

Ref. A085/1542

PRIME MINISTER

How many reports?
 - What do they say?
 What reports for what use?

Since you appointed me Head of the Home Civil Service I have not made any representations to you about morale in the civil service. As a general rule I do not see much point in generalised hand-wringing about morale as such. But reports that are coming to me from all over the public service and from every level prompt me now to send you this minute. They suggest a state of morale lower than I have ever known it, and I think dangerously low. Some are speaking of a crisis of morale.

2. There are the following strands in this:

a. The reduction in numbers since 1979 (which has been proportionately higher in the open structure) has not been matched by a proportionate reduction of the total workload. On the contrary reviews - sometimes very far reaching and wide-ranging - of Government policies are piling on new and often difficult tasks that are having to be tackled on top of existing tasks, at a time when people are also being asked to adapt to new techniques of management. All over the service people, at junior as well as senior level, and including the most able, feel themselves under unrelenting pressure which affects their family lives as well as their working hours.

b. At lower levels there is a good deal of apprehension that the Government will pursue policies for the further privatisation of functions now carried out by civil servants. The fears may in many cases be groundless; but they lead people to fear further reductions of numbers and loss of their jobs, and thus generate uncertainty.

This is the nub of the matter.



c. The reduction in numbers, coming on top of the high levels of recruitment in the 1970s, is perceived as having a very damaging effect on promotion prospects. The prospect may be worse than the reality will be; but the fear exists now, and is real, and we have to live with its demotivating effects. And performance-related bonuses (which are in any case so far limited to grades between Under Secretary and Principal and equivalent) are not in general yet welcome or seen as doing much to improve matters: indeed, many regard them as derisive.

d. Pay is also an element in low morale. The large increases given shortly after the Government took office have receded from memories, and people feel that every year since 1981 the Government has imposed on the civil service pay settlements significantly less than the average rates of increase of earnings outside, with the result that civil servants see and feel themselves falling further and further behind people outside. What makes it worse is that they see no prospect of any end to this process: in the absence of any kind of objective benchmarks for civil service pay or any long-term basis for settling pay, they see the Government, having ended the old agreements on arbitration and on pay determination, doing nothing effective to put anything in that place, and continuing indefinitely, because of the pressures on public expenditure, to impose settlements which will mean that civil servants continue to fall even further behind in relative earnings. The result is a very widespread and deep dissatisfaction which one report has gone so far as to describe as "despair". Relative security of tenure is of course an important attraction of Civil Service employment, particularly in areas of especially high unemployment; but



Who?
it is only relative, since there are many private sector employers whose deliberate policy is to maintain security of employment.

e. This feeling of dissatisfaction extends to the higher levels of the civil service, to a degree which is in my experience unprecedented; and that of course has its own effect on people at lower levels. The higher Civil Service have never expected to be paid anything like as much as the higher levels in industry and the City; but in the private sector differentials at these levels, which were compressed during the years of incomes policies, have greatly widened out over the last two or three years and continue to do so. The disparity between salaries of higher civil servants and remuneration percentages in industry and the City has become very much wider than before, and likewise continues to grow. The perception of this growing disparity is heightened when we take in people from outside, not always manifestly better than the Civil Service could provide, into senior public service posts, at a rate of pay much in excess of what would be payable to a career civil servant appointed to the same post - and yet often substantially less than the individual has been earning outside.

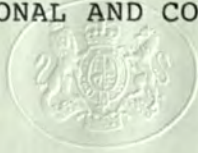
f. The last strand in the low state of morale is, many would say, the most important, and all the other strands contribute to and come together in it. There is a very general sense among civil servants - other than those senior civil servants who have regular dealings with Ministers - of an attitude among at any rate some Ministers that is seen as one of detached indifference - where it is not one of downright hostility - to the civil service. It is felt that Ministers do not trouble to know about what their civil servants are feeling or about the reason for those feelings; or that, if they know, they do not care. The other problems on which there are



dissatisfaction - on numbers, on job and promotion prospects and on pay - are all seen as indications that this is the attitude of Ministers. This attitude - or the belief that some Ministers have this attitude - has communicated itself widely outside the Government with the result that the civil service is not held in the same degree of esteem as it was thirty or even ten years ago.

3. I do not believe that this fall in morale (as opposed to pressure of work) is yet affecting standards of service. You have seen enough of the skill and energy being deployed in several Departments engaged on policy tasks to know that the civil service is maintaining high standards of service to the Government. The dedication being displayed would, if it disappeared, not be easy to replace.

4. The combination of factors described in paragraph 2, is, however, leading to a drop in the quality of people seeking to come into the civil service; and to a progressively increasing wastage of civil servants into other employments. I attach a note on the latest position on recruitment and retention. The problems are particularly marked among specialists including accountants, scientists, professional and technical staff, lawyers, and automatic data-processing staff. But it is also reaching worrying dimensions among fast-stream Principals and young Assistant Secretaries. The changes now in train in the City are producing at one and the same time a considerable demand for people of this kind and a frightening increase in levels of remuneration offered. Civil servants in their 30s, working in Departments which have an interface with the City or with industry are being tempted with offers that one cannot blame them for taking up: they could hardly, in conscience to their families, refuse them. Statistically one ought to welcome their departures, since they improve promotion prospects for those who remain. But it is the best who leave. If the drain continues, your successor and mine in ten to fifteen years' time



are going to be hard put to it to find sufficient people of sufficient calibre and experience within the civil service to fill the key posts in the higher civil service.

5. The tendency to look outside is not confined to the younger administrators. I have been surprised and concerned to find a number of Deputy Secretaries in their late 40s seriously considering the possibility of going outside for the last ten or fifteen years of their working life. This is a new phenomenon; and, again it is the best who find it easiest to move.

Is it about one? I should have thought it offered a new choice not

6. I am sorry to be putting such a submission to you; but, when people come to me about this situation and ask me "Do Ministers know?", I feel that I owe it to you to do so. Your Government has instituted a process of change in the Civil Service, and in particular of improvements in management and efficiency, which was necessary and overdue. People now at the top of the Service welcome it and are giving a positive lead in it. The benefits are beginning to show. But the good effects could be undone if we cannot do something about the decline in morale. I fear that the situation is coming towards a point where the damage to the effectiveness of the public service and to the qualities that have led successive Governments to claim that the British public service was second to none may become profound and difficult to reverse.

7. I should like to have an opportunity to discuss the problem with you, and to consider with you what can be done to reverse it. I think that a lot can be achieved for very little by a change in attitudes. The points that come particularly to my mind would be:

- i. It would be helpful to give civil servants some reason to hope that their progressive decline in relative earnings is not going to continue indefinitely. With the 1985 pay settlement now concluded it is clearly not possible to do



anything more about pay levels in general this year, though we may wish to do something in specific areas, and the Government's response to the recommendations of the Top Salaries Review Body will be very closely watched. But evidence of a real wish and determination on the part of the Government to negotiate a long-term pay agreement which would be perceived to be fair to all would do a lot of good. At the same time we should look at the pay structure itself, to ensure that as far as possible it provides civil servants with more confidence in their career prospects and opportunities.

ii. On an altogether smaller scale and more humdrum line of thought, it could be helpful to be seen to channel some of the administrative savings that are being made in the civil service into improving the working environment of staff. Many, particularly away from Whitehall in some of the inner city offices, work in sub-standard, in some instances near-slum, offices, some of which have to be used also by the public. I am not thinking of a major programme of expenditure but of small amounts here and there in maintenance and minor improvements. You will remember that Derek Rayner used to urge us to use part of the savings resulting from efficiency scrutinies in this way.

iii. Words on their own will not cut much ice; they need to be corroborated by definite and tangible expressions and measures of this kind. But it would be valuable if you and your colleagues could use whatever occasion you can find publicly to emphasise your regard for the civil service and for the service it provides, the importance you attach to maintaining the traditions and the integrity of an able, effective and uncorrupt civil service, the importance of the concept of public service as a motivating factor, and your determination to ensure that the civil service



continues to provide, and is recognised as providing, a worthwhile career for men and women of ability and integrity.

8. The concept of public service as a motivating factor is particularly worth emphasising: surveys of opinion suggest that, even when public servants (in central and local Government) are fed up with aspects of management or conditions of service, they respond to the thought that they are serving the public. It would be helpful if we could begin to counter the notion that wealth creation is an exclusive function of the private sector and that the public services are no more than a burden or parasite on the process of wealth creation (and therefore on the private sector), and establish in its place a different thought: that in a developed economy the private and public sectors each have their part to play and are inextricably dependent on one another; and that, right though it is that the State should not encroach into, and should where possible withdraw from, areas and activities best undertaken by private enterprise, there will remain a great many services which society requires and which are best provided by a public service, and the provision of that service remains not only a necessary but also an honourable calling, deserving of pride from those engaged in it and respect from those dependent on it. I propose to try to develop this theme in an address that I am due to deliver to the Annual Conference of the Chartered Institute of Public Finance and Accountancy later this month.

9. I should like, if you agree, to send copies of this minute to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster, as the two colleagues who share the responsibilities which you have as Minister for the Civil



Service; to the Lord President, and to the Foreign and Commonwealth Secretary as the Minister responsible for the diplomatic service.

RIA

ROBERT ARMSTRONG

7 June 1985

CONQUEROR

RECRUITMENT AND RETENTION IN THE CIVIL SERVICE:
SOME PRESSURE POINTS

Recruitment and retention difficulties are widespread. This summary identifies areas in which the problems are particularly severe. To do so, it draws upon evidence submitted to the TSRB updated where necessary, the Civil Service Commission Report, the resignations exercise conducted by PM3, and the reports of the different working groups which have investigated the difficulties in particular occupational groups.

RECRUITMENT

ATs

There have been successive shortfalls in recent years, although there has been a steady narrowing gap since the disastrous result in 1982 (48 per cent shortfall). This year's competition is still in progress but the projections of outcome are worrying. The bid was for 78 AT/HEODs and 9 AT (Accountants). Two-thirds of the candidates have been seen. 58 successful candidates have been identified for AT/HEOD: 13 internals, 41 externals and 4 who deferred appointment after last year's competition. 7 of the 41 external successes have declined appointment bringing the total down to 51. The predicted eventual shortfall is some 10-15. There has not been a single success for the 9 AT (Accountants). Improvements to the pay of ATs and HEO(D)s are being introduced this year, but it is possible that further remedies will need to be contemplated.

Accountants

The shortfall against bids in the last 3 years has ranged between 35 and 45 per cent. A package of allowances, personnel management measures and improved recruitment procedures is being introduced this year to help correct the shortfall. It is possible that more will need to be done, and the position is being kept under review.

P&T Group

Recruitment difficulties are particularly severe and worsening among estate surveyors, electronics, electrical and mechanical engineers, civil engineers and petroleum specialists. All these disciplines experienced a shortfall against vacancies of between 35 per cent and 60 per cent in 1984.

Science Group

Recruitment difficulties exist throughout the Science Group, and it is therefore difficult to identify particular problem areas. The shortfall against vacancies in SO to SSO recruitment, comprising the main recruitment grades, has increased steadily

from 15 per cent in 1981 to 35 per cent in 1984. If particular disciplines are to be identified, then probably posts in computer science, electronics and applied mathematics are hardest to fill. These are national shortage disciplines. For almost all scientific disciplines the starting salaries in industry appear at least 15 per cent higher for scientists of average ability and at least 25 per cent for the best.

Legal Group

Over the past few years the recruitment of basic grade Legal Assistants has been very poor with the number of candidates thought worthy of interview only little above the number of vacancies. This problem arises from the current structure and its associated age pointed scale both of which are under review. After allowing for those who do not pass the board and those who choose to go elsewhere, recruitment has been substantially less than required. A major restructuring exercise is imminent; this should help considerably.

RETENTION

Fast Stream Administrators

There is a small upward trend in fast stream wastage. Departments have expressed particular concern about the quality of people leaving. This is an area where it is difficult to take special action because of the relationship to the wider Administration Group.

Accountants

Wastage is becoming a problem among HEOs and SEOs, who leave in the first years after qualification. Given the Government target of doubling, and the 20 per cent shortage of qualified accountants for Q posts in the Service which is causing problems to, for example, MOD, DTI, and DHSS, the package of allowances and improved personnel management measures introduced this year was targeted also to this problem.

Tax Inspectors

The national shortage of accountants, causing accountancy firms to spread their recruitment net, has contributed to a drastic rise in resignations of Tax Inspectors. The 1984 figure at Principal level and above is 300 per cent up on 1983. As a response, the final examination allowance for Tax Inspectors has been increased to £1000 and extended for the first time to Principal level. The position following this will be kept under review.

ADP

There has been a sharp increase in wastage since the last quarter of 1984. Rates currently run at 9 per cent per annum for EOs and 8 per cent for HEOs; much higher than for the Administration Group as a whole. There is also a severe shortage of highly skilled IT staff at HEO level and above; overall this is some 23 per cent; within some sub-disciplines it reaches 30 per cent. Pay improvement and other action is under consideration, but again there is a national shortage of skilled IT specialists.

P&T Group

There is an overall retention problem which is particularly severe at PTO I and PTO II level worsening among PPTOs. There are also signs of a developing problem among technician engineers at PTO III and PTO IV level. Among the disciplines hardest hit at all levels are electronics, electrical and mechanical engineers and telecommunications technical officers. Restructuring of the PTO III and PTO IV grades should help to meet the developing difficulties at lower levels. At PTO I and PTO II levels there is a strong case for pay improvements for at least some disciplines, but action is inhibited by the difficulties of definition and ring fencing. Special measures are being devised - eg an allowance for petroleum specialists in the Department of Energy and a Special Pay Additions for radio spectrum engineers in DTI - and are being considered in a number of other cases.

Science Group

The rate of resignation throughout the Science Group is increasing. All grades are affected with wastage amongst HSOs and ~~SSOs~~ particularly severe. Resignations at PSO level have shown a 60 per cent increase over 1983. Over 60 per cent of those leaving were graduates and almost 90 per cent were under 40; the scientific Civil Service is losing its best and most promising people. All scientific disciplines are hit, not just those such as electronics and computing where there are national shortages. Physicists, chemists and mathematics are also in short supply in several establishments. Increasingly departments are reporting tasks or programmes of national importance being put in jeopardy due to lack of key scientific staff.

Cabinet Office

June 1985



Prime Minister

This is the submission

which I warned you was coming.

Ref. A085/1543

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MR BUTLER

I have taken the opportunity to ask such Permanent Secretaries as I have met in the last day or two whether they share this gloomy view; and I have got curiously mixed views. Some share it to some extent; others don't recognise it at all.

I am sending you herewith a minute to the Prime Minister about the state of morale in the Civil Service.

Agree that Sir R.

Yes and Armstrong should copy to Lord President, Foreign Secretary, Chancellor and Lord Gowrie - and then a meeting?

2. I have been thinking for some weeks that I should do this; but when I learnt that Lord Plowden would be coming to talk to the Prime Minister privately about this - as he did on 8 May - I decided that my submission should wait until after that. Nonetheless I should have been sending a minute on these lines even if Lord Plowden had not said what he did say to the Prime Minister.

FERB

7.6.

3. I have not referred to Lord Plowden's meeting with the Prime Minister in this minute.

4. The Prime Minister will have seen reports of what Sir Antony Acland said to the Foreign Affairs Committee about the burden of work on members of the Foreign Office. He is reported as having said that concern about the burden of workload was not confined to the Foreign Office but extended to the entire Civil Service, and was shared by me. As you will see from paragraph 2a of the attached minute, I think that many civil servants do feel under excessive pressure of overload, and that this is a factor of morale. But I have to say that Sir Antony Acland did not consult me before saying what he did, and I did not have any knowledge or forewarning that he was going to say it. The fact that I am sending this minute now, in relation to that, is purely coincidental.

RIA

ROBERT ARMSTRONG

7 June 1985