcentre Plus [9]; and
- consider re-engineering existing roles and organisational structures to free up the most highly qualified and scarcest staff for the most essential work [39].

iii. Other benefits and presenting an attractive image

- the public sector should publicise the benefits of working for the public sector [5] such the satisfaction of helping children to develop through teaching or of helping the sick back to health through nursing, or the buzz of developing policy; the good terms and conditions, pensions and job security; and
- further improvements in conditions which employers might consider include making available flexible, affordable and accessible childcare arrangements [14]; offering sabbaticals [18]; improving the physical work environment [16].

iv. Expanding the opportunities for career development

- consider the benefits, in terms of improved service delivery, that could be derived from extending examples of good practice contained in the report and adopt where appropriate [36];
- develop the concept of a career in the public service spanning different groups, and develop a public service qualification [12, 26, 37, 38];
- facilitate job swaps within the same or different sectors [19];
- offer refresher training [21]; and
- tackle recruitment problems in deprived areas, including by ensuring that staff are suitably equipped for the specific demands of working in these areas [15].

v. Collaboration, and establishing and sharing good practice

- set up a mechanism for sharing good practice, research and evidence across the public sector [4];
- develop standards for good employment practices [11], including better management of employee health [17];
- develop and share ideas on the best way to manage an increasingly diverse workforce [31];
- explore opportunities to collaborate including on a cross-sector publication to advertise vacancies and opportunities [7]; on international recruitment [8] and act consistently in recruitment campaigns [23];
- develop partnership approaches to occupational health services [13];
- ensure that the range of exit routes – including early retirement, genuine ill-health retirement, redundancy, discipline - are used appropriately [32,33];
- seek to simplify and shorten unnecessarily lengthy and bureaucratic procedures, for example, relating to recruitment and discipline [24]; and
- consider providing public sector service wide benefits, such as help paying off student loans [22].

vi. Building on existing data, research and analysis

- establish a small central function to co-ordinate the collection of data and provide a provide a mechanism for addressing cross-cutting workforce issues [1];
- review data collection including data on the workforce with ONS and others [2], employers' collection of data on diversity [3];
- undertake or commission research to establish how people working in the public sector perceive and experience career progression [6]; the main reasons for leaving the public service, where they go and what could encourage them to stay [25];
- analyse the extent to which public sector employers recruit from each other, and the potential disruptive impact of the creation of new services [27]; and
- undertake further research to establish the potential impact of E-government [44].

STRUCTURE OF THE REPORT

1.18 This report is organised as follows:

a) **Chapter 2** describes the public sector labour market in terms of numbers of employees, earnings, demographic characteristics, educational attainment and Trade Union membership. It also looks at diversity in the public sector labour market particularly in relation to gender, disability, and ethnicity. It then attempts to summarise available data on existing vacancies and looks at employment trends in certain public sector occupations until 2004 and in some cases beyond that.

b) **Chapter 3** starts with an assessment of the recruitment scene facing public sector employers; examines the key common issues; and evaluates action underway, or planned, to tackle recruitment and retention needs.

c) **Chapter 4** describes existing practice in deploying staff in the public sector by type of work (e.g. full-time or part time) and retirement practices, considers whether changes might be needed in order to deliver quality public services in a world where the services are increasingly required 24 hours a day and seven days a week, and considers whether, in conjunction with these changes in patterns of delivery, it is possible to widen the range of people able to work in the sector.

d) **Chapter 5** looks at the experience of staff whilst in a public sector employment, and in particular the types of career that are available to them. This chapter examines the issue of career development and identifies existing best practice.

e) **Chapter 6** summarises the available evidence on regional and more local variations in the public sector labour market, and attempts to compare these with developments in the wider labour market. It looks first at regional variations in pay levels in the labour market as a whole, differences between the public and private sectors and differences in pay practices. It then examines variations in vacancy rates by geographical area. It looks at some of the factors underlying these differences, including costs and other local factors, and attempts to assess their consequences for public sector employers.

f) **Chapter 7** attempts to analyse one potential longer term impact on the public sector workforce; the ways in which new e-enabled services will affect the type of work people do in the public sector. This chapter is inevitably more speculative than the preceding ones, but it attempts to develop an analysis of changing skills sets required in the world of e-government, and how this is affected by the speed of take-up and ways to enable change. The chapter then examines requirements for new skills in the world of e-government.

g) **Chapter 8** lists the report's recommendations.

ORGANISATION OF THE REVIEW

1.19 The review was coordinated by a Ministerial group, chaired by the Minister for Work, comprising Ministers from the Department of Transport, Local Government and the Regions, the Department for Education and Skills, the Home Office, The Ministry of Defence and the Cabinet Office. The day to day work of the Review was overseen by an Officials' Steering Group, chaired by Joe Grice of HM Treasury, comprising representatives of the Departments on the Ministerial group plus the Local Government Association. Meetings were also held with the Trade Union Congress and a variety of other Trade Unions and interest groups, as well as with public sector employers. A team at Newcastle University was commissioned to provide specific analytical support for the review on a number of issues, and the results from this research are cited at a number of points in the text.

2 THE UK PUBLIC SECTOR LABOUR MARKET

2.1 This chapter is divided into three parts. The first part describes the public sector labour market in terms of numbers of employees, earnings, demographics, educational attainment and Trade Union membership. The second part focuses on diversity in the public sector labour market in terms of gender, disability, ethnicity as well as mentioning other aspects of diversity such as age and academic background. The third part summarises available data on existing vacancies.

PART 1: A DESCRIPTION OF THE PUBLIC SECTOR LABOUR MARKET

Employee numbers

2.2 There are currently just over 5 million public sector employees in the United Kingdom, equivalent to 18% of total employment. Total public sector employment peaked at 7.5 million in 1979, and fell steadily until 1998. The last couple of years have shown a modest increase in employment levels, as the table below shows.

Chart 1

Public sector employees (thousands)

	Total Public Sector	NHS Total	Civil Service	HMF	Other	Education	Social Services	Police	Other	Public Corps excl NHS trusts
1992	5783	1231	592	290	209	1391	410	204	894	562
1993	5477	1205	579	271	213	1201	398	207	873	530
1994	5292	1177	553	250	205	1176	408	206	855	462
1995	5211	1182	532	230	176	1188	412	207	832	452
1996	5069	1186	512	221	100	1191	406	207	820	426
1997	4954	1199	493	210	89	1193	403	206	791	370
1998	4944	1200	484	210	97	1204	395	207	773	374
1999	5000	1207	481	208	104	1240	388	207	787	378
2000	5093	1224	498	207	89	1300	388	204	798	385

Source: ONS. Economic Trends, June 2001. Pg 40.

2.3 The above figures cover only direct employees of public bodies. There are a number of other employment groups engaged in the delivery of public services that are classified to the private sector and are covered by this review. These include:

- Most of the 290,000 employed in childcare outside the home and schools;

- 135,000 academic staff employed in higher education and the 234,000 academic staff employed in further education;
- Two thirds of the 1 million people working in personal social services.

This review has not addressed the public transport labour market.

Earnings

2.4 Growth in average earnings in the public sector outstripped earnings growth in the private sector in the five years to 1995 by a percentage point (5.8% pa, compared to 4.8% pa). The relative positions were reversed in the five years to 2000, with private sector earnings growing at 4.2% pa, compared with public sector earnings growth of 3.6% pa. GDP grew by an average of 1.6% pa during the first period, and by an average of 2.8% during the second.

2.5 These figures suggest public sector earnings growth is counter-cyclical, with private sector workers doing relatively better in the economic upswing from 1995-2000 and public sector workers doing relatively better in the recession in the early 1990's.

2.6 These overall figures mask some significant differences in the growth of average earnings between employment groups, as shown by the following table:

Chart 2

Average annual earnings growth

	1990-95 (%)	1995-2000 (%)
Nurses and midwives	5.6	4.3
Medical practitioners	6.1	4.8
Police Officers	5.2	4.2
Teachers	6.5	3.6
General administration (central government)	5.3	3.5

Source: NES

2.7 Research undertaken by Newcastle University for this Review enables us to look more closely at trends both in weekly and hourly wages. Gross weekly wages in public sector occupations for males and females have fallen relative to average wages in the economy. The Newcastle analysis reveals that relative pay in the public sector has fallen since 1994 (see Annex 1).

2.8 The pay premium for men in the public sector appears to have almost completely disappeared by 2000. Both New Earnings Survey (2000) and Labour Force Survey (LFS) data support the conclusion that on average the difference in gross weekly wages between the average public sector male and the average private sector male was in that year minimal. The NES 2000 data reveals that the average private sector male is paid about 1% more than the public sector male. The LFS (2000) data reveals that the average public sector male is paid 3.8% more than the average private sector male. These figures take no account of differences in composition.

2.9 For females the picture remains significantly different. The public sector premium has decreased since 1994 from 38.0%, but is still 24.7% according to the LFS data. The corresponding premium figure from the NES data is 16.8%. So the average public sector

female still earns decidedly more than the average private sector female, reflecting the fact that the pay gap between the genders is less in the public sector.

2.10 The above analysis focuses on weekly gross wages. The analysis done by Newcastle University takes this further and looks at gross hourly wages, as males on average work fewer hours in the public sector relative to private sector males. Females tend to work similar hours in both sectors. The public sector premium for hourly wages is 11% (higher than the 3.8% weekly wage premium) for men. However this differential is in part due to different types of occupations and different characteristics in the two sectors. Controlling for occupation, region, firm size, education and age, public sector and private sector wages are not significantly different from each other for men. For women hourly wages remain 6.5% higher in the public sector, even after allowing for all of these differences in job and worker characteristics across the sectors.

2.11 For graduates the average pay (weekly and hourly) is higher in the public sector both for males and females. For graduates, as in the labour market as a whole, this differential is higher for women than for men. Also public sector wages vary much less by region than private sector workers (data on regional variations can be found in Chapter 6). The analysis by Newcastle University reveals that the relative pay of skilled workers has risen dramatically, as has the dispersion of pay within skill-bands amongst graduates.

2.12 There is evidence that the public sector premium is counter-cyclical. Disney *et al* (1998) showed that the public sector pay premium is counter-cyclical, with private sector workers doing relatively better in a boom, and public sector workers doing relatively better in a slump. Since the years from 1994 to 2000 have generally been an upswing in the British business cycle, it is not on the face of it surprising that private sector earnings have increased relative to those in the public sector. Recent pay data suggests that we may have reached a turning point in the cycle. Public sector pay earnings growth is now outstripping the private sector by a significant amount for the first time for some years; headline earnings growth reached 5.8% in September 2001 compared to 4.1% in the private sector, a pattern that has been consistent since the first half of last year. The latest figures for July 2002 show average earnings to have peaked in the public sector with the headline rate standing at 3.8%, in the public sector. Earnings growth has now converged in the public and private sectors.

2.13 National pay determination, whether through collective bargaining, Pay Review Bodies or other arrangements such as pay formulae, is still dominant in the public sector, although in some cases this is supplemented by a limited degree of local flexibility. This almost certainly accounts for the relatively low pay differentials in the public sector, both between regions and within hierarchies.

Leave entitlements

2.14 A recent survey by Incomes Data Services (IDS) revealed little difference between the public and private sectors in respect of leave entitlement, with 25 days being most common in both sectors. The public sector seems, however, in general to offer better parental leave than the private sector, according to separate research by Unison and IDS.

Sick Leave

2.15 There are however differences in levels of sick leave. The latest data available, a CBI survey (1996) showed that on average employees in the private sector were absent for 7.3 days compared with 10.2 days in the public sector.

Age

2.16 The public sector workforce has on average aged significantly over the last decade; the proportion of public sector employees aged 34 or under was almost equal to the proportion aged 45 or over in 1993. The latter age cohort now outnumbers the former by a third. The contrast with the private sector is marked; 70% of public sector employees are aged 35 or over, but the equivalent figure is only 59% in the labour force as a whole. Education, Local Government administration and Social Care have particularly high proportions of older workers.

2.17 The table below shows the number and proportion of public sector employees who in Spring 2001 were due to reach the current state retirement age in the next 5, 10 and 15 years respectively, that is men who will reach age 65 and women who will reach age 60.

Chart 3

	All		Men		Women	
	thousand	percentage	thousand	percentage	thousand	percentage
5 years	465	7.4	111	4.6	355	9.1
10 years	1,252	20.0	322	13.4	931	24.0
15 years	2,172	34.6	648	27.0	1,525	39.3

Source: Labour Force Survey

2.18 Certain parts of the public sector already rely heavily on international migration as a source of employees; 31% of doctors and 13% of nurses were born outside the UK. Overall 7.8% of public sector employees were born outside the UK.

Educational attainment

2.19 28.4% of public sector employees were educated to degree level or equivalent in 2000, an increase from 24.7% in 1996. 7.0% had no qualifications, a fall from 9.2% five years earlier. These figures are markedly different from those in the economy as a whole; graduates comprise 11.9% of the UK workforce, lower than the proportion of those with no qualifications (13%).

Regional split

2.20 The regional breakdown of public sector employment broadly follows that for the workforce as a whole, but with some variations particularly in the devolved administrations. The public sector represents a disproportionately large share of total employment in Scotland, Wales, Northern Ireland, the North East and the North West, but is lower than average in London, The South East, the East of England and the East Midlands, as the table below shows:

Chart 4

Public sector, total employment and GDP by UK region

	Share of total UK employment (%)	Share of public sector employment (%)	Regional GDP Per head (£)
North East	3.9	4.6	10,000
North West	11.1	12.2	11,300
Yorkshire and Humber	8.3	8.6	11,400
East Midlands	7.1	6.3	12,100
West Midlands	8.8	8.2	11,900
East of England	9.8	8.7	15,100
South West	8.6	8.4	11,800
South East	14.7	13	15,100
London	12.3	11.2	16,900
Scotland	8.5	10.1	12,500
Wales	4.4	5.3	10,400
Northern Ireland	2.5	3.1	10,100

Source: LFS (Spring 2001). Regional GDP figures: ONS (February 2001)

2.21 Average GDP per head in the UK is £13,000. UK regions with lower average GDP head are in general more heavily dependent on the public sector as an employer, than those with higher GDP per head. With the exception of the two Midlands regions, all UK regions with below average GDP per head have above average public sector employment. The three regions with above average GDP per head all have proportionately low public sector employment. This suggests that public sector employment dampens what would otherwise be even larger regional variation in GDP per head.

Trade Union Membership

2.22 The public sector is much more heavily unionised than the private sector and recognition of trade unions is also greater in the public sector. 60% of public sector employees are members of Trade Unions, as opposed to just 19% of employees in the private sector.

PART 2: DIVERSITY IN THE PUBLIC SECTOR LABOUR MARKET

Gender

2.23 The UK public sector workforce is disproportionately female; women comprise 45% of the total UK workforce, but 62% of the public sector workforce, a figure that has increased from 57% eight years ago. There is a high degree of horizontal occupational segregation between men and women in the public sector; women comprise more than 75% of all midwives, nurses, nursing auxiliaries, hospital ward assistants, local government clerical staff, and special, primary and nursery education teachers. By contrast, they comprise less than 25% of police officers, fire fighters, prison officers and general managers in national government. Details of the gender breakdown of specific public sector groups can be found in Annex 2.

2.24 There is also significant vertical occupational segregation between men and women in the public sector. Within the public sector, as in the private sector, the proportion of female employees tends to be much smaller higher up the management structure. For example women comprise 79% of NHS staff, but just 23% of NHS Chief Executives. In 1999, women comprised nearly 70% of teachers in the maintained sector in England, but only 53% of head teachers. In 1999, 49.4% of the Civil Service were women, but women comprised just 17% of the Senior Civil Service, and, by contrast, 60% of clerical staff.

2.25 This uneven distribution has a significant impact on women's lifetime earnings:

- Vertical occupational segregation limits the number of women able to move into higher/professional grades and earn more money;
- Part-time and flexible working, while offering some advantages to women with family or caring responsibilities, also affect career advancement and lifetime earnings;
- The feminisation of workplaces often results in low pay (compared to other male dominated sectors), restricting lifetime earnings, increasing the emphasis placed on other conditions of work for retaining qualified female staff and attracting male staff;
- Women still suffer from a pay gap within public sector occupations such as teaching and nursing, whose average earnings are relatively high for female-dominated occupations in the UK.

2.26 Overall, the gender pay gap in the public sector is less marked than that in the private sector, with women in the public sector earning on average 81.7% of the hourly earnings of their male counterparts (the comparable figure for the private sector is 69.8%). The pay gap within the public sector has closed more rapidly in recent years; 78% of the closing of the pay gap in the UK between 1985 and 1995 has been attributed to the public sector.

Disability

2.27 About 12% of people in work in the UK have a disability within the meaning of the Disability Discrimination Act. The proportion of public sector employees with a disability is more or less the same, with little variation between broad categories of employer. The proportion of disabled employees is higher at lower skill levels; 15% of public servants in 'elementary occupations' are disabled, but only 10% of 'managers and senior officials' (see Annex 3). Disabled people constitute a significant potential source of additional employees; only 47% of disabled people of working age are in work, compared to 80% of non-disabled people.

Ethnicity in the public and private sector labour market

2.28 The analysis of Private and Public sector employees of working age¹ by ethnicity in the UK is based on the Labour Force Survey (2001), which is a large data set covering 280,000 households. From the LFS it has been estimated that about 2.4 million people of working age in the UK belong to ethnic minority groups, which is equivalent to 6.7% of the total working age population.

2.29 There are however differences in economic activity rates for different ethnic groups, with all ethnic minorities having labour market participation rates below the national average. Participation rates for women from certain ethnic minorities are particularly low.

2.30 Among men of working age, activity rates were highest for White men at 85%, followed by the Other Black group, the Black Mixed group and the Indian Group, all having activity rates of 82%. The average rate for the other ethnic minority groups was just above 76%. The lowest rates were for the Chinese group (60%) and the Pakistani/ Bangladeshi group (61%). These figures are based on the LFS (Summer 1999 – Spring 2000).

2.31 The variation between ethnic groups is more significant for women. Black Caribbean Women and White women had the highest activity rates at 75% and 74% respectively. In contrast, activity rates for Pakistani and Bangladeshi women were significantly lower at 31% and 24% respectively. These figures are similarly based on the LFS. Note: new occupational classification introduced in 1991.

2.32 A reason that has been cited for the lower activity rates has been the younger age profile of ethnic minority groups, as young people are more likely to be in full-time education. This means that the available ethnic minority population that could be recruited is lower than the raw data may suggest.

2.33 Almost half of the ethnic minority population (48%) lives in London. Ethnic minority populations have varied geographical distributions throughout Britain, but there is a tendency to reside in metropolitan areas. Around 70% of all people in Great Britain of ethnic minority origin were concentrated in four regions; Greater London, West Midlands Metropolitan County, Greater Manchester and West Yorkshire. However there are wide variations between different ethnic minority groups within these centres. For example half of Black African people and half of Bangladeshis live in inner London compared with only 5% of Pakistanis and 8% of Indians.

2.34 The tables below show the number of ethnic minority employees in the public and private sectors in 1995/6 and 2000/1. There was a marked decline between 1995/6 and 2000/1 in the number of people whose ethnicity is not known. Reliable comparisons cannot therefore be made between the proportions of employees in different ethnic groups between the two years. Data on specific public sector employment groups can be found in Annex 4.

¹ Working age included men aged 16-64 and women aged 16-59.

Charts 5 and 6

Ethnicity of Public and Private Sector Employees

Winter 1995-6

	All persons	Private Sector	Public Sector
All Persons	22,045,814	15,838,251	6,080,414
White	20,576,296	14,841,783	5,622,996
Black	284,782	164,084	115,775
Indian	307,452	241,525	61,427
Pakistani-Bangladeshi	116,593	92,406	21,523
Mixed-Other origins	218,017	150,869	66,285
Not known	542,674	347,584	192,408

Source: LFS

Winter 2000-1			
	All persons	Private sector	Public sector
All Persons	23,998,246	17,658,934	6,264,981
White	22,712,380	16,715,304	5,927,944
Black	395,021	264,698	127,142
Indian	394,103	310,251	83,419
Pakistani-Bangladeshi	164,469	134,589	28,923
Mixed-Other origins	329,297	233,285	95,385
Not known	2,976	807	2,168

Source: LFS

Academic Background

2.35 In the past there has been some concern that certain parts of the public sector recruit from a narrow range of academic institutions. Some information on the Senior Civil Service can be extracted from Fast Stream recruitment figures (from the Civil Service Commissioners' Report prior to 1995 and from the Fast Stream Recruitment Report after 1995). Information is collected on the basis of where entrants completed their first degree.

2.36 The graph below shows a decline in the proportion of Oxbridge graduates from about 40% of Civil Service Fast Track recruits in 1993 to about 30% in 2000, though this is still much higher than their share of total new graduates. Other pre1992 universities seem to be capturing the majority of this increase. Other universities have seen only a slight increase from 4% to 6%.

2.37 Research by Newcastle University suggests that graduates educated at private schools were proportionately more likely to obtain employment in the private sector, rather than the public sector.

Chart 7

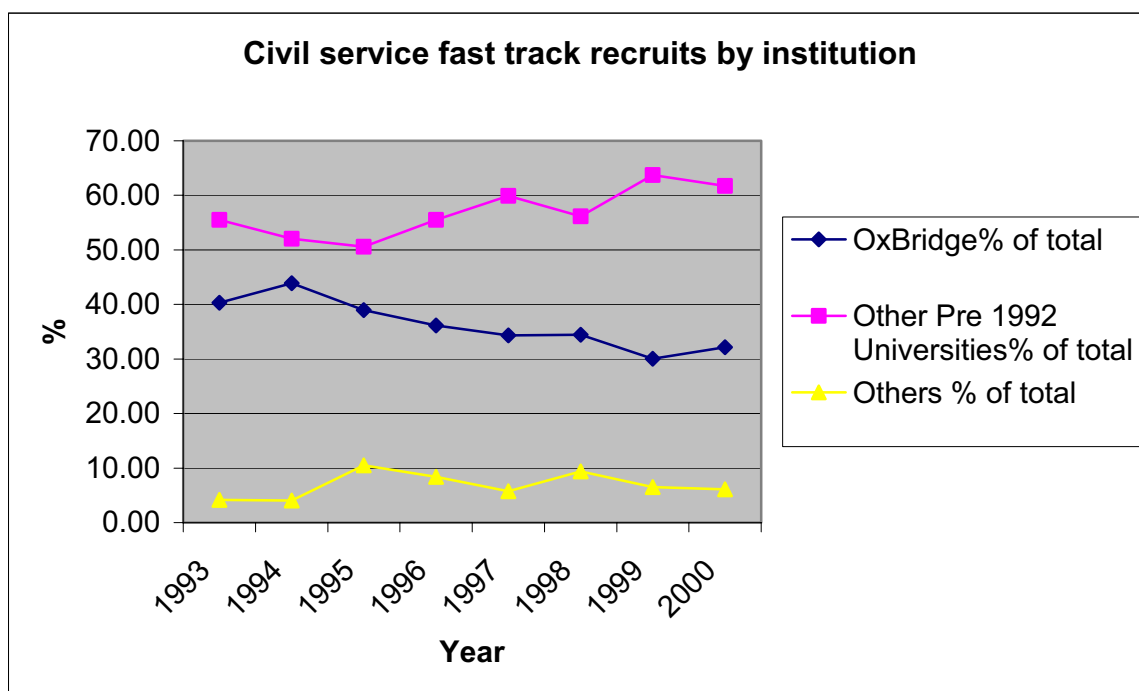


Chart 8

Civil service fast track recruits by type of institution

Recommended for Appointment							
	Oxbridge	% of total	Other Pre-1992 universities	% of total	Others	Others % of total	Total
1993	146	40.3	201	55.5	15	4.1	362
1994	119	43.9	141	52.0	11	4.1	271
1995	104	38.9	135	50.6	28	10.5	267
1996	112	36.1	172	55.5	26	8.4	310
1997	95	34.3	166	59.9	16	5.8	277
1998	81	34.5	132	56.2	22	9.4	235
1999	92	30.1	194	63.4	20	6.5	306
2000	137	32.2	263	61.7	26	6.1	426

PART 3: RECRUITMENT AND RETENTION

Local authorities

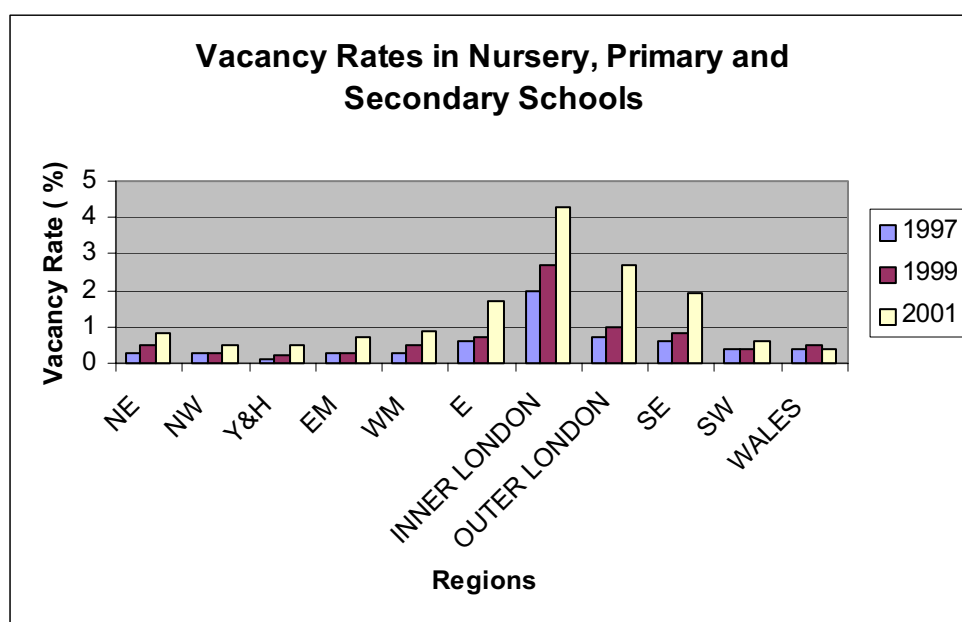
2.38 Recruitment and retention problems reported by local authorities are concentrated in a number of specific employment groups. Benefit Officers and social workers appear to be particularly problematic areas, with 82% and 74% reporting recruitment and retention difficulties. There are clearly also significant problems in relation to Occupational Therapists, Environmental Health Officers and Trading Standards Officers, as well as professional occupations such as accountants and lawyers.

2.39 For social workers and other care workers there appears to be a general recruitment problem across the country as a whole. This stems in part from an increased demand flowing from an increase in children in care and the increasing population of over 85 year olds. On the supply side many policy initiatives in the education, health and social care have resulted in many employers competing for the same workers within and between the sectors. The Local Government Association reports average vacancy rates of 15.9% for social workers and between 10 and 12.8% for home care workers and care staff. A recruitment and retention survey by the Social and Health Care Workforce Group reveals vacancy rates of similar magnitude. The average vacancy rate for field social workers in England is 16% and 11.3% for home care workers. Turnover rates are also high in these jobs – 15.4% for social workers and 10.9–12.8% for home care workers according to the Local Government Association.

Teachers

2.40 Published vacancy rates for teachers in Nursery, Primary and Secondary Schools are still relatively low in absolute terms, and are still less than 2% in every region except London. They have, however, sharply increased in all the regions on England in recent years, though Wales has seen a decrease.

Chart 9

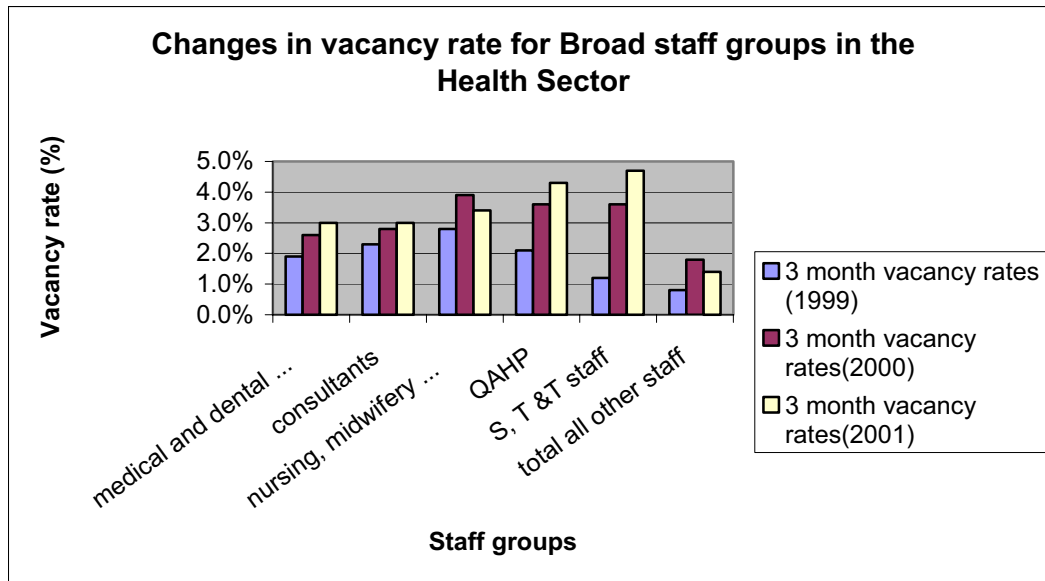


Note: The Department for Education and Skills defines vacancies as posts which have been advertised for full-time appointment of at least one terms duration, that exist on the 618G survey date of the third Thursday in January. These are posts, which the Local Education Authority/school intends to fill,

including those for which they have unsuccessfully attempted to make an appointment, or for which an appointment has been made, but the appointee has not taken up the post. A post, which has been filled by a temporary appointment of less than one term, pending the finding of a more permanent appointee, is regarded as a vacancy. A post would not be recorded as a vacancy if someone appointed to that post on a full-time contract of one term or more has filled the post.

The Health Sector

Chart 10



2.41 The increase in vacancy rates has not been uniform through the broad staff groups. Nursing, midwifery and health visiting staff have seen a decrease in vacancy rates since 2000. This also applies to ‘all other staff’ which includes health care assistants, support staff, admin and estates staff and ambulance staff. S, T & T staff includes language and speech therapists, pharmacy staff, pathology staff, operating theatre staff. The NHS defines their vacancies as being 3 month vacancies as at the 31st 2001 which trusts are actively trying to fill which had lasted for three months or more (whole time equivalents). The vacancy rates are expressed as a percentage of three month vacancies plus staff in post from the September 2000 medical and dental and non-medical workforce census.

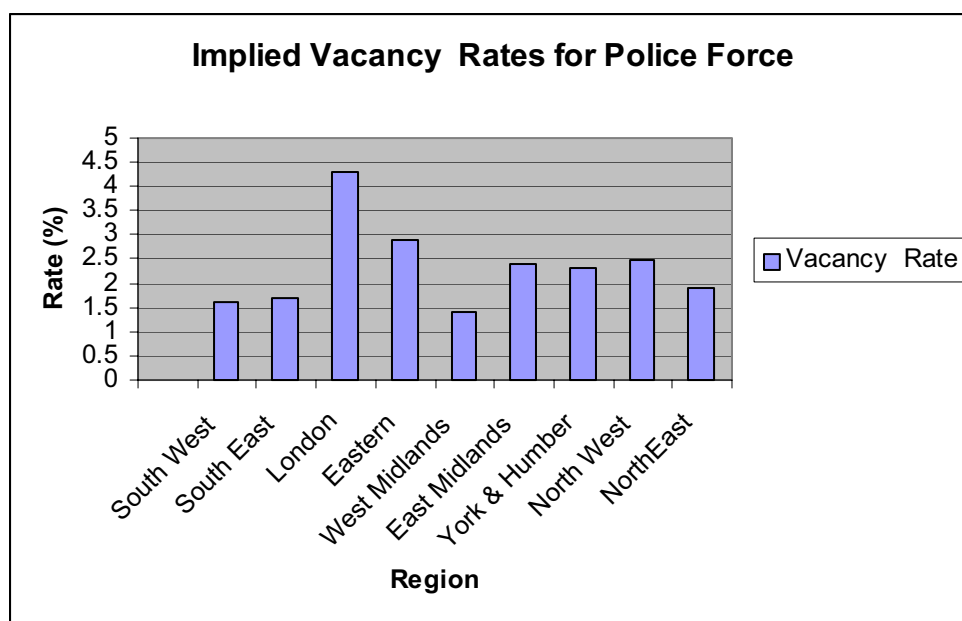
Police Officers

2.42 Figures for actual police force vacancies reported in the style the NHS reports vacancies do not appear to be available. Implicit vacancy figures or short term future demand for police officer can be derived from the actual strength of the workforce as at 31/8/01 and the budgeted workforce as at the 31/3/02.

Chart 11

Region	Budgeted Workforce	Actual Strength	Inferred vacancies	Vacancy Rate
South West	9859	9702	157	1.6
South East	15861	15587	274	1.7
London	27390	26216	1174	4.3
Eastern	10167	9869	298	2.9
West Midlands	12874	12696	178	1.4
East Midlands	8839	8624	215	2.4
York & Humber	11729	11461	268	2.3
North West	18061	17608	453	2.5
North East	7083	6945	138	1.9
Total	121863	118708	3155	2.6

Chart 12



2.43 For the police force it is again London that reports that highest implicit vacancy rate of 4.5% for 2001-2002. The East of England has a higher implied vacancy rate than the South East.

PART 4: WORKFORCE PLANNING IN THE UK PUBLIC SECTOR

2.44 This review has found that, in general, workforce planning is currently rather underdeveloped in the UK as it fell out of fashion in the 1960's. There are some models in use, but these tend to be confined to single employment groups, and, by definition, are unable easily to pick up cross-cutting issues. The review has not had time to work up a detailed proposal as to the type of new arrangements that might be introduced, but recent developments in the Netherlands provide a possible model.

2.45 The Dutch Ministry for Internal Affairs began in 1993 to develop a model to support workforce planning. The first use of the model focused on the ageing of the public sector labour force to generate a predication of the age structure of public sector employment up to 15-20 years ahead. The model includes variables for gender and full and part time working.

2.46 From then on the output has become more sophisticated and the model is continually being refined. Initially the focus was on the public sector in general; now 22 separate sub-sectors can be looked at individually. The model does not yet include the regions, but this will be included in the future.

2.47 The model is in essence a demand driven model. There is information on age, gender and working hours of public sector workers in the past, as well as information on the probability of a public sector worker leaving the sector due to retirement, a job outside the sector etc and these patterns are assumed to remain the same in the future. There is also information on demand for certain public sector workers through government announcements and targets. This can then be used to simulate and inflow of new government employees. Predictions can be made for every year to 2007.

Summary

2.48 The public sector workforce displays some distinct features by comparison with the UK labour market as a whole:

- a) In general it is older and has a higher proportion of female employees;
- b) It is significantly better educated than the working population as a whole;
- c) It is much more heavily unionised;
- d) It plays a more significant role in the economies of UK regions with lower GDP per head; and,
- e) The public sector pay 'premium' for both men has been eroded over the last few years. It is still significant, however, men in relation to hourly wages, and for women in relation to both hourly and weekly pay. The premium for men can entirely be explained by compositional and demographic factors, but a significant part of the public sector pay premium for women cannot.

3 RECRUITMENT AND RETENTION

PART 1: INTRODUCTION

3.1 The ability to recruit and retain staff, and to attract former staff back to the public sector, lies at the heart of the successful delivery of high quality and efficient public services. Investment in new technology, the construction of major capital programmes and the creation of innovative and new plans of providing services are essential elements of an overall strategy for each public service. However, success will only be achieved when an employer has the right staff in the right place with the right skills and experiences.

3.2 Chapter 2 outlines the labour market facing public sector employers, public sector vacancies and targeted increases in staff. This shows that, for the first time in two decades, the public sector labour market is growing substantially, and is likely to continue to do so. This expansion has been accompanied by a variety of strategies to reform pay, conditions and working practices.

3.3. This growth in the size of the workforce is on top of any increase that may be required in order to tackle existing recruitment difficulties in certain parts of the public sector. Employers can be faced with a vicious circle whereby labour shortages lead to an increased workload for those working, thus making jobs less attractive and recruitment still harder. Planned increases in the workforce should ameliorate some of the underlying recruitment difficulties, creating capacity to allow staff to take up professional training opportunities, to improve teamwork and to give staff the time to do the job they were trained to do. Effective recruitment and retention strategies are fundamental to achieving this.

3.4 This chapter analyses the ways in which public sector employers address the recruitment and retention of their direct employees. It starts with an assessment of the recruitment scene facing public sector employers drawing from chapter 2 and the regional analysis that follows in chapter 6; examines the key common issues; and concludes by evaluating action underway, or planned, to tackle recruitment and retention needs. It does not cover retirement and career development, which are covered in chapters 4 and 5 respectively.

The common marketplace

3.5 It is evident that different public sector workforces often perform very specific tasks and deliver quite different services. The prison, the hospital, the police station and the school each have their different jobs to do. The different ways in which staff work – shift workers, 9-5 staff, temporary staff – mean that recruitment strategies will differ from group to group. It is clear nonetheless that there is a range of common issues facing those responsible for designing and managing policies for improving recruitment and retention performance, and that individual experiences may provide wider useful signals. In addition, many public sector services – despite their differences – need to work in a complementary manner at both the local and national level.

3.6 As chapter 2 shows, some public sector employers have experienced potentially serious recruitment and retention difficulties in recent years, and the situation appears to have

deteriorated for some groups recently. These difficulties are, however, not as widespread and as endemic, as has frequently been portrayed.

3.7 Moreover, many public sector employers have begun to see improvements in many of the main indicators. More people applying to graduate as a teacher, 17,000 more nurses in the NHS between 1997 and 2000; and vastly improved levels of interest by those wishing to undertake police training.

3.8 Chapter 6 provides a more detailed analysis of the problems some employers face in particular areas of the country, and shows that, while for some employment groups there may be a marked 'London problem', this is by no means uniformly the case. The high cost of London and much of the rest of the South East of England is one factor in causing such recruitment difficulties as do exist, but at the more local level, other factors such as social deprivation can have a major impact. For example, schools in more socially deprived areas appear in some cases to have greater problems attracting suitably qualified staff, perhaps because such schools are seen as more difficult places in which to work. Those filling more demanding hard to fill posts in deprived areas should have their contribution suitably recognised as their careers progress.

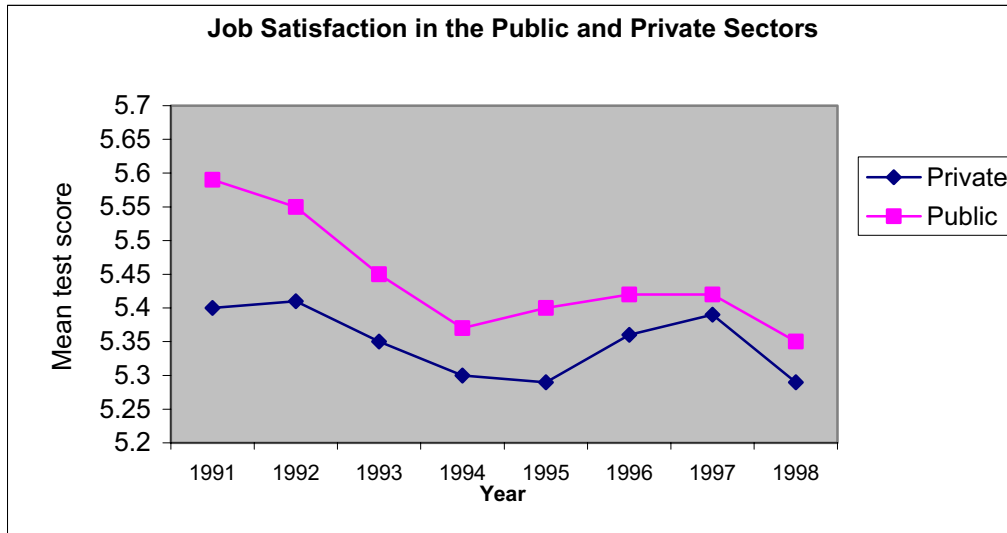
3.9 Some parts of the public sector outside London and the rest of the South East share these problems, but in general employers in the rest of the country face common issues as a consequence of their relatively strong employment position. This is best exemplified by the very low turnover that some hospitals, colleges and police forces experience – this makes it difficult to manage change and offer professional and career development to ambitious employees.

3.10 In terms of diversity, there are attributes common to many public – and private - sector organisations. A caricature of the public sector workforce would be one where certain parts of the organisation – especially at senior levels – are not representative of the population as a whole. This could mean the under-representation of women or ethnic minority staff at board level or in certain professional groups. In the NHS, there are some virtually all-women professions such as speech and language therapy; in local government, men occupy most of the senior positions; and in education, there is an under-representation of ethnic minority staff despite their high representation in the local community that the school serves.

3.11 Health and social care, education, the police and prisons and transport are regularly portrayed in the media as being difficult and unattractive working environments, particularly in deprived areas. There appears also to be a common perception that workload is high in the public sector and morale is, as a consequence, low. Where these perceptions exist they inevitably weaken the ability of the public sector to recruit in the right numbers. However, the issue here may be one of perception, since there is evidence to suggest that while morale across the workforce has fallen, it has fallen from a higher starting point in the public sector, and is still higher in the public sector than in the private sector.

3.12 This is illustrated in Chart 3.1 below, based on research on job satisfaction in the public and private sectors undertaken by Warwick University. Employees were asked to rate their level of job satisfaction with respect to: promotion prospects; total pay; relations with supervisor; job security; ability to work on own initiative; the actual work itself; and, the hours of work. The final question – illustrated in Chart 3.1 - was 'all things considered, how satisfied or dissatisfied are you with your present job overall' and they were asked to rate it on a scale of 1-7, with 1 representing 'not satisfied at all' and 7 being 'completely satisfied.'

Chart 3.1



3.13 A survey conducted by the Chartered Institute of Personnel and Development (CIPD) in 2001 came to a similar conclusion as the research conducted by Warwick University. Overall public sector employees remain a little more satisfied with their jobs than those in the private sector, although the gap is said to be narrowing.

3.14 Attitude Surveys of the Armed Forces similarly suggest job satisfaction is generally highly rated. Each Service undertakes Continuous Attitude Surveys (CAS) twice a year to measure the morale and understand the concerns of their personnel across a spectrum of issues; including conditions of service; promotion; job satisfaction; pay and allowances; equal opportunities; training and development and accommodation. These surveys provide a clear understanding of what it is about Service life that motivates and demotivates personnel, and allow trends to be observed. Importantly, the surveys are also directed at spouses and early leavers.

3.15 The CAS show that the principal areas of dissatisfaction tend to be common across Services and ranks, although the order of importance tends to vary. Broadly speaking they are: the effect on family life of the high level of separation through operational and other commitments; promotion opportunities and overstretch. On the other hand, job satisfaction generally is rated highly.

3.16 A survey focusing on job satisfaction amongst residential care workers conducted by Lancaster University reveals that job satisfaction is high in residential care jobs where the teamwork is good and the management supportive and approachable. This suggests that good management plays a crucial role in ensuring that staff are satisfied with their jobs.

3.17 The Newcastle University study indicates that in the early stages of their career public sector graduates are generally more satisfied with their career than graduates in the private sector. This however changes later in the career. Ten years after starting workers are more dissatisfied with the job overall and with the match of their qualifications and the lack of opportunity.

3.18 Workers in the public sector are less likely to change their careers during their working lives.

3.19 The Newcastle study also reveals the expressed reasons why graduates leave jobs in the public sector. 29% leave at the end of a fixed term contract. 16% move for better career opportunities. Only 2% of public workers cite moving to a better paid job as the reason for quitting.

3.20 The Newcastle University study also provides evidence that the choice of degree subject can have a pronounced effect on whether graduates are likely to seek employment in the public sector in the first place. Graduates in medicine and education tend to lead to a job in the public sector, whilst those graduating in business or engineering are more likely to be employed in the private sector. This means that subsequent employment paths may in effect be made by people very early on in their university career or even whilst still at school. Mature students are also much more likely to join the public sector, which may reflect decisions of existing public sector employees to seek further career progression.

3.21 Graduates employed in the public sector are much more likely to be in 'exactly the job they wanted' (64% of women and 63% of men compared with 37% of women and 39% of men in the private sector reporting the same). Public sector workers attach considerably more importance to doing work that is socially useful and fulfils them, than their counterparts in the private sector.

3.22 Chapter 2 provides an analysis of trends in relative pay for public servants. It also shows, public sector employees do not, on average, work longer hours than their private sector counterparts; indeed, men in the public sector on average work shorter hours than elsewhere. It is, of course, also important to look at other conditions such as job security, leave entitlements and sickness benefits. Arguably the public sector advantage has been diminishing as the labour market has changed.

Intra public sector competition

3.23 There are a number of areas where the public sector competes directly with the private sector for employees with particular types of skill; IT specialists, lawyers and accountants. The difficulties that the public sector experiences in these areas are relatively well known, but there is much less data on the ways in which different parts of the public sector compete with each other. For example, anecdotal evidence suggests that many ex nurses are employed in social services and childcare, and that Police Forces will often recruit Prison officers.

3.24 The LFS can be used to determine the extent of intra public sector recruitment. The movements of public and private sector workers were traced between Spring 2000 and Spring 2001. Overall it can be concluded that there is more movement between sectors than within sectors. In the time period 5.8% of workers moved from the public to the private sector and 3.9% moved from the private to the public sector. Movement within the public sector was much lower - 2.7% of workers that were in the public sector in Spring 2000 were working in a different part of the public sector in Spring 2001. The review has not been able to obtain any more detailed evidence on the extent to which public sector employers routinely recruit from each other, or on the impact that new initiatives, such as the setting up of the Connexions Service, may have on existing employers.

Recruitment, flexibility and welfare to work

3.25 Recruitment practices in the public sector appear to differ markedly from those in the private sector. For example, the London Employers Survey 2001 reveals that 35% of employers used word of mouth when recruiting, whereas this is an approach that is largely discouraged in the public sector, with its more formal recruitment practices.

3.26 The chapter on flexibility in work patterns suggests that, at least in some parts of the public sector, there is a lack of flexibility in recruitment and retention policies. This sometimes leads to perverse outcomes such as the employer hiring lots of temporary workers, which would be sub-optimal both for the business and for the staff.

3.27 The public sector also needs to consider its recruitment channels. In particular, there is evidence that recruitment by the public sector does not use the public employment service as much as the private sector. This will restrict the number and range of potential workers available to the public sector.

3.28 There are currently 5 million people of working age on benefits including 4 million people who are not on unemployment benefits. Jobcentre Plus (the successor to the Employment Service and the Benefits Agency) provides access to these people. These clients are also disproportionately concentrated in areas such as London where there are recruitment difficulties in the public sector. Greater use of this source of labour would provide an important extra source of labour.

3.29 In addition, the Government's welfare to work programme aims to provide help with matching jobs and people and, thus, providing a service to both workers and employers. The New Deal programme with its special help for the long term unemployed, lone parents and the sick and disabled aims not only to expand the size of the potential pool of recruits but also to provide a more equitable distribution of employment. This will have particular benefits in deprived areas, many of which suffer from both high unemployment and acute labour market shortages.

3.30 Jobcentre Plus has also recently increased the emphasis towards providing more assistance and a better service to employers. Some occupations such as teachers and nurses tend to be based on a national labour market. It may be worth exploring, with Jobcentre Plus, in the first instance, the possibility of establishing a centralised, national recruitment agency. This should increase the efficiency with which vacancies are matched with available recruits.

International migration

3.31 One of the key elements of the European Union is the free movement of labour and migration into and out of the UK from other EU countries has been increasing over time. This is both because travel has generally got easier and less costly and because barriers to mobility are being reduced. If the public sector were to establish recruitment channels with other EU countries it, too, would provide an important extra source of labour.

3.32 Work based migration from countries outside the EU has been increasing with the numbers of work permits topping 100,000 in 2000. The public sector already makes substantial use of the work permit system. The UK has recently launched the Highly Skilled Migrant Programme, which allows in people from abroad based on, amongst other things, educational qualifications and work experience. In addition, there are already people from non-EU countries who have already have the legal right to work in the UK. These include people who have acquired refugee status, foreign students and people on the working holiday makers scheme. The Government is looking at policies which make it easier and quicker to make the most of these sources of labour. The public sector should explore whether it can use these non-EU sources of labour and also see whether the recent and proposed policy changes provide other sources of labour.

PART 2: EXISTING GOOD PRACTICE

3.33 The above has concentrated on the common problems which public sector employers face - given the purpose of this chapter is to identify action which could be taken to overcome them and improve the quality and extent of public services. There are many positive common features too – many 100,000s of people work in the public sector, with highly rewarding jobs affecting the lives of the whole population. The following section summarises recent action on recruitment and retention.

3.34 There are significant areas of good practice in all sectors – which are sampled below in order to indicate that dedicated recruitment and retention efforts can be successful. This sample illustrates the fact that the various public sector workforces can learn from each other – and in some cases implement initiatives in a coordinated and collaborative fashion.

Technology

3.35 The use of technology especially in relation to recruitment has grown considerably in the last few years and it is now common for public sector job opportunities to be advertised on the Web. The DfES makes good use of e-technology for recruitment as do the Civil Service and the Department of Health. The Recruitment Gateway website advertises opportunities in the Civil Service attracting 63,000 user in its first month of operation. NHS Careers, a call centre and web-based information and advisory service, was created in 1999 and now received over 25,000 hits or calls a month. There are plans to expand this service to include electronic recruitment and on-line applications. These examples show the good use of web-based technology for recruiting new staff.

International recruitment

3.36 The Department of Health has run a successful international recruitment campaign attracting a large number nurses since 1999 - this campaign is now also being extended to doctors. This effort has produced a national recruitment infrastructure, the publication of guidance and a code of practice and a series of government-to-government agreements.

Recruitment initiatives

3.37 The Probation Service has developed a ‘clearing house’ system for trainee probation officers with the aim of inviting all appointable trainees who have not been offered a local vacancy, the option of moving to a vacancy in another area.

Training

3.38 A specific example of enhancing career opportunity is the reform of social work education and training by replacing the current 2 year diploma with a 3 year degree. This qualification will take effect in England in September 2003 and is designed to improve the status, image and position of social workers.

Training (and re-training) bursaries and "Golden Hellos"

3.39 Incentives are being offered to encourage people to train to be teachers. From September 2000 training bursaries of £6,000 have been paid to eligible students on postgraduate courses that lead to qualified teacher status. For those who train in, and then go on to, teach the shortage subject areas of mathematics, science, English, modern languages or technology a £4,000 “golden hello” payment is made after induction has been completed. These measures helped ensure that that there are 28,966 new entrants to initial teacher

training courses in 2001/02, more than in any year since 1994, and 1,250 more than last year. Early numbers for 2002/03 indicate further success, especially in the targeted shortage subjects.

3.40 The Department of Health are also rolling out a Golden Hello scheme as part of a package of measures targeted at increasing GP recruitment. Every GP who joins the NHS will be paid £5,000, with an extra payment of £5,000 for those working in “underdoctored” areas.

Returners

3.41 The Department of Health has run a successful returner campaign designed to attract former trained staff back to the NHS, in conjunction with free refresher training course, payments of at least £1000 and grants to help with childcare, travel and books. Over the last two and a half years over 9,500 nurses, midwives and health visitors have returned to the NHS.

3.42 The DfES also offers a similar scheme. 1,800 places a year are being funded on courses to refresh the skills of people looking to return to teaching, which include £150-a-week bursaries and help with childcare costs where required. 780 returners have begun these courses this term. A further 980 applications have been made.

Increase in training places

3.43 In health care more training places have been created, with the result that there will be 5,500 more nurses, midwives and health visitors being trained each year by 2004. There has also been a marked increase in the number of applications both for degree courses and diplomas for nursing. In education an additional 2,250 full-funded places are now available each year.

Publicity

3.44 Last year saw the first ever national advertising campaign for police recruitment which generated over 40,000 expressions of interest. There are also many other areas of the public sector which regularly advertise on television and in the press.

3.45 The Department of Health is currently running a £1.5m social work recruitment campaign, which has three broad aims - recruiting social workers, informing the public about the role of social workers and increasing the morale of current social workers. The first phase of the campaign has been very successful, with over 11,000 calls to the helpline and over 6000 visitors to the website.

Pay incentives

3.46 London weightings and high cost of living supplements are common in the public sector, and are analysed further in Chapter 6. Other pay allowances are also being used. For example, the Prison Service has introduced a new scheme that enables establishments to recruit prison officers on a number of increments above the entry point. The scheme also assists retention by increasing the pay of other staff employed at the same site to the level of the new recruits. This is important so that any incentives to encourage new recruits do not detrimentally affect current employees.

Diversity

3.47 Promoting a more diverse workforce is seen as underpinning all recruitment and retention initiatives. For example, a dedicated race equality group has been set up in the prison service to increase black and other minority ethnic recruitment through measures such as outreach and the establishment of a support network. Similar initiatives are commonplace in other Departments. The Department of Health has established “Positively Diverse” as a central core to its overall activity including its “Improving Working Lives” campaign. The Fire Service is launching a recruitment campaign whose main thrust is to attract black and minority ethnic and women candidates. It has an Equal Opportunities Action Plan. This contains sections on leadership, surveys on culture and diversity, recruitment and retention that include action points to be tackled at local level.

3.48 A novel development in recent years has been the beginnings of initiatives to attract more men into traditional female employment groups. There is for example a target to increase male participation in the ‘early years’ workforce to 6% by 2004 from its current level of just 2%. The Sheffield’s Children’s Centre has succeeded in its goal of employing equal numbers of male and female carers. To achieve this, and to overcome the concerns of parents, the Centre had to undertake a careful public awareness campaign, develop in service mentoring and training, provide support for in-house discussions and address the physical environment of the Centre itself.

Retention, work/life balance and flexibility

3.49 Helping people to balance their working life with commitments outside work is a central theme in the Department of Health’s Improving Working Lives initiative which sets a model of good employment practice against which all NHS employers will be kite marked. Extra funding has been allocated to provide around 150 subsidised on-site nurseries and a network of childcare co-ordinators who are available to offer advice and support to working parents. Further funding will be available from April 2002 to provide after school clubs, holiday play schemes and childminding networks.

3.50 Allowing teachers flexibility in their working lives is a particular challenge due to the strict timetabling of a school day. However, one school in Worthing employs a team of cover supervisors who are assigned classes to cover when a teacher is absent. This enables teachers to book time off in advance, which gives them the flexibility to attend training courses and complete their own personal development. Teachers are also no longer expected to cover colleagues’ absences which in turn gives more time for teaching as well as generally reducing the stress. This has led to a good recruitment and retention record and has almost completely eliminated the need for supply teachers, which cuts down on cost.

3.51 A 1999 survey showed that 58% of social care staff employed by local councils worked part time. The social care workforce is disproportionately made up of older women, who often have caring responsibilities. 75% of nurses returning to the NHS have come back on a part-time basis.

3.52 Currently there are proposals to remove the current restrictions on part-time working in the police force, with the aim of supporting workers with caring responsibilities. The Prison Service is also looking at ways of providing more flexible working opportunities. Currently only 250 Prison Officers work part-time out of a total workforce of 23,000.

3.53 The Prison Service is also planning to use non-residential training programmes in London to attract more applications from primary carers.

3.54 The police are also looking at options for retaining more police officers who are entitled to retire with maximum pension benefits after 30 years' service.

3.55 The Department of Health has also issued guidance to the NHS on options for flexible retirement, centring around 3 options, step down, wind down or retire and come back. The NHS is also looking at pensions scheme modernisation and provides pension advice and a help-line.

3.56 The Government is intending to introduce legislation that will place a duty on all employers to consider requests for flexible working from the parents of young children. This has been added to the Employment Bill currently in Parliament and will come into force in 2003. This should give further impetus to flexible working initiatives.

3.57 All these initiatives on good employment practice and the availability of flexible working opportunities also contribute to recruitment and encouraging a more diverse workforce more representative of the local population.

Keeping People healthy and at work

3.58 The level of sickness absences is reported as being around a third higher per employee in the public sector than in the private sector and in 1996 cost just over £3 billion. Reducing this level is a headline target of "Securing Health Together", the occupational health strategy for Great Britain. Around three-quarters of these absences are attributed to musculo-skeletal problems and stress, which are therefore the main areas to tackle first. Improving the health of employees is already becoming a high priority for many public sector employers. Both the NHS and the Police are implementing service wide occupational health support schemes with the short term aim of reducing sick absences and all major public sector employers have agreed a long-term aim of reducing ill-health retirements.

3.59 The importance of early intervention to provide rehabilitation for those people at work, who have been made ill, in helping them back into work is central to reducing both sickness absences and ill-health retirements.

Temporary workforce

3.60 The NHS has recently created its own 'in-house' organisation for the supply of temporary staffing – NHS Professionals. This is determined to establish a more cost effective service, raising standards and providing a better employment package for staff. The DfES has produced guidance on the better use of supply teachers.

Skill mix

3.61 Increased use of support workers, for example administrative staff, to help ease the pressure on staff is starting to happen across the public sector. In the NHS it has been possible to reconfigure ways of working and introduce support roles, which help relieve unnecessary pressures on junior doctors, for example. Extending the roles of other staff, including nurses and using skills mix has been productive. The DfES is also rethinking some of the roles in schools to ensure teachers are free to concentrate on teaching and that other administrative roles are delegated to other staff. Providing support for highly trained workers may also have the added benefit of making staff feel more valued.

Staff in deprived areas

3.62 Public sector workers are critical to improving public services in deprived areas, and to delivering the Government's National Strategy for Neighbourhood Renewal. But labour

market shortages can often be particularly acute in disadvantaged areas. In addition, public sector workers often face distinct challenges which need to be recognised and tackled effectively. The Neighbourhood Renewal Unit is working with other Government Departments to publish a strategy 'The Learning Curve – developing skills and knowledge for neighbourhood renewal' in October 2002, which identifies the sort of skills people working in these areas need.

Conclusion

3.63 This chapter has highlighted the fact that the public sector faces a series of common challenges and difficulties. It has also shown that there is a vast range of activity – much of which has already been successful – which is designed to tackle recruitment and retention problems.

4 FLEXIBLE WORKING AND RETIREMENT

INTRODUCTION

4.1 This chapter aims to:

- describe existing practice in deploying staff in the public sector by type of work (e.g. full-time or part time) and retirement practices.
- consider whether changes might be needed in order to deliver quality public services in a world where the services are increasingly required 24 hours a day and seven days a week
- consider whether, in conjunction with these changes in patterns of delivery, it is possible to widen the range of people able to work in the sector. This will not only enable more posts to be filled more quickly but also enable more opportunities to fill the posts with an increasingly diverse workforce.
- consider what elements of best practice might be disseminated more widely.

4.2 In addition, there is some discussion of whether it may be useful to develop standard products which might help with an increasingly complex organisational task.

4.3 Part 1 deals with flexible work and Part 2 with retirement practices.

PART 1: FLEXIBLE WORK

Different forms of flexible work

4.4 There are a number of different aspects of flexible working and retirement. These can be divided into three main areas; types and patterns of work, forms of employment contract, and when people retire from work.

Types & Patterns of Work

- how many hours are worked in the week (e.g. full-time/part-time)
- when in the week do people work (e.g. shift work, Saturday, Sunday working)
- when in the year do people work (e.g. flexi-time, term time working)
- when in a lifetime do people work (e.g. secondments, career breaks etc)
- how much power does the worker have in choosing their pattern of work (e.g. flexitime etc)
- where people work (e.g. in the office, at home, on the road)

Types of employment contract

- employment status (employee, self employed, unpaid family workers, Government programmes)
- employee status (permanent or temporary)

4.5 **Types & Patterns of Work:** In general the UK has the widest range of types and patterns of work in the world. This is because there has always been a lack of general regulation of terms and conditions of employment, which were therefore determined by negotiation between employer and worker. This diversity in the patterns of work is one of the reasons why the UK has a very high proportion of its population in work, as potential workers can more easily find a pattern of work that suits their individual circumstances.

4.6 Also, in general, the UK tends to have a greater diversity of people in work than other countries - more women, more young people and more older workers are in work. The level of satisfaction with part time work is also high.

4.7 Although the UK has always had a wide range of patterns of work the types of jobs that this diversity affected has changed over time. Both white and blue-collar jobs have always had a range of different hours of work. In fact, there is so much diversity that the terms full and part time are an inadequate description of the variety of hours of work. However, shift work has tended until recent decades to be concentrated in blue-collar work and personal service jobs such as bartending.

4.8 Now, with the liberalisation of such product markets as retailing, shift work has moved into white collar and service sector industries (although it is not always called shift work). Similarly, whereas seasonal and casual work tended to be concentrated in the agriculture and tourism industries now similar work patterns such as term time working are seen in industries such as the financial services. Some public services have always had shifts (e.g. the health service) and there are new areas (e.g. call centres) where public sector provision is now available for a larger part of the day or week. However, this trend is by no means universal.

4.9 **Types of employment contract:** The vast majority of workers are employees (around 87%) virtually all of the rest are self employed. Unpaid family workers and people on government employment programmes make up only a tiny part of the workforce.

4.10 And, amongst employees, the vast majority are permanent employees. Unlike other forms of flexible work, temporary work is not very prevalent in the UK (at around 6-7% of all employees) compared to other countries. This is despite the fact that, like other patterns of work, the range of temporary work available in the UK is wider than elsewhere. However, in many other countries, the use of temporary work is a response to the onerous restrictions on permanent employment. In Spain, for example, around a third of all employees are temporary employees because the cost and hassle of firing permanent employees is too great.

4.11 Also, because temporary employment in other countries is, at least in part, a response to the restrictions on firing permanent employees temporary work is not popular amongst workers. In the UK, by contrast, although temporary work is less popular with workers than part time work, for example, it still provides for a majority of people a form of work that suits them.

4.12 **Who is the flexibility for?** In many cases it may be possible to arrange a pattern of work that suits both the demands of the service and the requirements of the individual. However, in certain cases, the form of flexible working will suit one side rather more than the other. For example, shift work tends to be required to deliver a service at non-standard times whereas flexitime gives more of the power of decision about when to work to the worker. These forms of work can, in some senses, be seen as a part of the remuneration package for the worker rather than a method of delivering the service to the public when they need it.

4.13 As noted in Chapter 3 (paragraph 3.54), the Government is intending to introduce legislation that will place a duty on all employers to consider requests for flexible working from the parents of young children.

Flexible forms of work in the public sector

The public sector as a whole

4.14 **Types & patterns of work:** Public sector employees are more likely than private sector employees to work part time – 30% of employees compared to 23%. For example, virtually all local authorities *utilise* part time work. The level of satisfaction with part time work is high in both sectors – overall only around 9% of part timers would prefer to work full time. However, non-whites are twice as likely as whites to be working part-time involuntarily.

4.15 Public sector workers are also much more likely to use some other form of flexible working pattern. Forty percent of public sector employees used one of the following arrangements - flexitime, annualised hours, term time working, job-sharing, 9 day fortnight, 4 ½ day week, 0 hours – compared to 15% of private sector employees. Flexitime is the most common form of flexible working and is three times more common in the public than the private sector. Again, it is, for example, practised in virtually all local authorities. These forms of work tend to be more at the discretion of the worker than organised to deliver the service to the public.

4.16 **Types of employment contract:** Whereas self-employment is virtually unknown in the public sector, temporary work is much more common than in the private sector. One in ten employees in the public sector has a temporary employment contract of some sort compared to only one in 18 in the private sector. Temporary work is less popular in both sectors than part time work – around 25-30% of temporary employees would prefer to have a permanent job compared to less than 10% of part timers who would prefer to work full time.

4.17 The greater degree of temporary work in the public sector combined with the fact that public sector employees stay considerably longer in their job – an average of 10 years compared to 6.5 years in the private sector – might suggest that there are recruitment and turnover difficulties in the public sector which lead to greater recourse to temporary employment. Skill shortages and recruitment difficulties also appear to be greater at the moment in the public sector and do not seem to have shown the same improvement as the private sector over time.

Diversity in the public sector

4.18 In the public sector as a whole there is a higher proportion of female and disabled employees. There is little difference between the public and private sectors in the proportion of employees from ethnic minority backgrounds.

4.19 The differences between the public and private sectors are particularly marked for women and men - 63% of public sector employees are female compared to 42% in the private sector. Therefore, despite the fact that the public sector has just over a quarter of employees, it employs over a third of all female employees.

4.20 Although it is not as bad as in the private sector, female employment in the public sector still tends to be concentrated amongst the lower paid occupations. Part of the reason for this occupational segregation is the limited use of flexible forms of employment at higher levels. Part time work, particularly, and other flexibilities are less common at higher occupational levels.

Developments in public services

4.21 In public services, as elsewhere, there seems to be a move towards the services being available for longer parts of the day and more days in the week, and greater efforts at different times of the year. In order to deliver these public services efficiently and effectively it is likely

that the types and patterns of employment will have to evolve in similar ways to other services such as retailing.

4.22 Flexible working patterns will, therefore, become more important in ensuring that public services are able to meet their business needs by recruiting and retaining sufficient numbers of staff. Under such circumstances labels such as 'part time' and 'full time' are unhelpful in the drive to extend flexible working patterns to all. In addition to the labels used, the public sector will also need to consider whether there different terms and conditions applying to different workers and whether these differences are necessary. If unnecessary differences remain then it will be more difficult to get employers and individual employees to agree hours and patterns of work that meet the needs of both.

4.23 Local authorities and the health are already moving towards such 'single status' agreements. Such moves are likely to promote the Government's equal opportunities policy of creating an environment in which all are helped to reach their full potential – a diverse and fully employed workforce – with the public sector being an exemplar in this respect.

4.24 In addition to the shifting patterns of delivery to the public there has been an associated move towards providing a better work/life balance to enable greater participation in work. Flexitime and other forms of flexible working are likely to be examples of the ways that employers are trying to promote the work/life balance. In this context, it is important to stress that the work/life balance issue is for all employees, not just women and/or carers.

4.25 In most cases, if properly organised, flexible forms of working can satisfy both the need to deliver public services and an individual's personal circumstances and preferences – shift work during school holidays for example. However, in the few cases where there is a trade off between the need to deliver the public services and the promotion of a favourable work/life balance, the delivery of the public services must have primacy.

4.26 The objective must be to keep these cases are kept to a minimum. Otherwise it may be difficult to recruit or retain people to carry out the tasks. Therefore, effective organisation of an increasingly diverse workforce is a major and important task. If it can be achieved then the increased flexibility should lead to improved recruitment and retention for two reasons. First, there needs to be a wider range of work patterns to suit the circumstances of a greater number of people. Second, the flexibility afforded to the worker by practices such as flexitime should make the jobs more attractive.

Standard products to help growing complexity

4.27 The public sector is not a homogenous body with exactly the same requirements for workers and working practices in every area. Even within a particular area different delivery requirements and different opportunities will be required. For example, in the health service staff in outpatient departments is more likely to require regular work patterns than staff in the accident and emergency departments. This complex variety of work practices, combined with an increasingly diverse workforce, is likely to require quite sophisticated organisation techniques in order to achieve the most efficient and effective mix. It may, therefore, be useful to develop products that can be used in the public sector.

4.28 Balancing all of these different elements of flexibility is likely to be very complex. It may be worth examining whether any existing products that might make the balancing act easier. These might then be disseminated to a school for example to ensure that both classroom teaching and out of work homework clubs can be staffed efficiently.

4.29 So far there has been contact with the health service, ES and a large-scale retailer to see if such products are generally available. Apart from some development work in the large retailer there was not a standard product used to help with organisation. Generally the manager of the workplace tends to have responsibility for the organisation in their area and develops their methods of staff assignment independently. It might be worth considering whether a centrally determined product could be developed which be given to the various outlets as a way of improving the efficiency of their organisation. However, it will, of course, be necessary to have a sufficiently flexible product to allow local discretion.

PART 2: RETIREMENT PRACTICES

4.30 When people retire: Until the late 1970s/early 1980s a large proportion of the workforce continued to work after the state retirement age. In the early 1980s, particularly in Europe, there was a trend towards earlier and early retirement. Now, only a small proportion of people work beyond state retirement age.

4.31 There has also been a trend towards early retirement. Amongst those who leave the labour force early – usually in their 50s – two major types have been identified. First, there are those with occupational pensions who retire, sometimes on a sizeable income. Secondly, there are a group of people who remain on benefits, particularly sickness and disability benefits until they retire.

4.32 The Government is keen to reverse the trend towards early retirement, particularly for those on low incomes and for those for whom it is involuntary. An element in this strategy is the equalisation of state pension ages for men and women at 65 between 2010 and 2020. The PIU report *‘Winning the Generation Game’* made a number of recommendations for more effective use of older workers in the public sector which departments should follow up. One was that departments should consider whether to move their normal retirement age to 65 (but see also paragraph 4.34).

Objective

4.33 Both retirement policy and pension provision in the public sector have a major role to play in human resource strategy. They are, however, two separate but allied issues. Pensions need to play an effective part within the overall remuneration package delivering recruitment, retention and motivation. Retirement rules should encourage public servants who are productive and wish to continue work to do so. Pension scheme rules need to facilitate flexibility and avoid creating artificial incentives to retire at a particular age.

Pension and retirement ages

4.34 The EU Employment Directive is due to come into force by 2006 and the Government is currently consulting on the general principle of whether employers should be able to require employees to retire at a certain age and on whether there should be legal limits placed on their rights to do so.

4.35 Most public service pension schemes (particularly those which do not require a high standard of physical fitness) have a normal pension age of 60. Typically at that age the pension scheme allows someone with 40 years service to retire on half their salary plus a tax-free lump sum.

4.36 But although this feature may suggest to some that it is “normal” to retire at 60 in the public sector, the reality is already much more flexible. The normal pension age is not the same

thing as the employer's normal retirement age which varies in the public services mainly between 60 and 65.

4.37 The ability to work beyond 60 is important to those not able to earn a full pension based on 40 years' service by the age of 60, such as teachers and other professions based on graduate entry and those, predominately women, who have fragmented careers. Provision also exists in most schemes for early retirement either at the employee's or the employer's initiative. As a consequence there are significant numbers retiring at ages both above and below 60.

Encouraging further flexibility

4.38 But getting people to delay their retirement is not just a question of setting the right rules. Employers need to develop flexible and imaginative ways of using older workers. Facilities need to be put in place to allow gradual rather than simply abrupt retirement. Also the incentives need to support such arrangements making it financially worthwhile for people to continue working and to ensure they are not worse off in terms of their eventual pension.

4.39 An interesting example is the establishment of a 'winter register' in the health service to deal with peak load problems associated with the delivery of services. Here flexibility in work practices may interact favourably with flexibility in retirement. Having a pool of people who have retired before, at, or after state pension age might involve a valuable and, as yet, untapped resource.

4.40 Pension schemes based on final salary are potentially very inflexible. If pensions are literally related to final salary they will dissuade people from working at a lower level, reducing hours or accepting other flexible arrangements towards the end of their career. However, many schemes have devised rules which facilitate stepping down and moving to part-time working etc. by relating the pension not to the last salary received but to the salary at some previous peak. But there is scope for similar arrangements to be extended to other public service.

4.41 When someone becomes eligible for a pension and is presented with a stark choice between working for a salary or retiring with a pension equivalent to half pay, the financial incentive is effectively halved. Successive governments have viewed with concern the prospect of public servants receiving both salary and pension at the same time. Indeed the rules under which tax relief is granted to pension schemes preclude payment of both pension and salary by the same employer. In the public services people in receipt of a pension can be re-employed in the same scheme without automatically losing their pensions but they are generally subject to abatement of the pension. This is designed to ensure that pay in the new post plus pension does not exceed previous salary and in doing so avoid the abuse of artificial retirement. The abatement rules will not bite on someone working up to half time but they gain little from working beyond that point or moving to full-time work.

4.42 The abatement policy clearly deters some people from re-employment after retirement and, because it only applies normally to re-employment in the same service, it effectively denies that service a supply of labour – they can go elsewhere, retain their pension and receive a salary as well. But the total abolition of abatement in respect of anyone over 60 would have a significant cost because it would mean foregoing the savings in pension costs from those currently affected. Such costs are likely to vary across different sorts of employment. The policy is therefore to consider whether the removal or suspension of abatement in particular areas would represent value for money.

4.43 Another way of encouraging those eligible for a pension to stay on would be to compensate them for delaying taking their pension by offering an enhanced rate when they do draw it. Again this is not a costless option – at present the contribution rates in pension schemes

are based on some people remaining employment after the normal retirement age without receiving enhancement. So any proposal to allow enhancement needs to be compared in cost-benefit terms with the alternative ways of achieving the same objectives.

4.44 Although there are flexibilities in place in many schemes to allow downshifting and part-time working, the alternative of receiving a pension and particularly immediate access to the lump sum represent a powerful pull towards retirement. There is considerable attraction therefore for phased retirement to be reflected in remuneration by paying part salary and part pension. At present Inland Revenue rules prohibit this. The rationale is that considerable tax privileges associated with pension schemes are designed to encourage the provision of retirement income rather than being a general savings vehicle. The Revenue are currently considering whether to amend the rules but they do need to ensure that this would not open up a major loophole – a potential one might arise because while salaries are subject to National Insurance Contributions pensions are not. Although one might be able to rely on public sector employers not using this kind of flexibility as a tax avoidance device, the general presumption of tax legislation is that public and private sectors are treated alike.

Retiring early

4.45 In the past considerable use has been made of the flexibility to retire earlier than at age 60 or 65. Although the state of the public sector labour market has altered significantly since the heavy waves of downsizing in the early 1990s, there still remains a role for retirement at an earlier age to suit individual cases, particular employer needs, to cover ill health and cater to for occupations requiring a high standard of physical fitness. However, it is important that these provisions are used properly and cost effectively and reflect current conditions rather than those in the early part of the last century.

4.46 Provision exists for early retirement from the age of 50 or 55 in the case of schemes with the normal pension age of 60. The employee bears the cost of early retirement through an actuarial adjustment (reflecting the cost of paying the pension for a longer period) if this is at his or her request. Individual employers, rather than the pension scheme bear the cost if retirement is due to individual inefficiency, to shed surplus staff or to facilitate restructuring. This can take the form of charging the actuarial cost of paying benefits early or in some cases granting added years of service to induce voluntary early retirement.

4.47 In some schemes where physical fitness is essential to the job a pension can be earned much earlier than 60. For instance a full pension is earned after 30 years in the police and fire services. In the armed forces a full pension can be earned from age 55 but an immediate pension based on length of service is available as early as age 37. This flexibility is used to maintain the youth/age maturity balance necessary to deliver operational capability. All these schemes are currently under review and one question is whether these provisions still make sense in today's climate. In each case the pull and push effect of pension need to be carefully balanced: early pensions may be necessary to secure commitment to a career which cannot reasonably last to 60 but providing too early a pension may encourage people to leave the public service while they can still render a useful service and have a desire to continue.

4.48 Ill health retirement in the public sector was the subject of the interdepartmental review, which reported in July 2000. There was some evidence of higher ill health retirement in the public sector than in the private sector. There was also sometimes wide variation between employers in the level of ill-health retirement, which was not readily explicable except in terms of differences in the management of ill health. There were indications that in some areas ill health retirement was often regarded as an entitlement. A number of recommendations were made and action plans are now addressing the problems. These cover both making more effective use of occupational health services to minimise the incidence of ill health, better management of the

gateway to ill health retirement, better monitoring and more transparency over costs. It is important that each employer has the full range of exit routes available: for genuine ill health, early retirement, redundancy, discipline and that each route is used appropriately without more expensive routes used as substitutes.

Flexibility in remuneration

4.49 There is a trend in the private sector towards employers offering more flexible remuneration packages whereby individuals choose the combination of salary, pension benefits, holidays and other fringe benefits that suit them. Final salary pension (or defined benefit, DB) schemes tend to be inflexible with a fixed ratio to salary and standard benefits for death, ill health and dependents regardless of an individual's career patterns, needs or circumstances. Defined contributions (DC) pension arrangements offer scope for much more flexibility in the mix of pension benefits but in doing so transfer the financial risks associated with pensions to the employee. The new Civil Service Pension Scheme will offer new entrants the choice of a DB or DC pension with individuals in DC being able to choose the contribution they make (with additional employer matching contributions up to 3 per cent of salary). Other public service pension schemes may wish to consider following the approach adopted by PCSPS, or look at other approaches which would allow pension provision to be deployed more flexibly to appeal to an increasingly diverse public sector workforce.

CONCLUSION - FLEXIBLE WORKING

- Goods and services are demanded 24 hours a day 7 days a week. This is increasingly true in the public as well as the private sector.
- The public sector generally provides a wider selection of the type of flexible working that suits the worker (e.g. flexitime) than does the private sector
- But, flexible working which deliver services to the public outside traditional working hours (e.g. shift work) are not as well developed.
- Temporary work is much more common in the public sector. The use of temporary work usually suggests that the restrictions on recruitment and retention are too onerous.
- A 24/7 society provides opportunities for a larger and more diverse workforce but it also increases the complexity of the organisation.

CONCLUSION - PENSIONS AND RETIREMENT

- In the light of the EU directive on age discrimination the government is currently consulting on the general principle as to whether there should be compulsory retirement ages.
- Without prejudice to the outcome of this consultation, the government is keen to reverse the trend towards early retirement and also to promote greater flexibility in retirement. If successful in the public sector this will provide a valuable potential source of labour.
- Some parts of the public sector such as the health service already have very flexible practices both for the rules on retirement and the rules on pension receipt.
- It is important to consider the costs as well as the benefits of amending pension rules to promote a longer and more flexible working life.

5 CAREER DEVELOPMENT

INTRODUCTION

5.1 Chapter 3 addressed the issue of recruitment and retention of public service workers. It is equally important to look at the experience of staff whilst in public service employment, and in particular the types of careers that are available to them. This chapter looks at the issue of career development, identifies existing best practice, and some recommendations for further action.

5.2 The detailed composition and structure of individual workforces varies widely across the different areas of the public services. Nevertheless there are some common features, and it is helpful to think in terms of three broad groupings: support grades, the main professional grades, and leadership grades – often with rather different career development needs and issues.

5.3 For the purposes of this chapter we are taking career development to cover a range of elements and activities, which may be provided nationally for the particular group of employees or reflect local initiatives. These are:

- Career paths;
- Training and development opportunities;
- The production of standards and accreditation arrangements;
- Direct support from more experienced colleagues coaching and mentoring.

5.4 Typically, support grades have particular needs for access courses and competence-based standards and qualifications; while leadership grades particularly need opportunities for joint training, mentorship, interchange and secondment.

CORE PROBLEMS AND ISSUES

5.5 What are the key problems and issues for the public services, and the staff employed, for which improved career development could be an important part of the solution? Nine of these can be identified:

- **First and most importantly, the constraints of an increasingly tight labour market.** The Government is committed to improving the quality of public services, however it is not enough to just recruit new staff. Improved career development – to retain staff and make better use of them – has to be an essential part of any solution.

- **The changing quality and nature of the performance delivered by and demanded of public service staff – and thus their knowledge, attitudes and skills.** Some of this comes from technological change – the spread of ICT, or advances in health technologies, for example. Some comes from changes in social or public attitudes – such as the increasing knowledge and expectations of consumers about health care, or the demands on police officers for more sensitive policing in problem areas. Some comes from the demands of global competition – such as the drive to raise standards of teaching and learning in schools, focusing increasingly on the needs of individual pupil to enable them to achieve key targets for their age group.
- **These changing demands, and the overall pressure on resources, are raising serious questions about existing job roles, grading, organisational structures, pay and reward strategies and ways of working** – the respective roles of teachers and teaching assistants, for example, or consultants, doctors and nurses, or GPs and hospitals; or the balance between face-to-face and online services- GP surgeries or NHS Direct.
- **These pressures are being aggravated by a further shift in social and public attitudes, particularly amongst new entrants to the labour force, away from the desire for a ‘job for life’** and towards spells of employment in different organisations and sectors. This can have real benefits both to the individual and the organisation in developing a broader perspective and a willingness to think more radically. But it does also put a stronger premium on flexible, high quality career development provision to attract and retain an increasingly diverse mix of staff in a tight labour market.
- **A key factor in the present and future effectiveness of the public services is the quality of its leadership, at every level.** This depends on our ability to attract enough of the most talented people and then develop their leadership abilities.
- **It is also important that talented staff within public service organisations are able to rise through the organisation to whatever level matches their potential.** At present there are varying degrees of vertical segregation in many parts of the public services– making it difficult for teaching assistants to become teachers, for example, or prison support grades to become prison officers.
- A further barrier is **the high degree of horizontal segregation between most parts of the public services.** The available evidence suggests that there is relatively little movement between, for example, teaching and the NHS, or the prison service and local government. Although, particularly at more junior levels, there may be considerable areas of common competence and transferable skills, for specific groups such as ICT or administrative staff. Elsewhere, with one or two exceptions there is some blurring of boundaries between Health and Social Care, qualifications and career paths remain very separate, and there is no evidence of joint recruitment marketing either nationally or locally, or the linking of surpluses in one organisation with shortages in another.
- **The progressive devolution of authority and control in significant parts of the public services in recent years.** This has led to many important improvements in performance but has also had the effect of producing wide variations in the quality of career development arrangements between one locality or institution and another. Some practice in particular NHS Trusts, Local Education Authorities or schools, or for particular groups of staff, is excellent. In others it is pretty

ordinary; in yet others it is dreadful. Finding effective ways of spreading good practice more widely is a core issue for many parts of the public services.

- Finally, there are issues about **the speed of response to changing needs of key training and development providers** – particularly some Further and Higher Education institutions. This can mean, for example, that recruits to professional grades such as teaching do not develop enough of the key skills they need – reducing their effectiveness once in post, which can also erode their confidence and their willingness to remain.

KEY ELEMENTS IN MORE EFFECTIVE CAREER DEVELOPMENT ARRANGEMENTS

5.6 This chapter explores career development arrangements across eight different public service groups of staff. These are:

- The National Health Service
- Staff in schools
- Staff in Further Education
- Staff in Higher Education
- The Police Service
- The Prison Service
- The Probation Service
- The Civil Service

5.7 Established or emerging good practice in these public service groups, and contrasting weaknesses, are suggesting seven key elements for all public service groups to consider.

1 A more strategic approach to training and development, linked to recruitment and retention, tailored to changing skill needs and with a particular focus on flexibility and cost-effectiveness.

5.8 The most comprehensive current example is the NHS (England) Strategic Framework for Lifelong Learning, *Working Together-Learning Together*. It is seen as key to delivering the Government's vision of patient centred care in the NHS, and is one of the four central pillars for workforce development in the NHS, alongside modernising workforce planning, pay and contracts and regulation. It aims to equip staff with the skills to:

- Support changes and improvements in patient care;
- Take advantage of wider career opportunities; and
- Realise their potential.

5.9 The Strategic Framework has a number of key features:

- It is directed at all those across the NHS with responsibility for making lifelong learning happen – NHS organisations, managers and supervisors, education providers, the professions, 'Workforce Development Confederations' (which bring together local health sector employers to commission education and training for workforce development), and staff themselves;
- It sets out a five-year vision for lifelong learning, together with a set of core values and skills. Core skills include communicating effectively with patients and colleagues; using information sensitively and effectively; understanding how the

NHS and their local organisation works; working effectively in teams; and keeping skills and competence up to date;

- It establishes some key characteristics of the NHS as a learning organisation – achieving standards of high quality employment practice such as Investors in People; demonstrable achievement of equal opportunities policies, and ensuring all staff have regular appraisal and personal development plans in place;
- It establishes a range of diverse and flexible opportunities for staff who do not have professional qualifications to acquire these and progress their careers through a ‘skills escalator’ approach;
- It lays down a set of common principles for pre-registration education for the different professional groups, which provides the foundation for subsequent professional practice. It then builds on these for post-registration education, emphasising in particular the importance of work-based and team learning, and consistency in standards, quality assurance and accreditation;
- It sets out the new approaches to leadership and management development being taken forward by the new Leadership Centre for Health as part of the NHS Modernisation Agency;
- It outlines a range of approaches to strengthening the infrastructure for lifelong learning – including an expansion of e-learning and the establishment of an NHS University (NHSU), which will work in partnership to deliver corporate learning programmes for NHS employees;
- It concludes with an Action Agenda for key stakeholders, setting out what needs to be done, year on year over the next five years, to realise the vision for lifelong learning.

5.10 The Prison Service is shortly launching its own five year Training and Development Strategy, focusing on:

- Planning and managing training effectively
- Improving access to training
- Meeting the training needs
- Gaining best value from the investment in training

5.11 This will involve the development of a quality assurance system, the creation of Area training and development teams, work-based learning in prisons, stronger links between the achievement of Custodial Care NVQs and prison officer selection, and a new approach to leadership and management development.

5.12 The Investors in People standard can provide an excellent basis for a strategic approach to training and development – both at national level and at the level of the individual institution - prison, school, NHS Trust or Civil Service Department. It has two particular strengths – it requires the organisation to pay attention to the development of all its staff, and to link this to the organisation’s key business objectives. Over 97% of civil servants now work in organisations recognised as Investors in People, and over 3000 schools have similarly achieved IIP recognition.

5.13 A key part of an overall strategy needs to be the quality of training and development offered in the first few years after recruitment, since this can be critical in persuading staff to make a career in public service. Teachers now have a statutory induction year during which they have a reduced timetable, to allow time for training and development, and the support of an induction tutor from within the school. In addition, twelve LEAs are now piloting a programme of early professional development for teachers in their second and third years, which, if funding can be secured, would in due course be rolled out nationally.

5.14 This early training in particular needs to be flexible and accessible. The Police Strategic Command Course for superintendents, for example, is now being offered in modules with relatively limited residential requirements. By contrast, new police constables are required to spend 15-18 weeks on a residential course as part of their initial training, which is likely to be a disincentive for potential recruits who have family responsibilities.

5.15 Professionals working in deprived areas may have specific training needs (for example, working in partnership, diversity awareness, community engagement). 'The Learning Curve – developing skills and knowledge for neighbourhood renewal' developed by the Neighbourhood Renewal Unit (see paragraph 3.62) will contain further information on the competences needed for effective neighbourhood renewal, and propose specific measures to help.

2 The development of clear standards and career progression, with competence-based qualifications, accreditation of existing expertise and the provision of access courses – particularly for support grades.

5.16 This can widen the pool of potential recruits, simplify and shorten the necessary training, and through attracting more mature recruits already established in the locality, support retention. One particularly good example of this is in the Probation Service. There is a linked structure of professional attainment from NVQs through a Diploma in Probation Studies to Masters degrees, which means that able people without qualifications can join and qualify as Probation Service Officers, and then progress to be Probation Officers. This is supported by competence-based job descriptions and specific training programmes linked to key competences or new legislation – such as general offending behaviour, sex offending or the Human Rights Act. Plans are now in hand to extend accreditation of prior learning and experience.

5.17 In the Prison Service the Custodial Care National Training Organisation has developed national occupational standards as the basis for level 2 NVQs for Operational Support Grades and level 3 NVQs for Prison Officers. The Service now plans to develop access courses in conjunction with local Further Education Colleges to raise the educational level of recruits.

5.18 A key part of the NHS lifelong learning framework will be its 'skills escalator', starting with six month employment orientation programmes and placements in 'starter jobs' for people who are unemployed, skills modules for staff in the simpler jobs such as cleaning and portering, and NVQs for healthcare assistants and other support staff. The 'skills escalator' principle will extend into professional education and beyond, to specialist and consultant roles.

3 Specific and substantial investment in the development of leadership skills

5.19 The longest established examples here are the Civil Service College, with its provision for members of the Senior Civil Service, and the Police College at Bramshill. Over the last few years, however, there have been substantial efforts to strengthen the quality of leadership in schools, with the development of the National Professional Qualification for Headship and other leadership programmes such as the National College for School Leadership. This is now developing, in addition to the Headship programmes, an extensive national programme of training for subject and specialist leaders in schools, to build the quality of management and leadership at that critical level of first line supervision. Poor management at this level can be a major factor in high levels of wastage, and is something that the Prison Service is also starting to address.

5.20 In the NHS a new Leadership Centre for Health was established earlier this year. It is developing a values and behaviours framework for leadership and will quality assure providers of leadership training. In addition there is a comprehensive development programme for new and existing Chief Executives, which includes personal coaching, access to a personal development advisor and ‘learning sets’ for self-selected groups of chief executives. The NHSU is also likely to play a key role in leadership development in the future.

5.21 One recent example of an initiative to broaden the approach to leadership development is the Public Service Leadership Scheme, bringing together around 100 of the most talented middle managers at a time from the NHS, Local Government, the Civil Service and the Police on a three year programme to prepare them for the most senior leadership positions. The first programme was launched earlier this year and is to be extended to two further cohorts over the next two years.

4 Programmes that allow more rapid movement, and a greater diversity, of talented recruits into leadership positions.

5.22 This is important both to make the best use of the leadership potential within the public sector, and to ensure that the leaders are as representative as possible of the population they are serving. The Civil Service Fast Stream is the longest established programme of this type, though a recent review has recommended a series of improvements to attract more high calibre applicants from diverse backgrounds and deliver more cohesive training and development. Around 70% of Civil Service Departments also have management development programmes designed to bring on their talented people.

5.23 These existing initiatives are being reinforced by new programmes. One is Pathways, a positive action programme to give people from under-represented groups the tools and direction they need to reach the Senior Civil Service. This has a strong two-way mentoring element – allowing the more junior participant to benefit from the experience of the senior colleague but also enabling the senior colleague to acquire a much better insight into the perspective and experiences of under-represented groups. Another is Elevator Partnerships, an informal mentoring scheme where talented junior women are paired with a female SCS colleague.

5.24 Similar programmes are now being established for other public service groups. The first 110 recruits to Fast Track Teaching are now undergoing their initial teacher training, and the programme has just been opened to serving teachers. Applicants are put through a series of psychometric tests and a two-day assessment centre. If successful they receive a £5000 bursary, a laptop computer, and take part in a tailored personal development programme. The Prison Service has a fast track scheme designed to allow the most able graduates with experience of working in other public sector organisations to move through to governor grades more quickly, and a fast track scheme is now being developed for the Police Service.

5 Creating new career paths that offer an alternative to management positions, allowing the most talented practitioners the opportunity to stay using their skills and share these with colleagues.

5.25 The very best teachers can now earn up to £43,000 as Advanced Skills Teachers – typically working four days a week in their normal classrooms and using the fifth day for outreach, sharing their skills with colleagues in other schools. Candidates have to go through a rigorous assessment process against a demanding standard covering all the key

aspects of teaching – with the assessor observing their teaching and interviewing senior managers, colleagues, parents and pupils. There are currently around 1000 Advanced Skills Teachers, with plans to expand the cadre sharply over the next two years. They are highly regarded by colleagues in their own and other schools for the quality of their teaching and the effectiveness of their outreach work. The ASTs themselves value enormously the opportunity to develop their careers while remaining classroom practitioners.

5.26 There are also expanding opportunities for nurses and therapists. In nursing, midwifery and health visiting a new top clinical grade of consultant has been established with a salary range rising to £45,000 for the most heavily weighted posts. Nearly 600 posts have been established in a wide variety of specialist fields. Proposals to establish posts are rigorously assessed and each is approved by Ministers based on an assessment of their impact on patient care and service improvement. Appointment to these new posts is by fair and open competition. The consultant role comprises four core functions: expert practice, with consultants spending at least 50% of their time engaged in direct care; education and training; practice development; and research.

5.27 Specifically in deprived areas, the Neighbourhood Renewal Unit will be working with the Cabinet Office Interchange Unit to develop secondments for civil servants to work in these areas (as part of the Learning Curve strategy mentioned in paragraph 5.13 above).

6 Systematic examination and analysis of the career aspirations of existing staff, and surveys of leavers, to establish their reasons for leaving.

5.28 Any career development programme designed to support recruitment and retention needs to be based on accurate information about staff aspirations and perceived weaknesses in existing arrangements. The Immigration and Nationality Directorate of the Home Office has two projects underway to strengthen its information in this area. The first is a Retention Analysis project, involving the issue of exit questionnaires to all voluntary leavers and those transferring to another Civil Service Department. The second is called the ‘Feel Good Factor’, and involves the analysis of data about career aspirations and expectations, and likes and dislikes about work and management, from the Home Office staff survey.

7 A serious examination of the scope for re-engineering existing roles and organisations to make more effective use of increasingly scarce and expensive skills.

5.29 One such programme is likely to be piloted over the next twelve months in schools. This follows a teacher workload survey which confirmed that a significant factor in their current heavy workload was the extent to which teachers undertook work that could equally effectively be done by teaching assistants or administrative staff. It also suggested that other reductions in workload could be achieved by more effective use of ICT in planning and delivering lessons. In the NHS, a series of ‘Changing Workforce practices’ pilot projects are examining a range of new roles and skill mix processes with a view to using individual and teamworking skills more effectively across different service contexts. The plans to expand NVQ’s in the workforce will also support the more effective deployment of professional skills.

6 REGIONAL VARIATIONS

6.1 The labour market in United Kingdom, as in many other countries, has historically seen marked disparities between regions and within them. Across the labour market as a whole, these disparities have shown up in differences in unemployment rates, average earnings and a variety of other factors. Employers across the economy consistently report variations in the ease with which they are able to recruit staff and retain them.

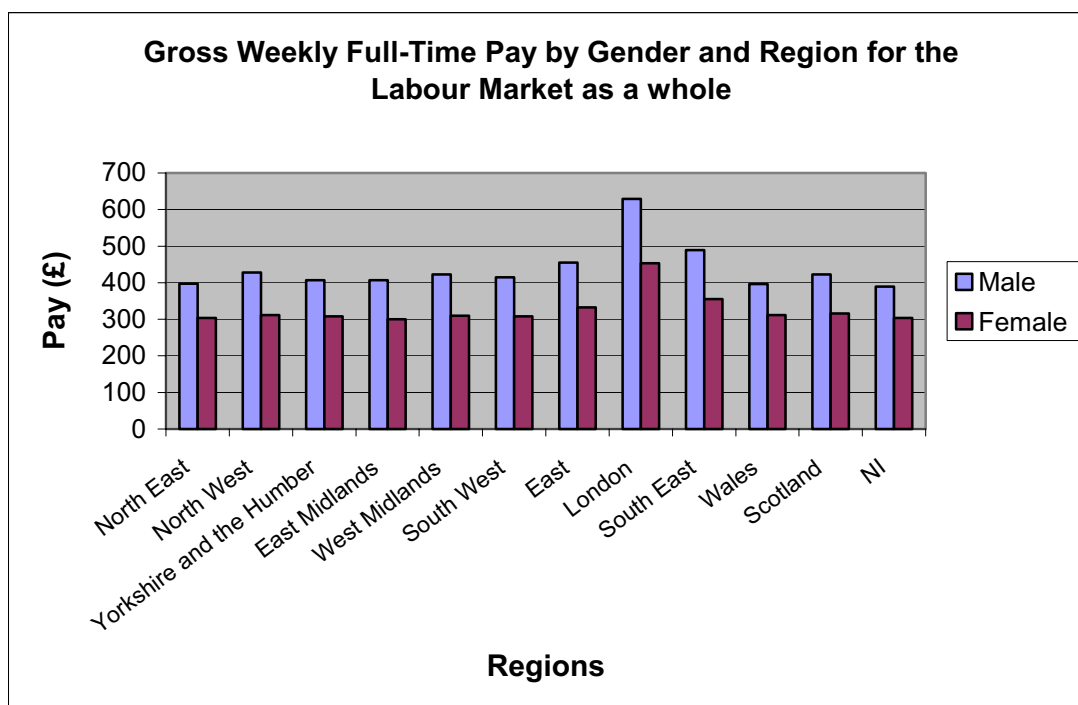
6.2 This chapter summarises the available evidence on regional and more local variations in the public sector labour market, and attempts to compare these with developments in the wider labour market. It looks first at pay (one potential issue but not the only one) - at regional variations in pay levels in the labour market as a whole, differences between the public and private sectors and differences in pay practices. It then covers variations in vacancy rates by geographical area. It looks at some of the factors underlying these differences, including costs and other local factors, attempts to assess their consequences for public sector employers, and makes some recommendations as to further action. One particular difficulty in preparing this report has been to disentangle the various cyclical effects in the wider labour market and in the housing market from longer term trends.

6.3 Some of the analysis is at regional level partly to set the scene, but in some case, more local data would have provided a clearer picture of the situation at ground level. The review encountered considerable difficulties in obtaining such data due either to small sample sizes or differences in definition between sources.

6.4 One of the most conspicuous variations by region is the difference in average pay levels. According to NES data, which relates to workplace location, gross weekly full time pay for both males and females shows significant variation (around the UK average for males of £459 and for females £341) between London and the South East on the one hand and the rest of the country on the other (Chart 1). However, this takes no account of, for example, variations in occupational composition, for example the preponderance of higher paid occupational groups in and around the City of London.

REGIONAL VARIATIONS IN THE LABOUR MARKET AS A WHOLE

Chart 1



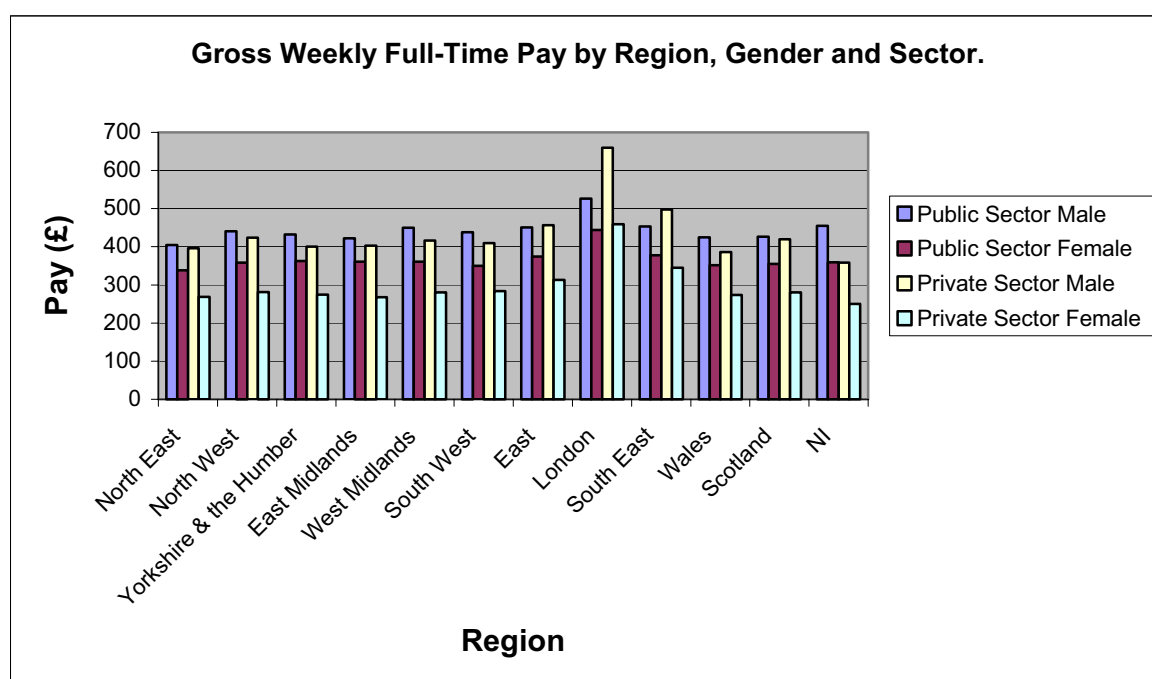
Source: NES (2000)

6.5 Hansen and Machin, in a 1999 study, attempted to take account of compositional and other effects on earnings. They used Labour Force Survey data (which is based on the place of residence of the employee) to estimate London pay differentials, standardising for age, education, sex, ethnicity, whether people work full-time or in a permanent job, employer size, industry, occupation and public/private sector status. They estimated the percentage weekly wage gap between London and non-London workers to be 27%. The wage gap is most pronounced for Central London workers at 41% for weekly wages as compared to 28% for Inner London and 18% for Outer London employees.

6.6 Average earnings in the rest of the country fall below the national average, but show relatively little variation between regions. Incomes Data Services' (IDS) information suggests this may partly be due to the influence of national employers in local wage setting. Large firms operating across the whole of the country such as Tesco, Sainsburys, BT, HSBC, Halifax and Ford usually have national pay structures, although they typically allow for some variation at regional and/or local level to take account of local conditions. Local employers seem to take these national pay structures into account when setting their own wage rates.

PUBLIC AND PRIVATE SECTORS

Chart 2



Source: NES (2000)

6.7 The above analysis hides differences between the public and private sectors. Ignoring variations in occupational composition, qualifications etc, Chart 2 above suggests that in areas of highest average wages (London and the South East) gross weekly pay is higher on average for male workers in the private sector than in the public sector. It suggests the inverse in most other regions with average pay in the public sector being higher.

6.8 For women, it suggests a broad equality between private and public sector earnings in London, while average private sector pay is lower in the rest of the country. However, compositional factors could be an influence; for example, the private sector may include a relatively greater weight of lower paid private sector occupations outside London.

6.9 Work undertaken by Newcastle University for this review, based on the Labour Force Survey, compares earnings in public and private sectors for all occupations in total by region for men and women. This material suggests that:

- a) On average public sector pay is much higher in lower paying areas, reaching a public sector premium of 31.1% for men in South Yorkshire and 46.0% for women in Tyne and Wear;
- b) This differential evaporates for men in the South East of England, and indeed is markedly reversed for those in Inner London, and for women in Inner London;
- c) The average male public sector worker earns at least 10% more than the average male private sector worker in every region outside the South East, whilst the equivalent figure for women is everywhere above 25%, again except in the South East;
- d) The difference has narrowed across the majority of regions since 1994, but has increased in parts of the North of England;

- e) Despite these differences, there were no significant regional differences in the degree of job satisfaction reported by graduates working in the public sector

This material supports the broad outline in paragraphs 6.7 and 6.8 above, which were based on data from the NES but similarly did not take compositional aspects into account, such as the higher average level of qualifications in the public sector.

6.10 An analysis of pay variations within single comparable occupational categories should enable us to reduce compositional effects and determine a 'purer' public sector pay premium by region or city. There are, unfortunately, few occupational categories that cut across both the public and private sectors. Pay comparisons by occupation and by region is a subject that requires further analysis.

6.11 There has been some academic analysis of city effects on wage levels in a number of industrialized countries. Public sector workers in Canberra are paid on average 10% more than their counterparts in the rest of Australia,² whilst the equivalent for Stockholm is 8-9%³. It has been estimated that male workers in Paris receive a 16% premium in the private sector⁴. All these figures are controlled. (A comparable figure for females is not available.)

PRIVATE SECTOR REGIONAL PAY PRACTICES

6.12 Incomes Data Services data suggests that national employers in the private sector tend to opt for one of two main approaches to regional pay.

6.13 Retail employers tend to operate trading Zones. These involve a form of London/South East premium involving a differential between the national rate and zonal rates. Examples are Next plc and Safeway, Next offers 4 geographical pay zones ranging from provincial towns to central London. This gives flexibility to stores to adjust to local labour market pressures i.e. if a store is facing recruitment and retention problems it can be moved to a higher pay zone. An example was the Reading branch of Safeway, which was initially in the outer London pay group but was moved into the inner London band to combat recruitment problems.

6.14 The concept of zoning is sometimes based on turnover at particular shops rather than the local labour market per se. The typical hourly difference between a provincial town and an inner London town is between £1-£1.50 per hour. Relatively few employers have different rates for cities and large towns outside the South East; the majority have a 2-tier system, which covers Inner London and Outer London, and national rates.

6.15 An alternative approach to pay has been adopted by most high street financial institutions. This comprises pay bands, with upper and lower limits, which gives flexibility to local managers to benchmark pay with the external labour market. Examples of this system are Bristol & West and Abbey National. At Bristol & West, 5 pay bands exist. Each job has its own pay range within the band, and managers can set pay based on individual skill characteristics and local labour market pressures. Abbey National has a similar system where

² Bender K. A and Elliott R.F. Decentralised Pay Setting: A study of the outcomes of collective bargaining reform in the civil service in Australia, Sweden and the UK. (unpublished)

³ *ibid*

⁴ Elliott R., Bell D., Skalli A. (1996) The wage structure in Britain and France: an analysis of wage dispersion and the returns to human capital in the private sector of the two economies in Comparisons Internationales des Salaires INSEE

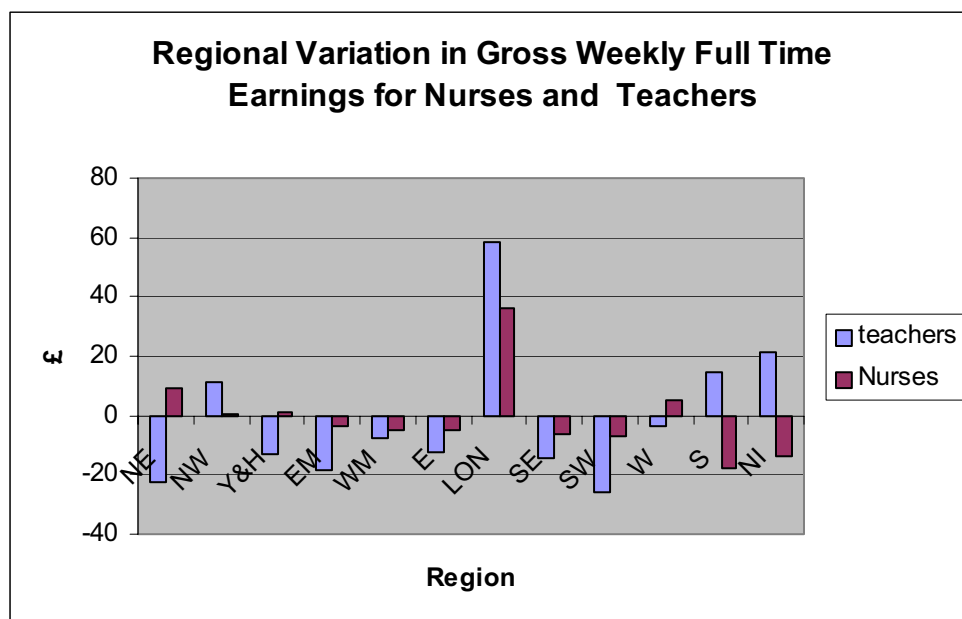
each of 3 skill levels have a salary range for individual jobs, where the range is based on market comparisons or anchors which are the midpoint of the range and emulate the external labour market. Salary ranges are about 80 to 120% of market anchors.

PUBLIC SECTOR REGIONAL PAY PRACTICES

6.16 The public sector still maintains widespread national pay determination, which appears to have limited the ability of individual employers to respond to local labour markets to a greater extent than is the case in the private sector. There appear, nonetheless, to some degree to be both formal and informal approaches to regional pay within the public sector. Pay for both teachers (in England, Wales and Scotland) and nurses (in England and Wales) is set taking account of pay review body recommendations. Teachers, NHS employees and police officers benefit from some form of London weighting, usually at a flat rate of between £1500 and £6000 pa. In the case of nurses and allied health professions these have recently been supplemented by Cost of Living Supplements, targeted at particular parts of the South of England.

6.17 Regional pay variations for similar jobs can be quite marked, as the following chart illustrates.

Chart 3



(Source: NES 1999)

6.18 In the case of Local Authorities, national pay bargaining has been combined with local flexibility on the precise positioning of jobs on a pay spine, a similar approach to that of some private sector national employers.

LABOUR SUPPLY AND VACANCY RATES

6.19 As discussed in Chapter 2, it is unrealistic to expect the level of vacancies to be close to zero in all cases. Vacancies inevitably accompany staff turnover, which provided it remains at manageable levels, is desirable to facilitate movements of staff for reasons of staff development, promotions, bringing in new ideas and other tasks. Also there are times when it may be preferable for cost and/or other reasons, at least for a period, to accommodate some extra work by flexible working, overtime, temporary promotion or other ad hoc measures rather than fill a post immediately. This might be the case, for example, during a period of reorganisation or to provide development opportunities. The optimum might therefore vary from place to place (whether geographically or between employers) and from time to time.

6.20 There seems to be an underlying assumption that higher vacancy rates have a negative impact on the quality of public services, though direct evidence of this is difficult to find. There are, in any case, likely to be offsetting factors. The impact of vacancies may, in the short term at least, be masked by compensatory adjustments such as the working of longer hours by existing staff, or the postponement of non-essential activity. Against the background of these initial remarks this section looks at vacancy data by region for the public sector.

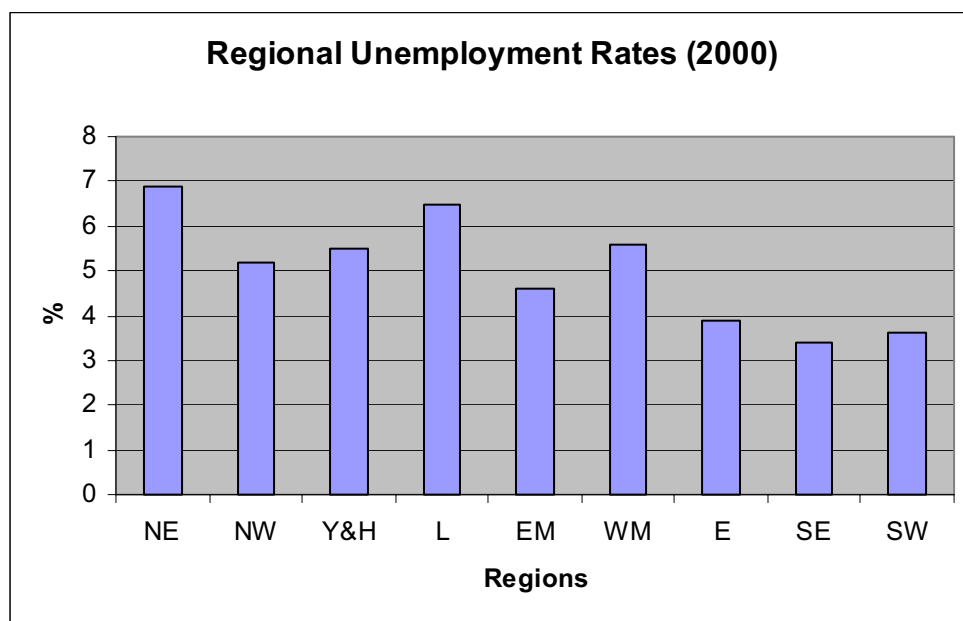
6.21 Table 6.1 and Chart 4 show respectively overall vacancy and unemployment rates by region.

Table 6.1 Regional vacancy rates

	Vacancies as a % of employment	Hard to fill vacancies as a percentage of employment
North East	2.3	0.9
North West	2.8	1.3
Yorks & Humberside	2.4	1
East Midlands	3	1.1
West Midlands	3.2	1.5
Eastern	4.3	2.1
London	4.9	2.1
South East	4.6	2.5
South West	4	2.2
England	3.7	1.7

Source: Employers Skill Survey (2001). The data was collected through approximately 27,000 interviews between November 2000 and April 2001. Vacancies are employer defined.

Chart 4



Source: Labour Market Statistics (ONS). The figures are for the third quarter in 2000.

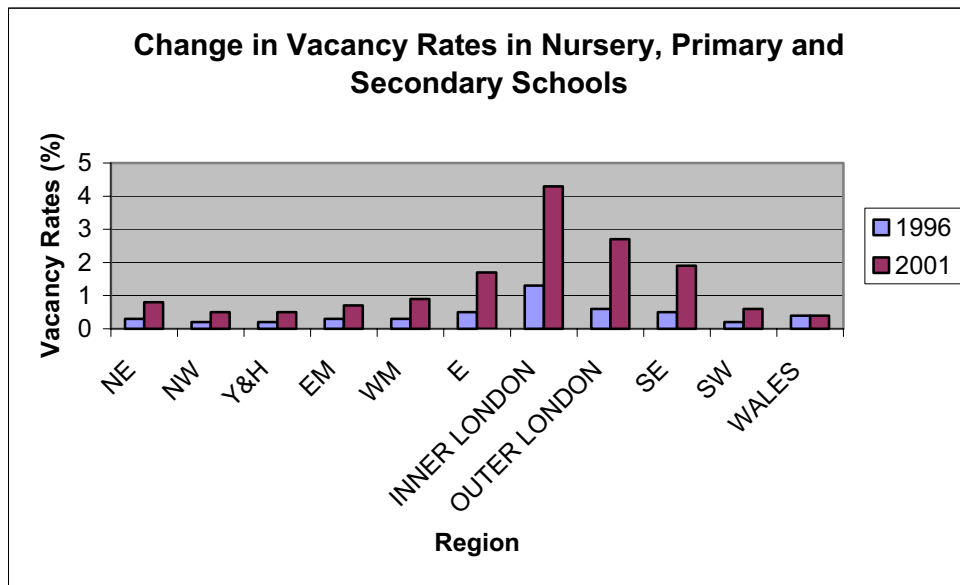
6.22 Unemployment rates tend to be lower in regions where vacancy rates are higher. However, London is an exception where high unemployment rates, comparable with those in the North East, co-exist with shortages in certain occupations.

6.23 The vacancy experience of the public sector is mixed. For some professions such as teaching, nursing and social work (see charts 5,6 and 7) vacancy rates are highest in high cost areas (and where occupation earnings are highest). For other groups, for example hospital doctors and pharmacists, vacancy rates are relatively low in London, but high in the North or Midlands of England. (See charts 8 and 9).

6.24 In the case of teachers, published vacancy rates are still relatively low in absolute terms, and are less than 2% in all regions except London. They have, however, increased sharply in all English regions in recent years, though Wales has seen a decrease. It may be this relatively rapid change in the vacancy rate coupled with steps taken in the short term to cover gaps that has given rise to widespread concern.

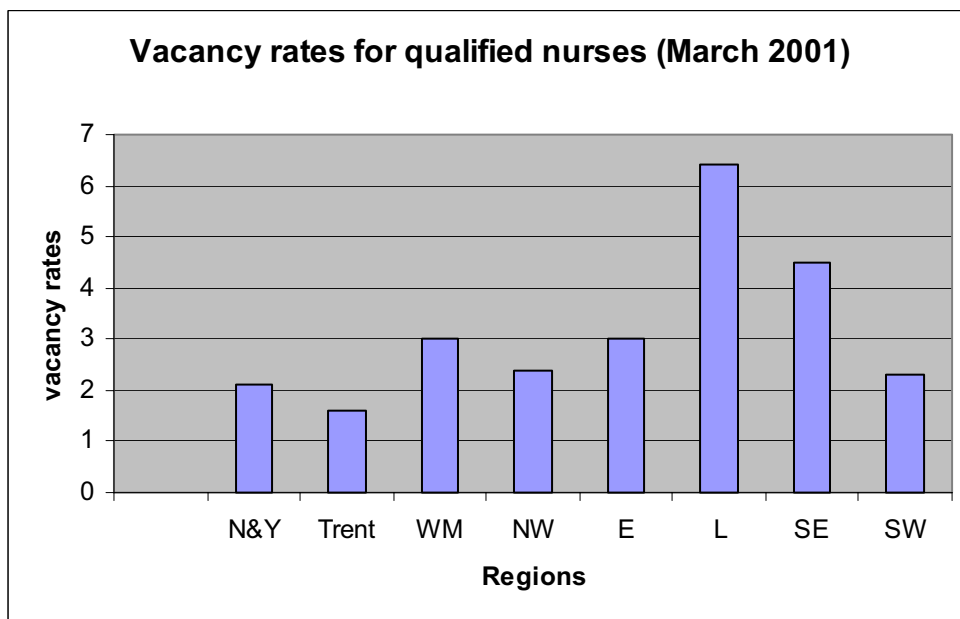
6.25 In the NHS vacancy rates for staff in London are highest for groups such as qualified nurses who are towards the middle of the overall salary structure, but smaller for lower paid groups such as support staff and for higher paid groups such as hospital doctors. Local Government Employers also report a more pronounced problem with the recruitment of skilled workers in London than with unskilled groups.

Chart 5



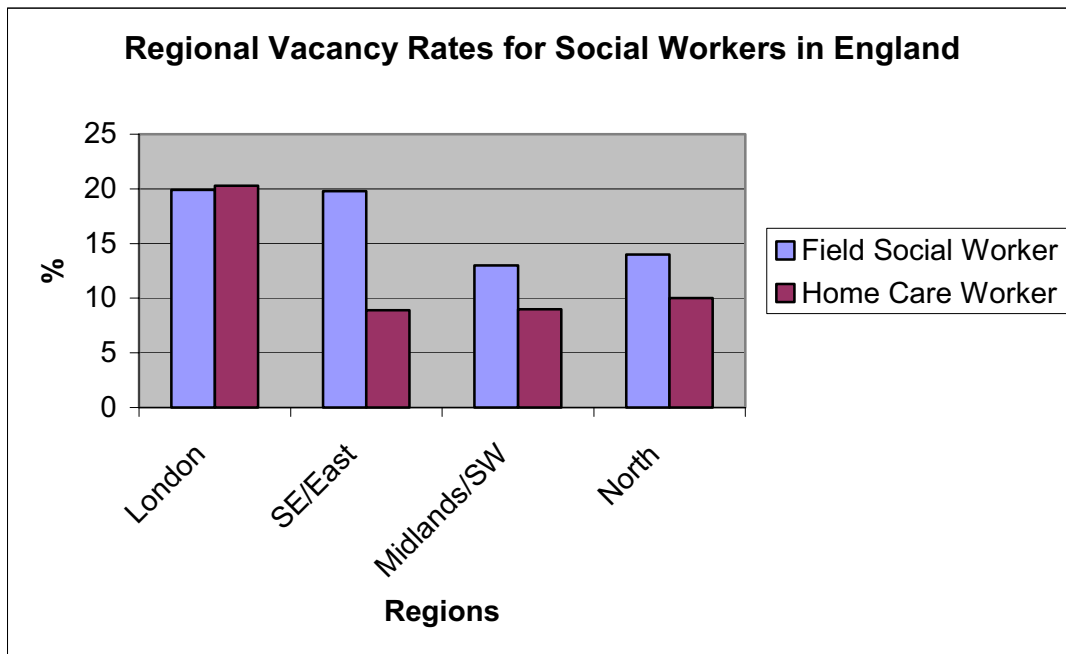
Source: DfES.

Chart 6



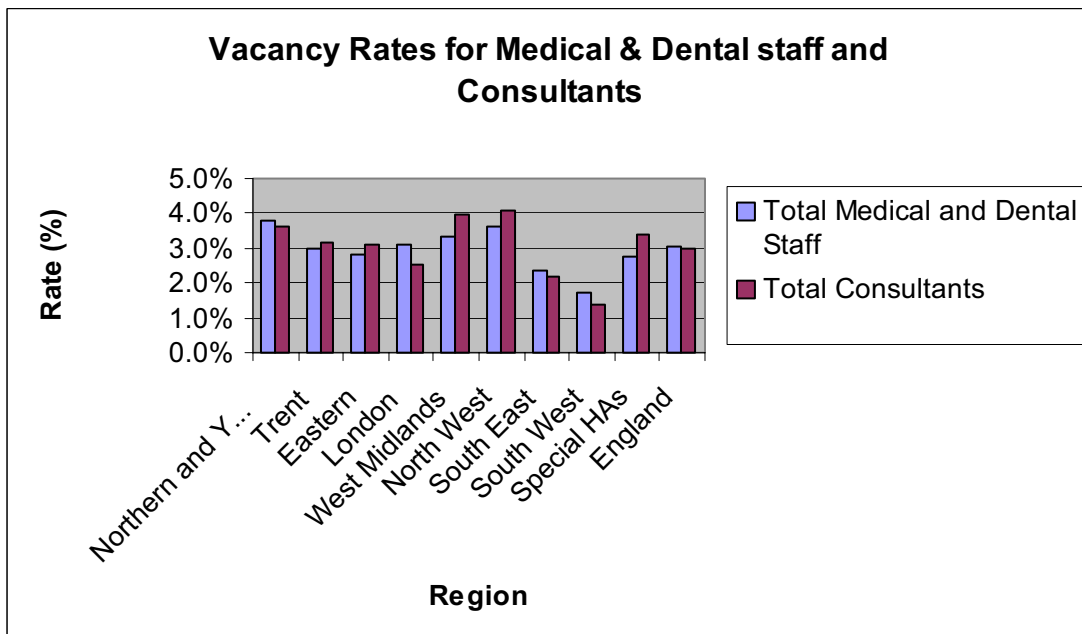
Source: NHS.

Chart 7



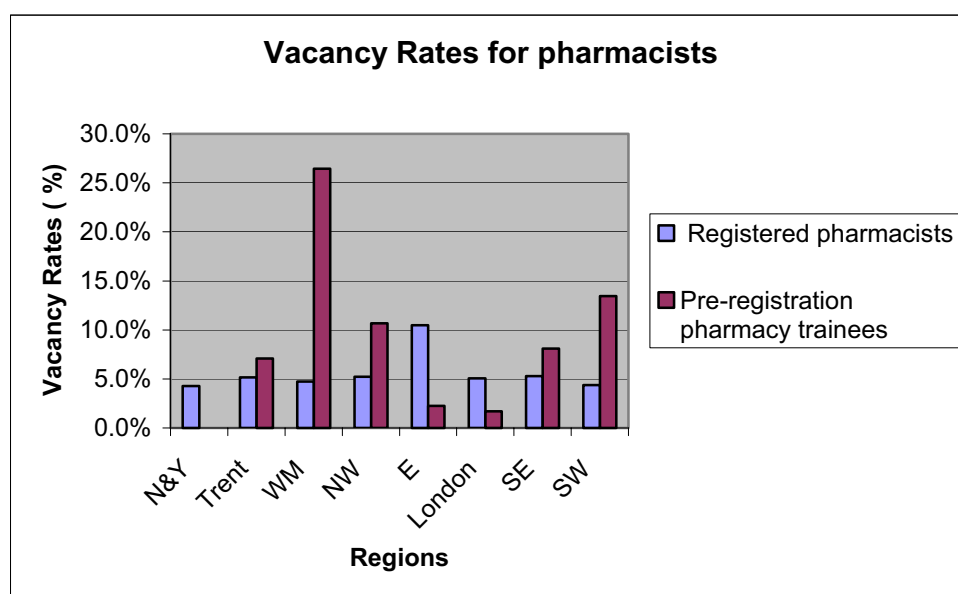
Source: Social Services Recruitment and Retention Survey (2000).

Chart 8



Source: NHS.

Chart 9



Source: NHS.

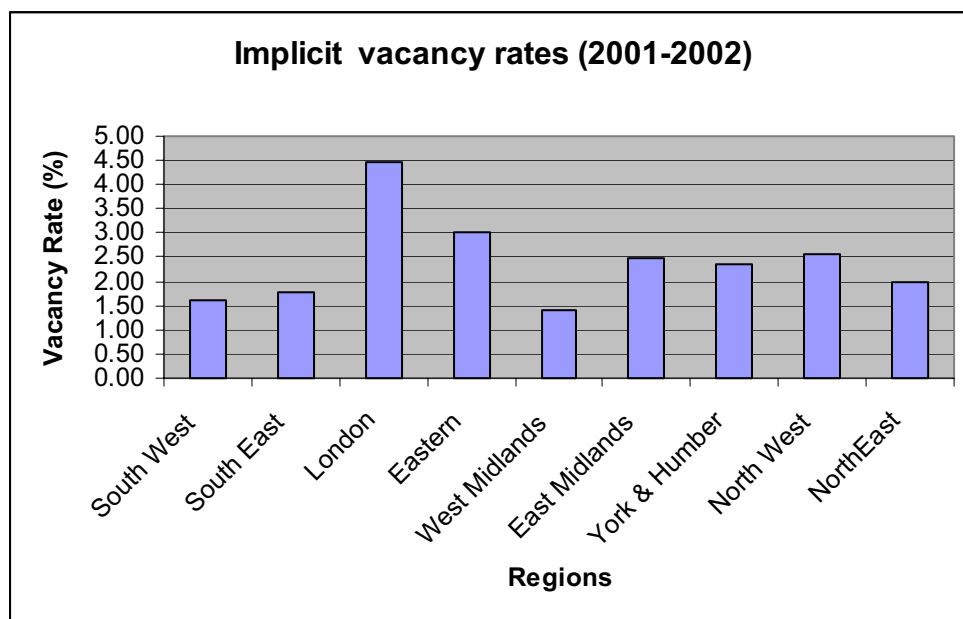
6.26 The health specialties with the greatest problems nationally are therapeutic radiographers with vacancy rates reaching 10.4% in the North and Yorkshire and 15.1% and physiotherapists with vacancy rates of 5% in the North and Yorkshire and 5.8% in the West Midlands.

6.27 Implicit estimates of future demand for police officers have been derived from the actual strength of the workforce as at 31/8/01 and the expected budgeted workforce at 31/3/02, as follows:

Table 6.2 Implied vacancy rates for police officers

Region	Budgeted Work-force	Actual strength	Implied Vacancies	Implied vacancy Rate
South West	9859	9702	157	1.6
South East	15861	15587	274	1.7
London	27390	26216	1174	4.3
Eastern West	10167	9869	298	2.9
Midlands	12874	12696	178	1.4
East Midlands	8839	8624	215	2.4
York & Humber	11729	11461	268	2.3
North West	18061	17608	453	2.5
North East	7083	6945	138	1.9
Total	121863	118708	3155	2.6

Chart 10



6.28 These estimates suggest that for the police force London will have the most vacancies relative to budgeted workforce up to March 2002. However, this takes no account of the phasing of recruits and losses of staff.

VACANCY RATES FOR THE PRISON SERVICE

6.29 Data for the Prison Service shows that in most regions vacancy rates have increased between 2000 and 2001. London and the East Midlands have had the highest vacancy rates overall in this two year period of 2.5% and 3.8% respectively.

London

6.30 Somewhat higher vacancy rates in London may be in part due to the relatively younger workforce in London, as younger people may be more mobile. The LFS shows that the average worker in Inner London is aged 36.2, whereas the average for the UK is 38.3 years. In Inner London the 16-29 age group form a larger proportion of the workforce (29.4%) than in other UK regions, reflecting a net influx of new graduates into the city after graduation. Inner London has concomitantly low proportions of workers in higher age brackets. For example 23.8% of the Inner London workforce were in the 30-39 age bracket. The corresponding figure for the South West was 25.6% and for all other regions the figure was above 26%.

6.31 The London Employers' Survey 2001 provides a breakdown of the vacancy situation in the capital. The employment groups reported as suffering the most serious vacancies were for restaurant and hotel staff in the private sector and health and social workers and educational workers in the public sector.

6.32 The Survey also reveals that the vast majority of employers (89%) said that they have no groups of staff for which there is excessive turnover, nor that the situation is worsening (only 15% of employers in London reported serious problems with vacancies in

2001, compared to 20% a year earlier). Where employers perceived excessive turnover, they tended to cite one or more of the following three reasons:

- 33% of employers who believed there was an excessive turnover problem in certain areas put this down to shortage of staff, specifically the shortage of suitable and qualified and skilled people.
- 23% of employers who believed there was an excessive turnover problem attributed this to the nature of the job, particularly unsociable and unattractive hours.
- 19% of employers attributed their problems to recruitment policy.

6.33 London has a high proportion of temporary jobs, which, all other things being equal would lead to higher turnover rates. According to the LFS (2001) on average 6.8% of jobs in England are temporary, whereas 10.6% of jobs in Inner London and 7.8% of jobs in Outer London are temporary.

Sub-regional vacancy rates: a more complex picture

6.34 A more complex pattern emerges when vacancy rates are disaggregated to a sub regional level. Charts 11 and 12 below set out the vacancy rates for qualified nurses in the NHS Yorkshire and London regions. Both regions show intra-regional variations, though all but 3 of the London health authorities have vacancy rates for nurses greater than the highest in Yorkshire. Analysis of reasons for local patterns would be a fruitful area for further analysis.

6.35 For example, vacancy rates for teachers within London can be explained at least as well by indicators of social deprivation, such as the proportion of free school meals, as by local housing costs. There is similar evidence for GPs. There are fewer applicants per post in deprived urban areas and it takes longer on average to recruit successfully in these areas.

6.36 This analysis of vacancies suggests that while cost may be a factor in explaining some vacancies in the public sector there is a complex web of other factors, including the unattractiveness for many of working in deprived areas. Put another way, if there were a direct relationship between cost and pay, in high cost areas one might expect the highest vacancy rates to be amongst the lowest paid occupations, but that is not the NHS experience.

Chart 11

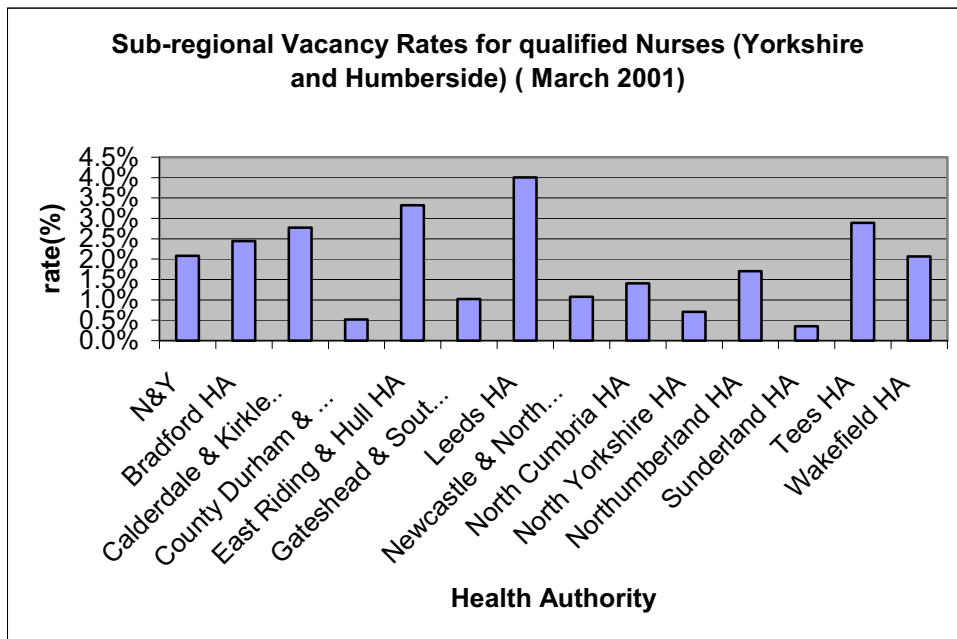
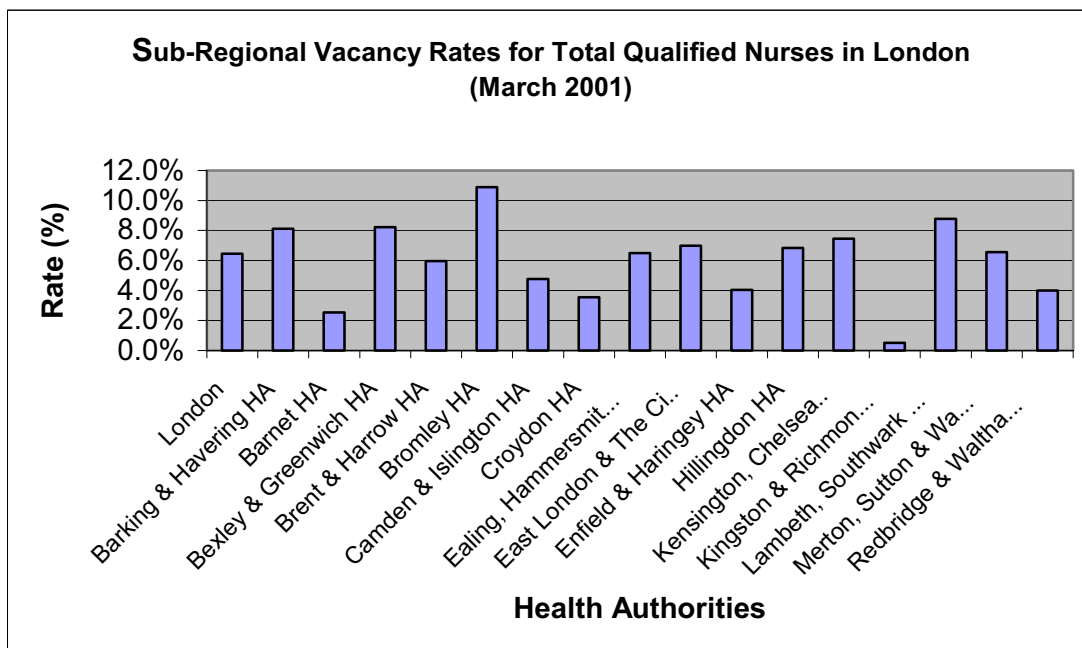


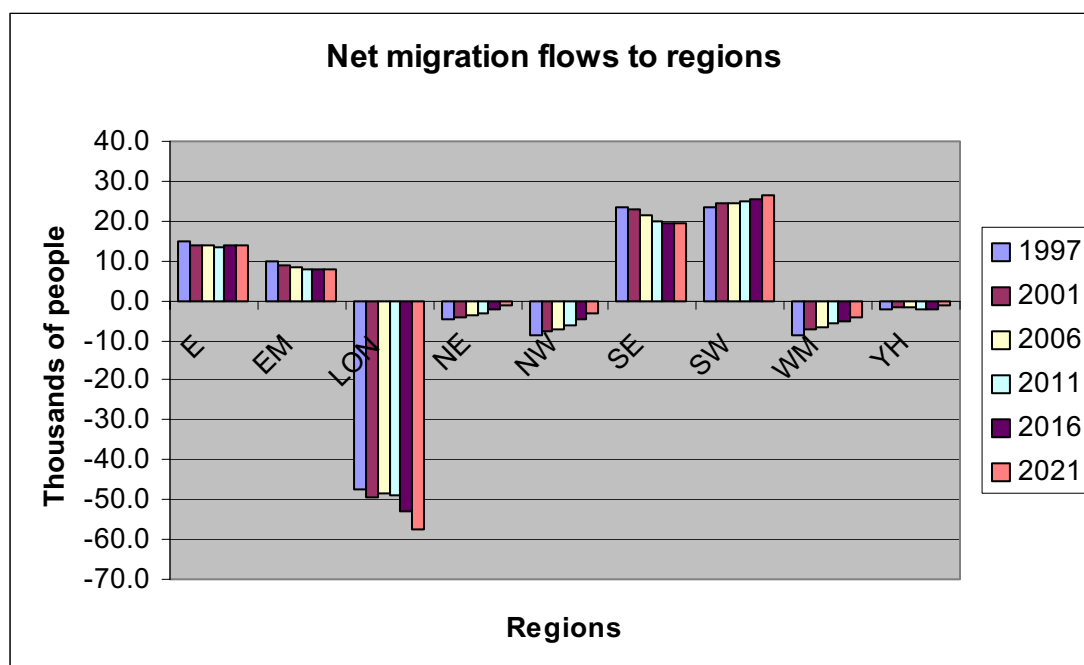
Chart 12



Intra-regional migration

6.37 DTLR analysis provides the following picture of intra-regional net migration within England.

Chart 13 Net migration flows to regions



6.38 More than 50% of migration from the South East, the South West, London and the East is to another region in the South of England. Over the next 20 years there is an expected inflow of about 400,000 people into the South East and of about half a million into the South West. The outflow from London is expected to be about a million. There are in addition likely to be simultaneous demographic changes - the number of single households is increasing, for example - that are expected to put further pressure on the supply of housing.

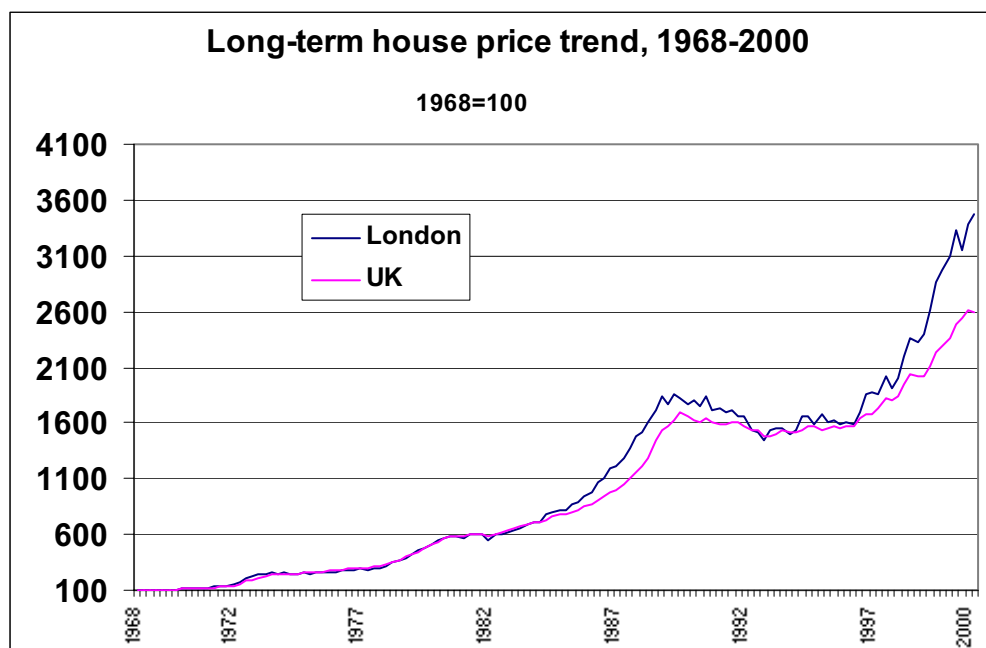
Table 6.4 Approximate net migration flows (1997-2021)

	E	EM	LON	NE	NW	SE	SW	WM	YH
1997-2001	71.2	46.4	-243.0	-21.9	-39.4	115.4	119.6	-38.2	-10.0
2002-2006	69.1	43.2	-243.6	-19.7	-36.9	109.5	121.6	-34.0	-9.3
2007-2011	68.2	40.5	-243.5	-16.4	-33.5	102.0	123.5	-30.9	-10.1
2012-2016	68.6	39.2	-256.2	-12.3	-26.1	97.5	126.6	-27.1	-10.2
2017-2021	69.3	39.3	-277.8	-7.8	-18.3	96.2	130.1	-22.8	-7.6
Total	346.4	208.6	-1,264.1	-78.1	-154.2	520.6	621.4	-153.0	-47.2

Regional costs

6.39 The principal cost variation between regions is of course for housing. There are also other significant differences such as transport costs and travel to work times. In London and the South East – which for many is one large travel to work area – the cost and ease of travel is to some extent reflected in house prices. ONS figures and analysis by The Reward Group suggests that the overall cost of living, other than for housing costs, is higher in and around London.

Chart 14



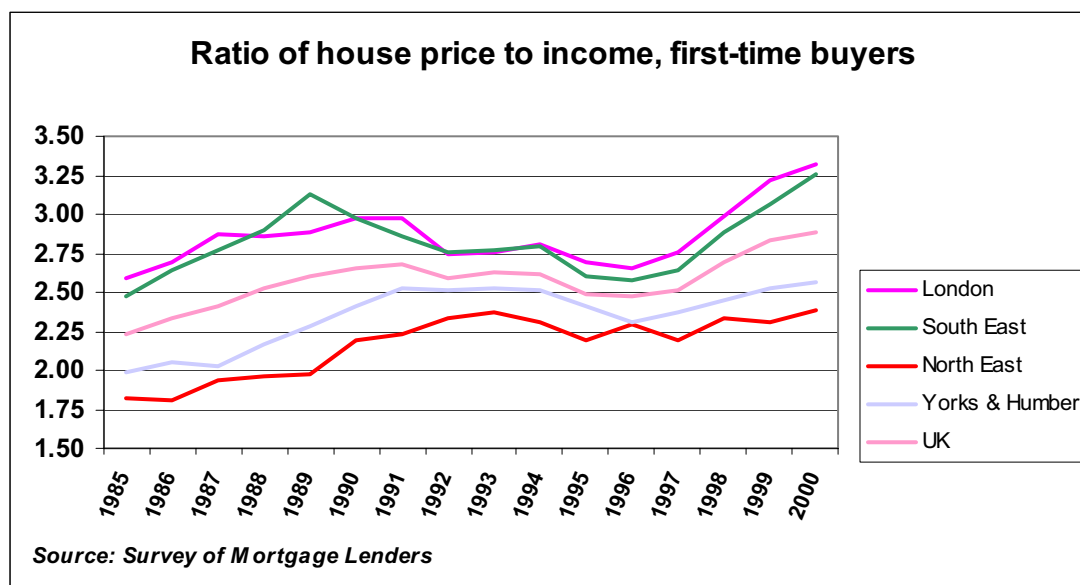
Source: DTLR.

6.40 Evidence on real house prices over time suggests there is a cyclical pattern to variations in house prices over time.

6.41 The relationship between house prices in London and those in the rest of the country appears to have followed a relatively stable pattern over the last three decades. Prices rises tend to start in London and then ripple out across the country, followed by a period in which London prices rise more slowly than elsewhere. The higher prices rises in London in the late eighties were followed by a period of higher increases in the rest of the country during the first half of the nineties, and a renewed London lead in the second half of the decade. Although it is too early to be sure about future trends, recent data suggests that house prices outside London may be starting to catch up with those in the capital.

6.42 The ratio of house prices to the income of first time buyers indicates that these buyers in London and the South East are prepared to pay a larger proportion of their income on housing – probably reflecting investment as well as the consumption values. This is a longstanding pattern.

Chart 15



Source: DTLR

6.43 Housing costs are clearly one factor in the public sector’s recruitment problems in London and the South East, but they do not appear to be the sole factor, as the relatively low vacancy rates for some lower paid occupation suggests. A number of other factors appear also to be relevant. The degree of social deprivation in a particular area, which itself has a geographical dimension, since such areas tend to be clustered in urban areas, seems to have an impact. Another factor in London may be the high turnover in the labour market as a whole, which poses particular challenges to public sector employers used to lower turnover and to less flexible recruitment practices.

6.44 The NHS has appointed a housing co-ordinator and has to date provided over 800 units in London with rents 30-40% below market rates. There is a target of providing 4,000 properties in London and the South East by 2003. Some Police Officers in the Met and City police forces receive an additional housing allowance, though this was replaced in 1994 for new officers by local pay supplements. There are also local housing initiatives to support teachers in areas with a high cost of living. Slough has an affordable housing scheme for teachers, with the LEA acting as a guarantor.

6.45 The Government's Starter Home Initiative (SHI) is designed to help 10,000 key public sector workers, particularly teachers, police, nurses and other essential health workers, to buy homes in areas where the high cost of housing is undermining recruitment and retention. The SHI budget is £250 million and will be spent over the period 2001/02 to 2003/4. £230 million has been allocated via a competitive bidding round to 95 schemes that will help key workers in London, the South East and some high cost areas in the Eastern and South West regions. Assistance will be provided in the form of interest free loans, equity loans or shared ownership. The remaining funding will be allocated in 2002.

6.46 The decline in employer provided property in the last decade may have removed one traditional response to cyclical recruitment problems. In the past, public sector employers

who had their own housing stock a decade ago, for example Police and the Prison Service are no longer able to offer a home to new employees or to tie employees to jobs through work related housing.

Overall conclusions

6.47 The data set out in this chapter suggests the following broad conclusions in relation to regional variations in public sector employment:

- a) Average earnings are higher in the South East of England and in London for both the public and private sectors, though the differences are more marked for the latter. The higher London premium in the private sector may largely be a compositional effect;
- b) There is regional variation between London, the South East on the one hand and the rest of the country on the other, but relatively little variation (based on uncontrolled figures) between regions outside London and the South East.
- c) Outside London, on average pay in the public sector is significantly higher for both males and females than in the private sector (again based on uncontrolled figures). This is particularly marked when comparing female employees. The size of the public sector pay lead has fallen over the last six years;
- d) There is evidence to suggest that public sector employers in London and the South East currently face recruitment difficulties for certain employment groups, particularly certain graduate occupations. Differences in vacancy rates between other regions are not in general very marked, though there are significant intra-regional variations;
- e) For some occupations recruitment difficulties are evident in all regions, which may indicate problems of overall supply in those occupations.
- f) Regional costs, particularly, housing costs are part of the explanation for higher vacancies in some employment groups, but, at the local level, a variety of factors, tend to be associated with relatively high vacancies.
- g) It is too early to assess the SHI, but the analysis in this Report suggests that measures of this type need to be targeted where recruitment and retention pressures are greatest, working in close partnership with public sector employers and their sponsor Departments. The long term solution is an increase in the supply of housing in London and the South East.

7 THE IMPACT OF E-GOVERNMENT

1. FINDINGS

7.1 It has not been possible to assess the likely impact of e-government on the **size** of public sector labour market. This was due to:

- lack of clarity about the outcomes desired from e-Government, and
- the fact that many organisations do not have plans which clearly set out their future shape, size and location(s).

7.2 However other key findings are that e-Government⁵:

- will have an impact on the **skills** required for new ways of public service delivery;
- will have an impact on the **locations** where & **hours** when people work;
- is already having an impact upon the **relationship between employer and employee** (also known as ‘the deal’ or psychological contract).

2. INTRODUCTION

7.3 This chapter has been produced on the basis of evidence from the extensive research undertaken as part of this cross-cutting review. Annex 7 gives the research base and the consultation on emerging findings.

7.4 The chapter considers what has been learnt about the way that new e-enabled services will impact on the work people do in the public sector. It examines changing skills sets required. It then addresses issues to do with speed of take-up and ways to enable change, leading to a look at the issue of workforce planning in the public sector. It then examines requirements for new skills and impact of this theme on cross-cutting issues of the review.

3. E-ENABLED SERVICE PROVISION

7.5 The section sets out in more detail the way in which service provision may vary when services are e-enabled. It also identifies the likely impact on employment in the public sector. Assuming that services are focused on the needs of the customer, rather than relying upon existing service patterns, the headline implications are:

- Changed hours of operating leading to changed hours of work;
- Changed locations of delivery leading to changed locations to work;
- Creation of ‘one-stop’ shops;
- Impact on numbers;

⁵ e-Government is more generally/widely known as ‘modernisation’ but this varies by sector. e-Government is the term used for the remainder of this chapter)

- That the culture will change.

Changed hours 24x7

7.6 The concept of 24x7 (24 hours a day, 7 days a week) operations has been created by default with Internet and Digital TV service channels. The degree to which the demand for 24x7 services will impact on changed hours of work will vary depending on the particular service;

Evidence Base

- Many local authorities have opened ‘one stop shop’ information/advice centres. In some cases, these now open beyond the traditional 9-5 office hours.
- The UK online portal already offers customers several transactions to be completed on line, 24 hours per day every day.
- Private sector telephone & on-line banks provide 24x7 web-enabled access and a parallel extended opening hours when they are prepared to accept telephone calls.

Changed locations of delivery leading to changed locations to work

7.7 Technology offers the concept of ‘location independence’ whereby people can work remotely, facilitated by the Information & Communications Technology (ICT) driving e-government change.

Evidence Base

- A private sector company running a late opening telephone-based ordering service has a minimum core of staff on duty in the evening. If they become very busy, trained operators on-call at home are offered the opportunity to ‘join’ the virtual call centre, thereby increasing capacity in response to customer demand.

Creation of ‘one-stop’ shops

7.8 The potential to create “one-stop” shops has been and will continue to be exploited.

There may be the added potential to create ‘one-stop’ shops resulting from increased partnership working between tiers of local authorities, central government and others will provide, in effect, the opportunity of a single public sector presence on high streets, with staff supported by integrated e-systems. This does not appear to have been considered either by organisations independently as part of their e-business strategies, or centrally.

Overall impact on numbers of people working in the public sector

7.9 There is a presumption that investment in electronic service delivery will yield efficiency savings, some of which will accrue from staff reductions. However, we found no consensus amongst those we consulted on the likelihood of numbers falling across the public sector. There are a number of reasons for this. Little systematic modelling of the impacts has been carried out to date. Different models of electronic service delivery (eg using one stop shops, moving transactions from paper to the internet) may have different impacts. Previous reductions in different parts of the public sector also had a bearing whether further reductions were desirable or even in reality possible. And assumptions (hopefully based on market

research) have to be made about the future behaviour of service users in relation to take-up. But broadly speaking there are two schools of thought.

Numbers up / stay the same

Evidence Base

- A private sector telephone bank which then added an internet banking service experienced an increase in the number of customer contacts via letter, phone, email as well as online transactions.
- A London Borough experienced a 40% increase in calls following the introduction of a single call centre.
- A central government department has a computer model which shows that the implications of offering email as a communications channel will result in more customer contacts and need more staff to handle them.
- Many local authority call and contact centres expected to achieve absolute savings. Instead, they found that better community knowledge of the availability of the services massively increased the number of contacts, thus requiring more employees to provide an acceptable level of service. The service was more cost-effective per contact, but cost more overall.
- NHS Direct has provided additional staff to remove an overwhelming burden from other staff and boost the quality of service/ information available.

Factors affecting the numbers up / stay the same scenario are:

- more face to face services
- current services are effectively rationed by poor access
- already reduced numbers through outsourcing
- insufficient re-engineering to cut error rates
- take-up targets for new e-channels are low or non-existent
- surplus staff will be 'absorbed' on new 'better quality' services
- longer opening hours
- more channels = more contacts
- the subject is just not explicitly addressed
- applications which support staff in their otherwise unchanging jobs.

Numbers fall

Evidence Base

- A government department has clear modernisation plans which offer improved customer service, improved targeting of resources to target areas and adoption of new technology, processes, culture/values, and have developed workforce plans covering these. These indicate a drop in numbers of some 10% in 2006.
- A Local Authority has gone public and predicted at least a 10% reduction of staff upon the full implementation of e-government.
- A Government Agency expects to deliver significant staff savings by e-enabling a particular service.

Factors affecting the numbers will fall scenario are:

- heavy re-engineering around customer need;
- end to the silo mentality which stops introduction of customer focussed services;
- capacity exists in market to help;
- re-engineering is of support services e.g. payroll;
- less face to face services;
- ‘intermediaries’ are active;
- fewer ‘contacts’;
- fewer wrong answers;
- take-up targets are set;
- current workload doesn’t increase;
- reduced numbers is an explicit benefit to be realised.

That the culture will change

7.10 The Psychological Contract describes the nature of the relationship that exists between management and staff. Public Sector research published in October 2001 indicates that:

- the overall intensity of change is increasing;
- there is an increasing acceptance of the need for change. [e.g. Government’s own clarity over ‘better delivery’];
- new technology change is perceived to be positive by staff where delivery works well.

7.11 However research also indicates that change driven through the Civil Service has less clarity: messages tend to be more subtle and managers are not perceived to be good at delivering change. Most trust tends to exist with immediate managers, not top managers.

7.12 This evidence supports the already stated recommendation for clarity over the required end-game for modernisation aspirations; the need to adequately pave the way for change with clear honest communication and leadership at the right level.

7.13 It is also clear that the benefits of change for individual staff need explaining e.g. more up-to-date skills, sometimes leading to more interesting work and more often to lifetime employability.

Evidence Base

- A County Council introduced a call centre “gateway service” for all contact with the public. There were no compulsory redundancies. Displaced staff were redeployed or took voluntary redundancy. The approach enabled the Council to achieve £40m savings. Other benefits included freeing up specialist time to deal with professional tasks as well as improved customer service.

4. CHANGING SKILL SETS

Changing skills for changing work

7.14 Our research identified that in addition to the changes set out in the previous section, the skill sets required of people working in the public sector will also change. This is likely to be an area of very significant impact.

7.15 Work on skills implications for e-government conducted by the Office of the e-Envoy in 2000 developed a model, “Skills Map for e-Government” which was based on the Skills Framework for the Information Age covering skills needed to lead, plan and the technical skills to implement e-Government projects.

7.16 Our research focused largely on the management of change and the impact of new e-services on delivering and managing them. One of the key conclusions was that Public Sector employers will need to understand and be able to articulate the way in which these skill sets are going to change.

Evidence Base

- One government organisation is changing the process of requiring monthly paper returns to one where the customers obligation is to submit an annual self assessment and existing staff will undertake risk assessment based visits to monitor compliance.
- Another department is developing screen-based tools to enable customer advisers to handle increasing contacts with greater accuracy and consistency. This requires very different skills sets with a greater emphasis on customer and call handling and information retrieval skills rather than current product related expertise.

7.17 The review looked at the implications for changed skills arising from the way jobs might change. There are implications for working across organisational boundaries to be able to meet customer expectations. In some cases, increasing specialisation of work is also possible.

Evidence Base

- NHS Direct has healthcare professionals (nurses and health information advisors) offering first line advice and triage over the telephone. The healthcare staff who work within NHS Direct need to be adept at using the technologies that underpin service delivery (for example, clinical decision support systems and call center telephony). They are also required to develop skills in telephone assessment and communication. NHS Direct is being independently evaluated.

Overall it appeared that there was likely to be an increasing requirement for IT literacy and for customer handling and information handling skills.

Preparing for an uncertain future

7.18 It will also be necessary to consider taking steps to enhance the employability of staff working in the public sector so that they are able to be re-deployed within the organisation, or outside it. Many organisations are nervous about investment in the employability of staff, fearing that it will encourage people to leave. The sort of changes likely to occur mean that this investment would be appropriate given increasing uncertainty about the future and would be part of equipping people to cope with change.

Evidence Base

- A government Department is intent on upskilling all its employees to European Computer Driving Licence (ECDL) and Customer service NVQ level 2. This will prepare them for future work, as yet undefined in detail, but which it is predicted will need broad ICT skills.
- The Education Bill includes a proposal to give statutory backing to union learning representatives (ULRs). Research supporting this move identifies that ULRs are well placed to engage people in learning in support of improving their employability and personal development. In particular they have been successful in encouraging people with basic skills needs and others not usually reached by traditional routes.

5. SPEED OF UPTAKE

7.19 There are a wide variety of models for delivery of e-enabled services.

Examples are:

- Anti-fraud face-to-face interviews where pre-formatted risk-based systems identify where effort should be expended;
- One-stop shops where the public can have a wide range of e-enabled services provided via a human 'front end';
- Call centre services where complete transactions can be conducted over the telephone;
- Fully internet-type services where the transaction is completed online and no other route is available.
- NHS Direct is piloting touch screen kiosks to deliver health information; located in shopping centres, supermarkets and libraries, the kiosks enable people who are not IT literate or who lack ready access to the Internet to access the same information that is provided by NHS Direct Online.

7.20 From their current (largely paper/form and interview based) arrangements, very few organisations have yet to explicitly address how quickly they expect customers to change the ways in which they access services and take-up new channels or models; or the explicit way in which e-enabled processes will drive the re-engineering of service delivery. Without this it is also not possible to identify the benefits of introducing the change.

7.21 e-Business Strategies are generally provision plans designed to achieve the 2005 target. With notable exceptions, they do not address take-up targets. Take-up targets are a logical precursor to assessing the workforce implications of the change (covering the numbers of staff affected, the additional different skills required, whether any changes to locations / hours for people are involved).

7.22 Key Assumptions

- the slower real change occurs the more expensive it will be. More channels = more expensive than fewer channels;
- there is no appetite to shut down old channels for citizen customers as this would not meet socially inclusive criteria. Hence in these circumstances it will be necessary to get customers to choose to adopt new channels as they are quicker/cheaper/more convenient;

There may be an appetite to mandate business customers to adopt new channels.

Achieving Outcomes

7.23 The benefits focused model implies that greater clarity about modernisation outcomes will become explicit. At present different organisations take different stances as to whether the outcomes they wish to achieve are more or less:

- Customer focused (or don't explicitly say so);
- Quality focused (or don't explicitly say so);
- Efficiency focused (or don't explicitly say so);
- Or a mixture of these three outcomes;

7.24 Different parts of the public sector, with their own unique histories, communities, stakeholders and political drivers for change will choose different outcome priorities. This creates a risk that each organisation, by taking its own course, could result in poor value for money, let down customers, dissatisfied staff and poor joined-up thinking. If greater clarity can be given as to the key outcomes required we believe that there is a greater chance that they will be achieved.

6. EASING TRANSITION

7.25 The review identified a number of things organisations had done or were planning to do to enable change. Key processes include:

- consultation with staff and representatives - 'Partnership' working,

Evidence Base

- A government organisation has a unit which assesses the impact of re-locations involving all stakeholders such as staff families, local authority planners etc when relocations become necessary
- In contrast, a Government department does not make plans that affect the workforce explicit until as late as possible to avoid possible opposition.

- avoiding being secretive about plans;
- learning about successfully made change;
- better programme/project and change management;
- e-skilling programme (reducing the digital divide);
- Training Needs Analysis;
- Workforce planning.

7. WORKFORCE PLANNING

7.26 Very few individual organisations have attempted to create projections of the likely impact of their internal change programmes on their workforces.

Evidence Base

- Organisational Workforce planning
- A central government department has a computer programme which models key variable assumptions in modelling different take-up scenarios for modern services. This means that management are able to explore the implications of decisions that they need to take to inform future planning.

7.27 Workforce planning is not done across and between different parts of the public sector. Data available for Public Sector workforce planning is poor. There is a general lack of compatible data about the skills and locations of public sector workers. The Labour Force Survey provides data on the number of people organised by some occupations.

7.28 Individual organisations hold data on their own employees. So for example if an organisation wanted to find out easily whether other public sector organisations may be able to re-deploy surplus staff, the mechanism does not exist for a meaningful exchange of information. Nor is there currently any process in place to facilitate this exchange

Evidence Base

- A group of local authorities plan to work together to re-engineer their ‘back-office’ processes and set up common call centre. This may be located in another part of the country where, coincidentally, a government department already has a call centre type operation. Depending upon the salary offered, the new operation may strip the government department call centre of its skilled staff.

7.29 Effective strategic planning by any organisation involves regular assessments of what resources it will require to be capable of delivering services. This clearly must involve assessing the ‘human capital’ and other resources necessary as part of the future organisation. Hence workforce planning is or should **already** be part of how organisations plan for the future.

7.30 **If** organisations plan to work together on delivering joined –up customer focused services then there is clearly a need for them to be able to communicate effectively about their respective workforces. The capacity to do this will only be available if:

- individual organisations undertake workforce planning; and
- a common language exists which enables them to share data about skills locations.

8. WIDER IMPACT

Diversity

7.31 E-Government is likely to impact on diversity in the public sector. This may be in offering more flexible working patterns or using ICT positively to enable people with disabilities. It may also impact on overall numbers of women employed in the public sector.

In the central government women tend to be concentrated in lower grades. In addition, the so-called digital divide exists, whereby the age and ICT skills attainment of public sector employees are relevant.

7.32 Whilst the terms of reference for this cross cutting review relate solely to employees directly employed in the public sector, encouragement to outsource means that there is a growing workforce providing public services who are not directly employed by the public sector.

Capacity building

7.33 Real potential exists for capacity building across the economy as a whole with regard to addressing the “digital divide” – one of the key threats to the Ukonline programme is if the UK population is not made up of confident people who use e-enabled services. By ensuring that we have e-skilled the 5+m people in the public sector workforce we will not only have a workforce able to deliver e-government but that some 10% of the population will have skills necessary to e.g. buy goods online in the e-enabled economy. It should also be noted that public sector staff have a tendency to help friends and family and work in voluntary organisations, which means that they will influence others to adopt the ways of the e-economy.

Future planning

7.34 Future planning needs to address a number of issues highlighted in our work. Focusing future planning for e-Government on the outcomes to be achieved is an essential step and one that we address in recommendations 2 and 3. The focus of workforce planning should be in support of an organisation’s business plan, rather than data gathering for the centre. A common language would support greater coordination across the public sector. In addition we set out a number of actions that organisations might take to ease transition. These are set out in section [6] and in most cases are most appropriately addressed at an organisational level.

8 RECOMMENDATIONS

GENERAL

Recommendation 1. A small central function should be established to coordinate the collection of data on the public sector workforce, and to provide a mechanism whereby crosscutting issues can be addressed in future (including the issues for further research listed at Annex 7 of the report).

Recommendation 2. A priority task for this function should be to review with the ONS and others the collection of data on the public sector workforce.

Recommendation 3. Departments should review data collection on diversity and consider how they will implement their forthcoming obligations on the new diversity dimensions of age, sexual orientation and religious belief.

RECRUITMENT AND RETENTION

Recommendation 4. A mechanism should be set up to enable good practice, research and evidence to be shared freely across both government departments and public sector employers.

Recommendation 5. The benefits of working for the public sector - for example, job satisfaction, good terms and conditions, pension, job security - should be publicised.

Recommendation 6. Further research is needed to establish how people working in the public sector perceive and experience career progression.

Recommendation 7. Public sector employers could create a cross-sector publication to advertise vacancies and opportunities in all areas of the public sector.

Recommendation 8. Public sector employers should explore the opportunities for collaboration on international recruitment initiatives – especially adherence to the same performance and ethical standards and coordinating relationships with particular countries.

Recommendation 9. Public sector employers should make better use of available recruitment channels including Jobcentre Plus.

Recommendation 10. Public sector employers should explore opportunities for establishing recruitment channels in the EU labour market. In addition, they should explore opportunities for recruiting labour from outside the EU by taking account of current and proposed policies towards refugees and other migrants who can work legally in the UK.

Recommendation 11. Public sector employers should develop the standard for good employment practices.

Recommendation 12. A mechanism should be created to allow people to move more easily through different sectors in their career.

Recommendation 13. Public sector employers should develop partnership approaches to occupational health services.

Recommendation 14. Public sector employers should make available flexible, affordable and accessible childcare for public sector workers that fulfill their particular needs, for example shift working.

Recommendation 15. Sponsoring Departments should work with the NRU to identify and tackle recruitment problems in deprived areas.

Recommendation 16. Public sector employers should consider improving the physical working environments for staff working in the public sector.

Recommendation 17. Public sector employers should encourage better management of employee health.

Recommendation 18. Public sector employers should consider offering sabbaticals.

Recommendation 19. Public sector employers should facilitate job swaps within the same sector or a different sector.

Recommendation 20. Individual employers could consider providing free or subsidised transport.

Recommendation 21. Consideration should be given to extending refresher training for public sector workers.

Recommendation 22. Consideration could be given to implementing public sector wide benefits to improve recruitment for example, help in paying off student loans if committed to working for public sector.

Recommendation 23. Public sector employers should seek to act consistently with one another in recruitment campaigns.

Recommendation 24. In some instances there are often lengthy and overly bureaucratic processes that could be amended, for example, those relating to recruitment and disciplinary processes.

Recommendation 25. Further analysis is needed to establish the main reasons for people leaving, where they are going and what we could do to encourage them to stay.

Recommendation 26. A public sector qualification should be created, which would enable people to join many different areas of the public sector.

Recommendation 27. Analyse the extent to which public sector employers routinely recruit from each other, and the potential disruptive impact of the creation of new services.

FLEXIBLE WORKING AND RETIREMENT

Flexible working:

Recommendation 28. The different parts of the public sector need to examine when – during the day and across the week – they need to deliver their services to the public.

Recommendation 29. In the light of this examination, they need to consider whether their current working patterns are the right ones to deliver the services that are demanded.

Recommendation 30. They should also positively consider how the use of greater variety in work patterns can promote greater diversity and a better work life balance. However, this conclusion is secondary to the need to provide a quality public service.

Recommendation 31. The centre of government should create a forum to swap ideas on the best ways for local practitioners to organise an increasingly diverse workforce. This could, for example, develop tools – such as a standard staff rostering programmes.

Retirement:

Recommendation 32. The full range of exit routes from work should be available – genuine ill-health, early retirement, redundancy, discipline – and they should be used appropriately. In particular:

- Ill-health retirement needs to be properly managed in line with the recommendations of the inter-departmental report of July 2000; and
- Special attention should be given to occupations which require a high standard of physical fitness and have a normal pension age below 60.

Recommendation 33. The cost of early retirement should be borne by the party requesting it not the pension scheme: the employee where they choose to retire early or employers where they use early retirement to shed staff.

Recommendation 34. Rules on retirement and pension schemes should promote cost effective recruitment and retention and be flexible enough to encourage older workers who are willing and productive to continue in work. In particular employers and schemes should:

- explore variations on the conventional final salary model and other approaches which would allow pension provision to be deployed more flexibly to appeal to an increasingly diverse public sector workforce;
- avoid making retirement more financially advantageous than stepping down or moving to part-time work; and
- consider whether variations in the abatement rules and pensions enhancement for people who delay retirement are cost effective ways of encouraging older staff to delay retirement.

Recommendation 35. Departments should take forward the recommendations for more effective use of older workers in the public sector set out in the PIU report “Winning the Generation Game”. In particular, in the light of the EU directive on age discrimination and the equalisation of state pension age at 65 they should consider the possibility of a ‘normal’ retirement age of 65.

CAREER DEVELOPMENT

Recommendation 36. All parts of the public sector should consider carefully the areas and examples of good practice set outlined the career development chapter, and the benefits they could derive, in terms of improved service delivery, from adopting some or all of them.

Recommendation 37. Public sector employers should consider the development of the concept of ‘careers in public service’, spanning different public sector groups. For support grades this would involve joint work by the various public service training bodies to map the extent of common competences and transferable skills in the different vocational qualifications currently available. For leadership grades it could mean substantially enhanced programmes of secondments and exchanges, strengthening their breadth of vision and their capacity to manage continuing change through developing a greater understanding of the common challenges faced by the public sector as a whole.

Recommendation 38. Public sector employers should support the development of a Masters in Public Service qualification. The proposed new qualification would concentrate on developing the skills and values needed for consistently high quality delivery in the public sector – with its often more complex mix of stakeholders, political considerations and objectives.

Recommendation 39. Organisations across the public sector should examine as a matter of urgency the case for re-engineering existing roles and organisational structures to free up the most highly qualified and scarcest staff for the most essential work.

REGIONAL VARIATIONS

Recommendation 40. There is a case for increasing local pay flexibility. This would allow particular employers to take account of cost or other factors affecting the ease with which it is possible to recruit to particular posts, while avoiding the significant deadweight cost of increasing pay across an entire region or for all public sector groups.

Recommendation 41. An increase in the overall supply of particular employment groups will help ease regional problems. The precise location of training places could also have an impact on where trained personnel choose to work.

Recommendation 42. The wider labour market in London [and perhaps in other Metropolitan areas] may be characterised by higher turnover for the foreseeable future. Some public sector employers may be ill-equipped to deal with higher turnover as a result of their relative inflexible recruitment practices and their reliance on internal labour markets. The introduction of more flexible recruitment practices may help.

Recommendation 43. On housing, for London priority might be given to exploring possible measures to improve the supply of private sector rented accommodation. This might include public sector employers using their purchasing power to secure rented accommodation at reduced cost.

E-GOVERNMENT

Recommendation 44: further research and action is taken to establish the potential impact of e-government on the public sector labour market at a sub-regional/neighbourhood/community level, by looking at improving customer service through the creation of joint public sector One-Stop Shops; this would be a ‘top-down’ assessment of the opportunities for improving customer service and efficiency to compare and contrast with current ‘bottom up’ pathfinder initiatives.

Recommendation 45: PSX(e) should be invited to consider strategic goals of the e-Government programme. This would clarify the relative weight/importance between the potentially conflicting outcomes of: customer service, quality improvement and efficiency. Setting common guiding principles for the public sector will ensure that delivery is consistently focused on what Ministers want.

Recommendation 46: central government departments and agencies and local authorities should be expected in future to include clear statements about specific expected outcomes of their e-government plans. This would help to clarify the focus of each plan and we envisage that the statement should include take-up targets for new types of customer service and ways to measure improvements for customer, quality and efficiency outcomes. This information will help to clarify the likely impact of e-Government plans on staff numbers, locations, skills etc.

ANNEX 1 EARNINGS AND HOURS OF WORK IN THE PRIVATE AND PUBLIC SECTORS

	Male					Female				
Weekly Earnings										
	Private Sector		Public sector		Public sector premium	Private sector		Public sector		Public sector premium
	Mean £	90/10	Mean £	90/10		Mean £	90/10	Mean £	90/10	
1994	372	4.78	416	3.43	11.8%	184	7.93	254	7.44	38.0%
1995	372	4.80	416	3.33	11.8%	186	8.17	249	7.86	33.8%
1996	383	4.93	424	3.55	10.7%	191	8.69	255	7.86	33.6%
1997	383	4.95	412	3.59	7.5%	194	8.66	251	7.76	29.5%
1998	389	4.96	415	3.55	6.9%	200	8.29	253	7.65	26.7%
1999	398	4.91	425	3.58	6.8%	209	7.84	263	7.47	25.9%
2000	410	4.93	425	3.54	3.8%	214	8.27	266	7.28	24.7%
Hourly Earnings										
	Private Sector		Public sector		Public sector premium	Private sector		Public sector		Public sector Premium
	Mean £	90/10	Mean £	90/10		Mean £	90/10	Mean £	90/10	
1994	8.93	4.18	10.71	3.50	19.9%	6.17	3.35	8.62	3.51	39.7%
1995	8.94	4.27	10.74	3.29	20.1%	6.16	3.34	8.43	3.49	36.9%
1996	9.19	4.36	10.86	3.44	18.2%	6.30	3.41	8.56	3.46	35.9%
1997	9.08	4.33	10.60	3.46	16.7%	6.27	3.46	8.33	3.39	32.9%
1998	9.25	4.30	10.57	3.41	14.3%	6.46	3.52	8.36	3.38	29.4%
1999	9.53	4.28	10.81	3.31	13.4%	6.76	3.36	8.55	3.33	26.5%
2000	9.88	4.37	10.97	3.32	11.0%	6.94	3.47	8.73	3.36	26.0%
Weekly Hours of Work										
	Private sector		Public sector		Private sector		Public sector			
	Contract hours	Incl. overtime	Contract hours	Incl. overtime	Contract hours	Incl. overtime	Contract hours	Incl. Overtime		
1994	38.9	43.8	37.7	42.5	28.1	30.1	28.5	31.5		
1995	38.8	43.8	37.7	42.3	28.2	30.2	28.4	31.4		
1996	38.8	43.6	37.7	42.2	28.1	30.1	28.3	31.2		
1997	39.2	44.1	37.7	41.9	28.6	30.8	28.6	31.5		
1998	39.2	43.9	38.0	42.3	28.7	30.7	28.7	31.7		
1999	39.0	43.5	37.9	42.1	28.7	30.8	28.9	31.9		
2000	39.1	43.5	37.6	41.9	28.6	30.6	28.8	31.8		

Analysis is based on LFS data.

ANNEX 2 PRINCIPAL PUBLIC SECTOR EMPLOYMENT GROUPS, RANKED BY PERCENTAGE OF FEMALE EMPLOYEES

341 Midwives	100.0
640 Assistant nurses & auxiliaries	89.2
340 Nurses	87.6
234 Primary & nursery education teachers	86.4
235 Special education teachers etc	80.2
401 Local government clerical staff	78.6
641 Hospital ward assistants	78.2
293 Social workers & probation officers	73.6
342 Medical radiographers	72.8
400 Civil Service admin staff	67.5
191 Education registrars etc	64.1
239 Other teaching professionals	60.9
232 Education officers & school inspectors	58.5
132 Civil Service executive officers	58.1
231 Further education teachers	57.2
233 Secondary education teachers etc	52.0
613 Customs & immigration officers	51.0
348 Environmental health officers	49.7
102 General managers - local government	48.4
330 Air traffic planners & controllers	47.3
103 Administrators - national government	45.3
240 Judges & officers of the court	40.1
230 University & polytechnic teachers	37.8
220 Medical practitioners	37.5
395 Other statutory inspectors	37.5
394 Factory inspectors etc	31.7
642 Ambulance staff	31.2
100 General managers –national government	22.7
610 Police officers (sergeant & below)	21.0
155 Senior customs & excise etc officers	18.5
612 Prison officers (below principal)	16.2
940 Postal workers & mail sorters	14.7
614 Traffic wardens	13.0
154 Prison principal officers & above	11.8
152 Police officers - inspectors & above	3.5
950 Hospital porters	2.2
611 Fire service officers (leading officer & below)	0.9
153 Fire service officers - station officers & above	0.0

Source: LFS

ANNEX 3 EMPLOYMENT OF DISABLED PEOPLE IN THE PUBLIC SECTOR

Employment Category	% of disabled employees
Management and Senior Officials	10
Professional Occupations	10
Associate Professional and Technical	10
Admin and secretarial	13
Skilled trades	13
Personal Services	13
Plant operatives	14
Elementary Occupations	15
Total Public Sector	12

ANNEX 4 ETHNICITY OF WORKERS IN CERTAIN PUBLIC SECTOR OCCUPATIONS

1. There are a variety of targets for increasing the representation of ethnic minorities in specific parts of the public sector, including the Armed Forces, the Home Office, Prison Service, Police, the Fire Service, the Probation Service and the Senior Civil Service, as well as local targets in the NHS. However data on the ethnicity of staff in public sector employment is separately collected by a number of different public sector employers. There is no common approach to data collection across departments, nor is it clear whether all employers routinely collect data on ethnicity.

2. Available data was reviewed for the police force, local government, teachers, higher and further education staff, the armed forces, the crown and magistrate courts, the probation service, the prison service and the NHS. For an outline of the legal framework of the Race Relations Amendment Act see Annex 5) A conclusion that can be drawn from the data is that is impossible to make any inferences about how the proportions of ethnic minority workers have changed over time due changes in the non-response rates. Details for various public sector occupations are outlined below. All the data for the specific occupations derive from internal departmental projections.

THE POLICE FORCE

	Actuals		Projections				
	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06
Ethnic Minority Officers	2,732	2,955	3,178	3,418	3,676	3,953	4,251
Total	124,170	125,519			130,000		
Percentage	2.2	2.4			2.8		

3. Within the Police Force minority officers increased minimally as a percentage of all officers between 2000 and 2001. The main Police Force projection is to have 130 000 employees by 2004, an increase of 3.6 % on 2001. The number of ethnic minority officers is projected to increase by some 24% over the same period, but this amounts to less than half a percent of the total. Even in 2004 ethnic minority officers are projected to form less than 3% of the Police Force.

LOCAL GOVERNMENT (see also paragraph 19 below)

4. Local Authority performance is measured according to Standards for Local Government set by the Commission for Racial Equality (CRE). There are five levels as follows:

- Level 1: The authority has written a racial policy statement.
- Level 2: The authority has an action plan for monitoring and achieving its racial equality policy.
- Level 3: Results of ethnic monitoring against equalities and consultations with local communities are used to review overall authority policy.
- Level 4: The authority can demonstrate clear improvements in its services resulting from monitoring, consulting with local communities, and acting on its equal opportunities policy.
- Level 5: The authority is an example of best practice in the way that it monitors and provides services to ethnic minorities, and is helping other authorities/forces to achieve high standards. Confirmation that the authority has reached this level must have been provided by the CRE. If a Local Authority has not adopted the Standard for Local Government they must state so. This corresponds to level zero being achieved.

5. There is data available for the London Boroughs, the Metropolitan Authorities, the County and District Councils and the Unitary Authorities recording the level of the CRE Standard for Racial Equality reached for 2000/1.

6. 34% of the Local Authorities had not adopted the Standard for Local Government. 37% had achieved Level 1, 20% Level 2, 4% Level 3 and well below 1% achieved Level 4. Only one Local Authority achieved Level 4. 4.4% of Local Authorities did not respond.

7. A third of all Local Authorities do not even have a racial policy statement and that only 25% have at least a racial policy statement and an action plan for putting policy in to action.

TEACHERS

8. The only estimate of the ethnicity of teachers that exists is a very crude estimate from the Labour Force Survey, suggesting that between 1.5% and 4.5% of teachers are from an ethnic minority background in 2001. The LFS is sample based. There is currently no information on the ethnicity of teachers being collected centrally across the whole population of teachers.

9. Teaching is a devolved service and it is up to Local Authorities to collect data. According to the DfES a rough survey on whether such data was being collected was conducted a few years ago. Broadly speaking a third of the Local Authorities had the data, another third had some of the data and the final third had no data at all. The fact that there is no central collection of data on the ethnicity of teachers is currently under review, due to the recent amendments to the Race Relations Act.

HIGHER EDUCATION ACADEMIC STAFF

	Total 94/95	%	Total 99/00	%
White	57,695	65.44	91,365	85.86
Black Caribbean	153	0.17	299	0.28
Black African	114	0.13	256	0.24
Black Other	76	0.09	167	0.16
Indian	481	0.55	1023	0.96
Pakistani	119	0.13	306	0.29
Bangladeshi	26	0.03	75	0.07
Chinese	194	0.22	518	0.49
Other	695	0.79	1339	1.26
Asian Other	265	0.30	507	0.48
Information Refused	4660	5.29	10,551	9.92
Information not sought	23445	26.59	0	0.00
Not known	237	0.27	0	0.00
Total	88,160	100.0	106,406	100.0
Total known	59,818	67.85	95,855	90.08

10. The table above shows the number of ethnic minority academic staff in higher education in 1994/5 and 1999/00. There was a marked decline between these years in the number of people for which the ethnicity is not known. As for aggregate figures (see paragraph 5 above), this prevents concrete comparisons being made between years of the proportions of employees in different ethnic groups.

11. In 1999/00 the majority of staff (at least 85.9%) were white, at least 4.2% were from ethnic minorities, and the ethnicity of nearly 10% was unknown. The proportion of ethnic minority staff could therefore be higher or lower than their representation of 6.7% in the total working population. This underlines the necessity to ensure that employers and staff are aware of the importance of providing ethnicity information.

FURTHER EDUCATION

Staff working in teaching support roles (1998/9)

	Total	%
White	167,491	71.58
Black Caribbean	2142	0.92
Black African	938	0.40
Black Other	624	0.27
Indian	2107	0.90
Pakistani	884	0.38
Bangladeshi	189	0.08
Chinese	275	0.12
Other	3638	1.55
Asian Other	1399	0.60
Not known	54,312	23.21
Total	233,999	100.00

12. The situation in the Further Education sector is broadly similar to that in the Higher Education Sector. The majority of workers are white, and ethnic groups in total comprise at least 5.2% of staff. Ethnicity is not known for almost a quarter of staff.

ARMED FORCES

At 1/4/2001

Service	Total Strength	Ethnic Minorities⁶	% EM
Naval Service	42,421	429	1.01
Army	109,531	2,358	2.15
RAF	53,699	614	1.14
Total	205,651	3,401	1.65

13. There is no data available that would allow some conclusions to be drawn about changes in Ethnic Minority groups over time. For all services the percentage of ethnic minorities lay far below 6.7%, which is the percentage of the total UK labour force that is of ethnic minority origin.

⁶ Army recruits from St Vincent, Fiji and the Grenadines were excluded. Also 292 personnel did not have their ethnic origin recorded on April 1st 2001.

CROWN COURTS AND MAGISTRATES COURTS

Crown Court at 16/8/2001

Ethnic Group	Number	%
White	2,185	93.94
Asian	85	3.65
Black	49	2.11
Other	7	0.30
Total	2,326	

Magistrate Courts at 31/3/2001

All staff by Ethnic Origin	%
White	92.37
Asian	2.23
Black	2.09
Other	3.31
Total	100

14. There is no available data documenting changes over time. The vast majority of Crown Court staff is white. The situation is similar for the staff of the Magistrates Courts, although in the Magistrates Courts the ethnic minority staff is more than 6.7%.

PROBATION SERVICE

15. At 31/12/2000 the total number of senior and main grade probation officers was 7571. Ethnic minority staff represented 10.1% of the senior and main grade probation officers. For non senior and non main grade probation officers Ethnic minority staff represented 8.5% of the overall staff figure of 2868.

PRISON SERVICE

At 30/6/01

Ethnic Group	Total	%
White	22,384	96.04
Asian	163	0.70
Black	361	1.55
Other	96	0.41
Not stated	192	0.82
Data unavailable	112	0.48
Total	23,308	100.00

16. Again no inferences of changes over time can be made. The majority of the Prison Service is white. The implication is that less than 4% of prison service staff are from ethnic minorities.

NHS HOSPITAL AND COMMUNITY HEALTH SERVICES

Medical and Dental and Non-Medical staff by ethnic group in England at 30 September 2000

	All groups	White	Black	Asian	Other	Unknown
All HCHS staff	100.0%	86.3%	3.5%	3.8%	2.7%	3.7%
All medical and dental staff	100.0%	64.9%	4.7%	20.1%	8.9%	1.5%
<i>of which</i>						
Medical	100.0%	64.4%	4.8%	20.4%	9.0%	1.4%
Dental	100.0%	76.1%	3.2%	13.0%	5.2%	2.5%
All non-medical staff (excluding agency staff)	100.0%	88.8%	3.4%	1.9%	2.0%	3.9%
Nursing, midwifery and health visiting staff learners (excluding learners and agency)	100.0%	85.0%	4.6%	1.7%	2.5%	6.2%
Nursing, midwifery and health visiting staff learners	100.0%	86.7%	5.9%	1.2%	2.1%	4.0%
Scientific, therapeutic and technical staff	100.0%	91.8%	1.8%	2.7%	1.7%	2.0%
Healthcare assistants	100.0%	89.8%	4.9%	1.3%	1.6%	2.4%
Support staff	100.0%	90.6%	3.4%	1.6%	1.9%	2.5%
Ambulance staff	100.0%	96.9%	0.7%	0.6%	1.3%	0.6%
Administration and estates staff	100.0%	92.6%	2.2%	2.2%	1.2%	1.8%
Other staff	100.0%	95.0%	1.0%	2.6%	0.7%	0.8%

Notes: Figures should be treated with caution as they are based upon the 76% of the HCHS organisations that reported 90% or more valid ethnic codes for non-medical staff. Percentages were calculated from numbers of staff expressed as whole-time equivalents.

Source: DoH 2000 non medical workforce census.

17. There is significant variation in the percentage of white workers across groups ranging from 64.4% of medical staff to 96.9% of ambulance staff being white. This is a much wider spread than in other areas. Also the number of workers for which there is no ethnicity data is also comparatively low. The highest figure is 6.2% for Nursing and Midwifery Staff. The overall figure is only 3.7%.

18. There is no standard approach in the public sector to recording recruitment and retention problems. There are also variations between departments in how vacancy rates are defined. In the following sections available data on regional vacancy rates is presented for teachers and health professionals. This data is some of the more reliable data that is available. However due to the lack of a standard approach, the data does not allow comparisons readily to be made between different public sector employment groups. It merely gives an indication of the problems as perceived by employers over time.

LOCAL GOVERNMENT

19. The Local Government Employers' Organisation collects data from individual Local Authorities in England, who are asked to report occupations where they perceive there to be recruitment and retention problems. No accurate definition of a vacancy is used – authorities were merely asked whether they were encountering any recruitment and retention problems for particular groups of staff. The table below shows that over 80% of local authorities are now reporting problems, as compared with less than 40% six years ago. The range of occupational groups affected has also increased markedly from just 8 in 1995 to 43 in 2001.

Summary (1995-2001) Recruitment and Retention difficulties							
	Mar-95	Jan-96	Jan-97	Jan-98	Jan-99	Jan-00	Jan-01
Local Authorities reporting no difficulties	62%	65%	61%	39%	25%	24%	16%
Av. Number of difficulties per authority reporting difficulties	2.50%	3.50%	3.70%	3.80%	4.60%	5.90%	7.70%
Av. Number of difficulties - all authorities	0.90%	1.20%	1.70%	2.30%	3.50%	4.50%	6.50%
No. of occupations with more than 9 reported recruitment difficulties	8	5	9	15	29	28	43

ANNEX 5 ETHNICITY

1. This section outlines the legal requirements for employers with respect to the Race Relations Amendment Act 2000 as well as some analysis of ethnicity in the public and private sector with a summary of the situation in certain public sector occupations.

THE LEGAL FRAMEWORK

2. The Race Relations (Amendment) Act 2000 came into force on 2 April 2001. It extends the Race Relations Act 1976 to public functions, which were not previously covered such as law enforcement. It will put all public authorities under a general statutory duty to promote race equality. In addition, some key public authorities, like central and local government, will have specific duties to fulfill.

3. The Government recently consulted on specific duties to help public bodies meet their obligations under the general duty. The consultation paper published in February 2001 recommended that:

- all public employers should, for example, be required to monitor the ethnic backgrounds of staff in post and applicants for jobs, promotion and training, as well as grievances, disciplinary action, performance appraisal and reasons for leaving – and to publish this information annually
- each of the main public bodies in Great Britain should be required to mainstream race equality into their policy and service delivery. That means consulting ethnic minorities about policies that affect them, monitor the impact of such policies and taking remedial action where necessary;
- certain educational institutions should, for example, be required to have a written policy on race equality and assess the impact of their policies on ethnic minority pupils, staff and parents.

4. Essentially the public sector will be subject to statutory duties on these dimensions, but there is yet no data, except for the age aspect of diversity, in most areas of the public sector.

ANNEX 6 TOPICS FOR FURTHER RESEARCH

1. Investigating intra-regional variation and its impact. Why, for example, do apparently similar areas face radically different vacancy problems? What factors explain vacancy rates at the local level? Is there a difference between the public and private sectors?
- 2a. Research into optimal turnover rates. Turnover is essential for all organisations. There is a need to investigate where in the public sector high turnover causes the most problems, to determine what 'optimal' turnover might be,
- 2b. Analyse how organisations deal with vacancies. Identify the channels available for filling vacancies and their relative efficacy.
3. Analysis of the differences between public and private sector pay rates by region controlling for other variables such as educational attainment and age. This will determine the extent to which the public sector pays a 'premium' or not for its employees, and whether this differs markedly by region.
4. Investigation of the labour market for 'carers', about which little is currently known. What sort of careers do public service 'carers' follow? What educational backgrounds and labour market experiences do they have? Are there significant distinctions between the public, voluntary and private sectors?
5. Analysis of movement of staff between different parts of the public sector. How common is this, and which groups are affected most? Does this produce net gains or losses for employers?
6. Investigation of the amount of employer owned housing in the public sector. What use is currently made of this? Is there scope for using publicly owned land for building new houses? What scope is therefore employer intervention in the rental market?
7. How have movements in relative pay affected recruitment and retention in the public sector over time? Is there evidence of an impact on quality? Identify any other key factors that have affected recruitment and retention and their impact.
8. Temporary work is much more common in the public sector than in the private sector. Why is this the case? Is it the consequence of restrictions on recruitment and retention?
9. Analysis of the impact of public sector recruitment, retention and career progression policies on ethnic minorities? What factors explain the difference experiences of different ethnic groups?
10. Investigation of the reasons for declining or low male participation in the NHS, in teaching and in childcare. What types of policies might increase male participation rates in particular employment groups?
11. Analysis of the extent to which public sector employers routinely recruit from each other, and the potential disruptive impact of the creation of new services.

12. Collection of data on public sector workforce development, and assessment of its effectiveness.
13. Analysis of variations in vacancy rates between deprived and non-deprived areas.

ANNEX 7 EVIDENCE-BASED RESEARCH

This annex sets out how the researchers gathered the evidence base to allow Chapter 7 to be drafted.

Initial meetings were conducted with 8 public sector areas in September 2001:

Organisation	Interviewee / role	Date
MOD (civilians)	General John Pitt-Brooks. Director General Civilian Personnel	18 September
Home Office (police admin)	Catherine Byrne Head of Police Resources Unit	26 September
DfES (education schools, FE & HE)	Colin Moore Head of Information Services	27 September
DoH (NHS)	Mike Walker Branch Head Information Policy Unit	28 September
DLTR (local authorities)	Richard Footitt Divisional Manager Local Govt, Competition and Quality Division	24 September
IR	John Harrison HR manager e-gov issues	19 September
C & E	Tom MacGruer HR manager e-gov issues And Sarah Connor	18 September
DWP	Bruce Calderwood e-Champion and Rita Spicer (HR)	20 September

The review was overseen by the e-Government working group, whose members were:

John Barker, Cabinet Office
 Bruce Calderwood, Department for Work and Pensions
 Peter Court, Office of the e-Envoy, Cabinet Office
 Liz Davis, Cabinet Office
 John Harrison, Inland Revenue
 Tom McGruer, HM Customs and Excise
 Rob Molan, HM Treasury
 Colin Moore, Department for Education and Skills
 Joan Munro, LGNTO, Local Government Employers Organisation
 Tom Rothwell, Society of Chief Personnel Officers
 Mike Walker, Department of Health
 Guy Ware, Department for Transport, Local Government and the Regions

There were three round table discussions held to support this review:

- Local Government round table discussion was organised by Guy Ware and held on Monday 29 October 2001.
- Central Government round table discussion organised by Brigid Feeny and held on Friday 2 November 2001.
- NHS round table discussion was organised by Mike Walker and held on Tuesday 6 November 2001.

We also consulted on the draft report by circulating it to e-Government working group members and we tested the emerging findings with two audiences:

- e-Business strategists workshop in Bath on 13 November 2001; and
- e-Champions meeting on 11 December 2001.