REPORT

Civil service workforce: Recruitment, pay and performance management

Cross-government

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Cross-government

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Contents

Key facts

£16.6bn

total civil service salary costs in 2022

£1,538

recruitment cost per hire for the only department (HM Revenue & Customs) that could calculate an accurate cost per hire figure

3 of 16

main civil service departments that could not identify how many underperforming staff they had in 2022

100 calendar days	average time to hire across departments, from job advertisement being published to basic pre-employment checks completed
171 calendar days	average time reported by departments for completing Developed Vetting (DV) security clearance for new recruits, the highest clearance level
£6,100	difference between lowest and highest departmental median salaries for all staff at senior executive officer grade, as at March 2022
£13,100	difference between lowest and highest departmental median salaries for digital staff at Grade 6 level, as at March 2022
10	departments that do not monitor outcomes for staff after they have been identified as underperforming
£13	lowest amount of per-head annual spending on performance-related pay across departments in 2021-22, compared with the highest amount of £1,366

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

Summary

1 This is a time of significant challenge for the civil service. Since 2016, EU Exit, the COVID-19 pandemic and the cost of living crisis have all resulted in increased workload pressures on departments and civil servants, as well as the wider public sector. The number of civil servants has increased every year since 2016, and in March 2023 totalled 519,780.[1] However, government faces substantial challenges to attract and retain civil service staff, and declining morale among civil servants is evident from employee surveys as well as from more frequent industrial action.

2 Civil service salary costs stood at £16.6 billion in 2022. Staff costs are an area of key concern for departments, as these costs often represent the largest part of their overall departmental spending. This is particularly so at a time when departments are expected to be making significant efficiency savings in how they operate. Individual departments are the employers of their staff and can influence the level of staff costs through changing staff numbers and making their workforce operations more efficient. This report focuses on the latter, including departmental responsibilities for recruiting staff, setting pay, and managing the performance of employees in grades below senior civil service (SCS) level.

Scope

3 This report identifies potential areas where departments could make efficiency improvements to some of their key human resources (HR) processes. We chose to examine recruitment, pay and performance management because each of these areas has significant impacts on overall staff costs or organisational performance. We examined three areas:

- Recruitment: How do departments vary in the speed and cost of their recruitment activity?

- Pay: Does pay differ by department for civil servants at the same grade, particularly for staff in the same local area or with specialist skills?

- Performance management: How do departments' performance management approaches vary?

1 Civil servants include employees of government departments and their executive agencies, but not staff employed by local authorities, non-departmental public bodies or the wider public sector (for example, the NHS, schools and police).

4 We have drawn the evaluative criteria for our analysis from the government's own standards for the civil service HR profession – for example, standards on the workforce data that departments should be collecting. Our analysis also seeks to identify the scope for improving efficiency by benchmarking departments against each other and against other relevant comparators such as those from HR professional bodies. Given our focus in this work on efficiency, we have not considered in the scope of this report other important outcomes of HR processes such as impacts on equality, diversity and inclusion.

5 The report covers the 16 main civil service departments which employ the majority of civil servants (see Appendix One for a list of these departments). To enable consistent data collection across departments, our analysis did not include civil servants employed in departments' arm's-length bodies such as executive agencies. We also examine the role of the Cabinet Office, as the central department responsible for overall oversight of the civil service workforce. The report's discussion of recruitment, pay and performance management focuses mainly on civil service grades below SCS level, as departments set the HR policies and practices for staff in these grades.

6 This report is intended to provide a starting point to consider where departments could improve key HR processes. It does not seek to explain in detail the reasons for departmental variations in recruitment, pay or performance management, as this would require more comprehensive evaluative examinations of how individual departments carry out these HR activities. Nor does it consider workforce planning, which underpins many of the activities we look at in this report (for example, in identifying recruitment needs). We intend to examine these areas in future, as part of our ongoing programme of work on public sector workforce management.

Key findings

Civil service costs and trends

7 **Total civil service salary costs have risen year on year since 2016 due to increasing staff numbers, reaching an annualised cost of £16.6 billion in March 2022.** In March 2013 civil service headcount was 443,390, with total annualised salary costs of £11.4 billion. By March 2022, civil service numbers had increased to 510,080 with a total annualised salary cost of £16.6 billion. Civil service numbers rose steadily from 2016 to 2022, as departments recruited more staff to cope with increased workloads resulting from EU Exit and the COVID-19 pandemic. As at March 2022, five departments accounted for 62% of total civil service salary costs, with each spending more than £1 billion annually in salary costs: the Ministry of Justice, the Department for Work & Pensions (DWP), HM Revenue & Customs (HMRC), the Ministry of Defence (MoD) and the Home Office (paragraphs 1.2 to 1.4 and Figures 1 and 2).

8   Changes to the civil service's grade mix, professional make-up and geographical location have also affected the total civil service pay bill. The grade mix of the civil service has shifted since 2013, with falling numbers in junior administrative grades and increased numbers in more highly-paid senior policy and management grades. Since 2013, the civil service has also sought to recruit more staff with specialist professional skills, with many paid higher salaries than non-specialist staff in equivalent grades to reflect their in-demand expertise. Efforts to relocate civil service roles out of London have gathered pace in recent years, which is eventually expected to reduce total pay costs given that most civil service pay rates outside London are lower. In 2022, for staff in the 16 main departments we looked at, London-based civil servants had a higher median salary (£39,000) than those in the rest of the UK (£28,000) (paragraphs 1.5 to 1.9 and Figures 3 to 5).

9   Across almost all civil service grades, real-terms median salaries have fallen over time. Analysis of Annual Civil Service Employment Survey (ACSES) data shows that from 2013 to 2022, the median salary in almost every grade went down in real terms. The sole exception was the most junior grade of administrative assistant, which saw the only real-terms increase. Every other grade, from administrative officer to permanent secretary, has seen a real-terms drop in median salary over this time. For example, the median salary of civil servants in Grade 6 fell in real terms by almost £7,000 over this period, from £74,600 to £67,700 (values indexed to 2022 prices) (paragraph 1.10 and Figure 6).

Recruitment

10   Civil service recruitment times vary, with the slowest department taking on average 38 days longer to recruit than the fastest department. Time to hire is a metric used across the public and private sectors to assess the speed and efficiency of recruitment processes, although organisations often have different ways of measuring it. We surveyed departments on the average time it took them to recruit using the Cabinet Office's time to hire measure, which is the metric used by most departments: from the date of the job advertisement publication to basic pre-employment screening checks being completed, excluding security vetting. Across departments, the average time to hire ranged from 84 calendar days at the fastest department (the former Department for International Trade), to 122 calendar days at the slowest department (DWP). The overall departmental average time to hire was 100 calendar days, or just over three months (paragraphs 2.4 and 2.5 and Figure 8).

11 **Security vetting adds to the time it takes to get some recruits into post, but most departments could not say how long it took them to complete security checks on new staff.** The time taken for security vetting depends on the level of security clearance required under the UK government's clearance system. The three main security clearance levels are Counter Terrorist Check (CTC), Security Check (SC) and Developed Vetting (DV). Eleven out of the 16 main departments could not provide accurate security vetting data, with only five supplying comparable data on vetting times. For those departments, the average time taken for security vetting was 52 calendar days for CTC, 59 calendar days for SC and 171 calendar days for DV (paragraphs 2.6 to 2.8 and Figure 9).

12 **Fourteen out of the 16 main departments could not provide full recruitment cost data, which means most departments do not know how much it costs them to recruit staff.** From our survey of the 16 main departments, only two departments – HMRC and the former Department for Digital, Culture, Media & Sport (DCMS) – could provide data on total recruitment costs, including how costs broke down into advertising, agency and staff time costs. The other departments surveyed were unable to provide full recruitment costs or estimates, with one department (MoD) unable to provide any recruitment costs at all. Departments often could not supply staff time costs because they do not track staff time spent on recruitment activity, such as time spent interviewing candidates or sifting applications. Seven departments were able to give us cost data for staff time spent on recruitment, although this typically covered only the cost of their dedicated recruitment teams and not the time spent on recruitment by hiring managers in the wider organisation (paragraph 2.11 and Figure 10).

13 **Departments reported spending on recruitment costs of up to £26 million in 2021-22, while the only complete departmental cost per hire figure we were able to calculate was £1,538 for HMRC.** Total recruitment costs depend on department size and the volume and type of staff being recruited (for example, senior staff and those with specialist skills). In 2021-22, the departments with the highest annual recruitment spending were HMRC, which reported £26 million of recruitment costs, and DWP with a reported £21 million of recruitment costs (although DWP's costs do not include some costs such as staff time costs for hiring managers). We also calculated cost per hire for departments by dividing total recruitment costs by the number of staff recruited in that year. However, departments' cost per hire figures are not comparable because of the differences in departments' approaches to reporting recruitment costs and numbers recruited. HMRC was the only department for which we could calculate a complete cost per hire, which was £1,538 in 2021-22. For comparison, the Chartered Institute of Personnel and Development reported an average cost per hire for non-senior managers of £1,500 in 2022, across private, public and not-for-profit organisations (paragraphs 2.12 to 2.14 and Figure 10).

14   The Government Recruitment Service's staffing was cut by 40% in 2022, but the cuts had to be reversed a year later to avoid the significant risk of service failure. Most departments use the recruitment services offered by GRS, a business unit of the Cabinet Office, which range from advertising civil service job vacancies to providing a full end-to-end recruiting service. In 2022 the Cabinet Office decided to reduce GRS's full-time equivalent (FTE) staffing by 40% by March 2024, because it expected recruitment to decrease as a result of the civil service headcount reduction target in place at that time. However, demand for GRS's services did not reduce as expected and GRS could not sustain its operations at the lower staffing level. Cabinet Office officials told ministers that, without intervention, GRS was at significant risk of failure by October 2023. Ministers agreed in July 2023 to increase GRS's permanent headcount so that GRS could return to the levels of productivity and service delivery it was achieving before the 40% FTE staffing reduction. While the emergency situation facing GRS was averted, the Cabinet Office has yet to demonstrate that central delivery of recruitment services is an efficient model for civil service recruitment. The Cabinet Office is currently reviewing the future service offer from GRS, and as part of this it will need to more fully explore the costs and benefits of different delivery models such as commercial outsourcing (paragraphs 2.3 and 2.16 to 2.20).

15   The Cabinet Office is looking to strengthen its role in overseeing recruitment performance across departments, particularly through setting consistent recruitment metrics. The Cabinet Office is responsible for overseeing civil service recruitment activity across departments. Up to now it has not used this central oversight role to set common standards and benchmark performance across departments to improve the overall efficiency of recruitment processes. The Cabinet Office is currently working with departments to set more consistent standards on recruitment, including measures on time, cost, quality and diversity. Setting recruitment metrics of this kind is a positive step toward the Cabinet Office being able to benchmark departmental performance in future, particularly if it can develop consistent and comprehensive measures of recruitment cost efficiency (paragraphs 2.21 and 2.22).

Pay

16   Different departmental pay structures mean some departments pay significantly more than others for staff at the same grade. Within individual grades, departments' pay bands are set at different rates. For example, for the higher executive officer (HEO) grade, at the Department for Environment, Food & Rural Affairs (Defra) the pay band is £30,317 to £32,803, while HMRC's pay band is £34,404 to £36,985. This means the highest HEO salary in Defra's pay structure is £1,601 less than the lowest HEO salary HMRC offers. The skills and experience required for HEO roles are meant to be broadly equivalent across government, so departments offering higher rates for HEOs may find it easier to attract staff. Analysis of salary data from ACSES also indicates there are departmental variations in pay for staff at the same grade. For instance, as at March 2022 senior executive officer (SEO) median salaries varied by up to £6,100 across departments. DWP had the lowest SEO median salary of £37,000 and the Foreign, Commonwealth & Development Office (FCDO) had the highest at £43,100 (paragraphs 3.2, 3.4 and 3.5 and Figures 11 and 12).

17   Local pay variations between departments existed in cities we looked at – for example, in Newcastle the highest departmental median salary for executive officers was £3,500 more than the lowest departmental median salary. Pay variations are often felt more acutely at local level, as employees compare the pay offered by different departmental employers in a particular location. Our analysis looked at civil service salary data from ACSES for several cities, given concerns we heard from some departments about local pay competition for staff. For example, we examined departmental median salaries for civil servants at executive officer (EO) grade in five centres: Birmingham, Darlington, Liverpool, Newcastle and Sheffield. As at March 2022, DWP and HMRC had the highest EO median salaries in Newcastle, at £27,600 and £26,800 respectively, while the Cabinet Office had the lowest at £24,100 – a difference of £3,500 between the highest and lowest median EO salaries in the same city. Comparable differences between the highest and lowest departmental EO median salaries for the other centres ranged from £2,700 to £3,400 (paragraphs 3.6 to 3.8 and Figure 13).

18   Pay differentials still exist between departments for some specialist staff – for example, median salaries for digital professionals at Grade 6 level vary between departments by up to £13,100. Our 2020 report on *Specialist skills in the civil service* found that departments varied in what they paid staff with certain specialist skills at the same grade level. Updated analysis for this report indicates that departmental pay variations continue to exist for in-demand specialist skills. For example, median salaries for digital professionals at Grade 6 level vary across departments. The lowest departmental median salary for digital Grade 6 staff was £60,400 (Defra) and the highest was £73,500 (Home Office), representing a difference of £13,100 (paragraphs 3.10 and 3.11 and Figure 14).

19 The Cabinet Office monitors departmental pay variations but does not coordinate departments to align approaches to civil service pay where this could be beneficial. The Cabinet Office told us it does hear concerns from departments about local and specialist pay disparities, and it collates pay data to understand the extent of departmental pay variations. However, the Cabinet Office does not direct departments to resolve pay variations, given departments' delegated responsibility for staff pay. It also does not coordinate departments to avoid potential undesirable effects of departmental pay autonomy, such as departments competing on pay for local or specialist staff. In the past, the Cabinet Office has attempted to bring together departments to coordinate their pay approaches. In 2018, the Civil Service Board agreed pay coherence principles which aimed to coordinate departments on issues of pay, including departmental pay variations, but these principles were not wholly adopted by departments (paragraphs 3.12 to 3.15).

Performance management

20 Departments set their own performance management approaches, with many shifting the focus from performance ratings to people development. Nine departments have performance management systems that result in performance ratings for staff in grades below SCS, while seven departments have moved away from ratings-based systems to approaches focused on people development. A 2022 Cabinet Office review of departments' performance management approaches found that departments that had moved away from ratings systems received positive responses from employees. Departments also vary in the number of employees per line manager under their performance management systems. The line manager to employee ratio varies across departments from 1:1.4 to 1:6, with a median ratio of 1:2.5. The Cabinet Office's view is that there is no single optimal line manager to employee ratio for the civil service, as the 'right' ratio for a department or team would depend on factors such as the nature of the work and the capabilities of both team members and managers (paragraphs 4.4 and 4.5).

21 Departments vary in their approaches to performance-related pay and how much they spend on it: in 2021-22, per-head departmental spending on performance-related pay for staff below SCS level ranged from £13 to £1,366 per employee. Departments' varying approaches to performance-related pay for staff below SCS level reflect differing views on how good performance should be recognised and incentivised. Three departments retain a system of end-of-year bonuses based on performance ratings, although most now use other approaches to reward performance throughout the year, such as cash or vouchers to recognise strong performance on specific projects or positive behaviours. In total, the 16 main departments spent £85 million on performance-related pay in 2021-22 for staff below SCS level. HMRC spent the lowest per head on performance-related pay, at £13 on average per employee, while the Department for Transport (DfT) spent the most per head at £1,366 per employee (paragraphs 4.9, 4.10 and 4.12 and Figure 17).

22   Three of the 16 main departments could not say how many underperforming staff they had, and almost two-thirds of departments do not know what happens to staff after they are classed as underperforming. Thirteen departments supplied us with data on the number of underperforming staff in their departments below SCS level, but three departments could not provide this basic information on underperformance. Six departments were able to report on what happened after staff were classed as underperforming, at least in terms of high-level outcomes such as moving to another role, dismissal or resignation. The remaining 10 departments could not provide data on outcomes for staff after they were identified as underperforming. These gaps in identifying and monitoring underperforming staff mean some departments are not adequately following up underperformance (paragraphs 4.13 to 4.15).

Concluding remarks

23   There are clearly many differences across departments in how they carry out staff recruitment, pay setting and performance management. Variation is to be expected since departments have different functions, are responsible for employing their own staff and can organise their HR processes as they see fit. However, variation will sometimes indicate there is scope to improve efficiency and departments need to recognise this. In some crucial areas, such as recruitment costs and managing underperforming staff, many departments do not know how efficient their processes are or how they could be better.

24   The Cabinet Office has a fundamental role to play in requiring departments to collect data on their HR processes and helping them to understand where and how efficiency could be improved. It also has a responsibility to monitor how the overall system is working, to help prevent or minimise unintended effects such as departments competing against each other for staff. The Cabinet Office and departments have distinct responsibilities for the civil service workforce, and they need to work together more effectively to help the civil service meet the challenges and pressures it faces from all sides.

Recommendations

25 The following recommendations are directed at both individual departments and the Cabinet Office. We have made several recommendations to the Cabinet Office in particular, with the intention of enhancing its monitoring and oversight role over the whole civil service workforce to help departments improve their efficiency in each of the following areas.

Recruitment

a **By June 2024, the Cabinet Office should require departments to report fully and regularly against the recruitment metrics it has developed, particularly those on recruitment costs,** so that both departments and the Cabinet Office can monitor and benchmark recruitment performance.

b **By the end of 2025, the Cabinet Office should review how recruitment is delivered across the civil service to assess the efficiency of different approaches, including services delivered by the Government Recruitment Service.** This should include benchmarking performance both within the civil service and against external comparators, and identifying the full costs and benefits of different delivery options.

Pay

c **The Cabinet Office should report on civil service pay differentials across departments, starting from 2024-25, and work with departments to address pay differentials where this would be beneficial** (for example, to minimise the undesirable effects of departmental pay competition for the same staff).

Performance management

d **The Cabinet Office should work with departments to help them assess the effectiveness of their own performance management systems, including line manager/employee ratios and approaches to performance-related pay.** These assessments should consider the requirements of the civil service performance management framework, as well as data on performance outcomes for staff and employee feedback (such as Civil Service People Survey scores).

e **Each department's HR director should report regularly to the department's executive committee on the number and grade breakdown of staff identified as underperforming.** This should include reporting on what happens after staff have been identified as underperforming, to help departments understand the effectiveness of their systems for managing underperforming staff.

Part One

Civil service trends and costs

1.1   This part outlines the background to our examination of civil service workforce issues. It examines civil service trends and costs, as well as setting out responsibilities for civil service staffing.

Total civil service salary costs

1.2   Over the past decade, civil service staff numbers initially declined from 2013 to 2016, then saw year-on-year increases from 2016 (**Figure 1**). The Cabinet Office attributes the rise in civil service numbers since 2016 to the need for more staff to cope with the demands on government from EU Exit and the COVID-19 pandemic.

1.3   Total civil service salary costs have risen steadily since 2016, largely as a result of the increase in civil service numbers over that time.[2] As at March 2022, total annualised civil service salary costs stood at £16.6 billion, compared with £11.5 billion in 2016 and £11.4 billion in 2013. Even after adjusting for inflation, the trend in civil service salary costs since 2016 is upward (**Figure 2** on page 16).

1.4   As at March 2022, five large delivery departments accounted for 62% of total civil salary costs between them, with each spending more than £1 billion annually in civil service salary costs: the Ministry of Justice, the Department for Work & Pensions (DWP), HM Revenue & Customs (HMRC), the Ministry of Defence (MoD) and the Home Office.

Civil service trends

1.5   Since 2013, the civil service has seen changes to its composition in terms of grade distribution, profession and location. Changes to each of these broad factors in turn may also affect overall civil service salary costs.

1.6   The grade mix of the civil service has shifted over the period 2013 to 2022 (**Figure 3** on page 17). There have been falling numbers in junior administrative grades and increased numbers in more senior policy and management grades, which are more highly paid.

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2   Civil service salaries, as recorded in Annual Civil Service Employment Survey (ACSES) data, do not include employer national insurance contributions or pensions.

Figure 1

Total civil service headcount, 2013 to 2022

Civil service staff numbers have risen each year since 2016

Total number of staff

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total number of staff	443,390	434,270	433,810	418,340	419,400	430,080	445,480	456,410	484,880	510,080
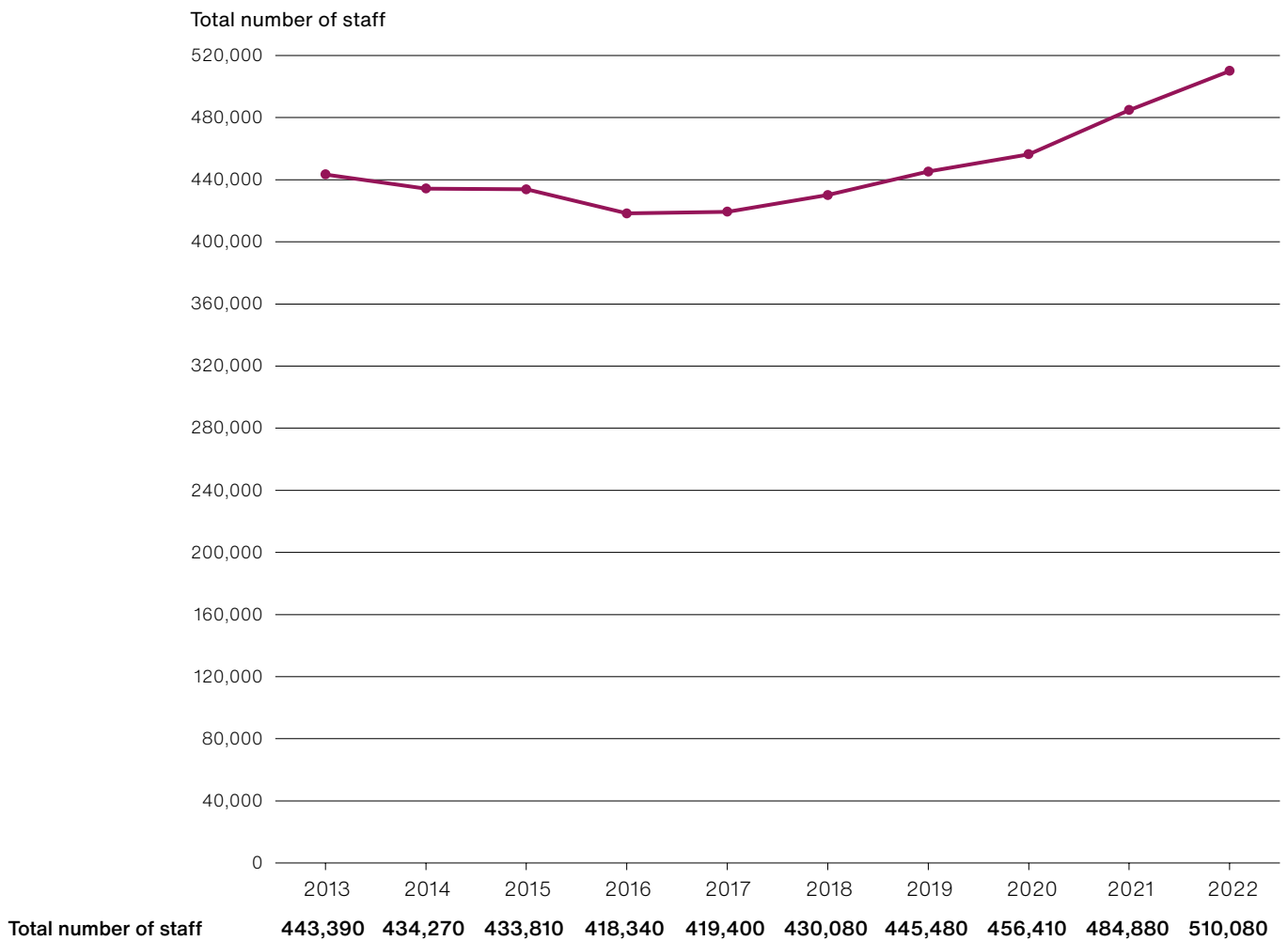
Notes

1   Total civil service headcount for each year was calculated from Annual Civil Service Employment Survey data as at 31 March for the particular year and has been rounded to the nearest 10.

2   For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this chart.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

Figure 2

Total annual civil service salary costs, 2013 to 2022

Annual civil service salary costs have gone up every year since 2016, largely as a result of increased civil service staff numbers

Total salary cost (£bn)
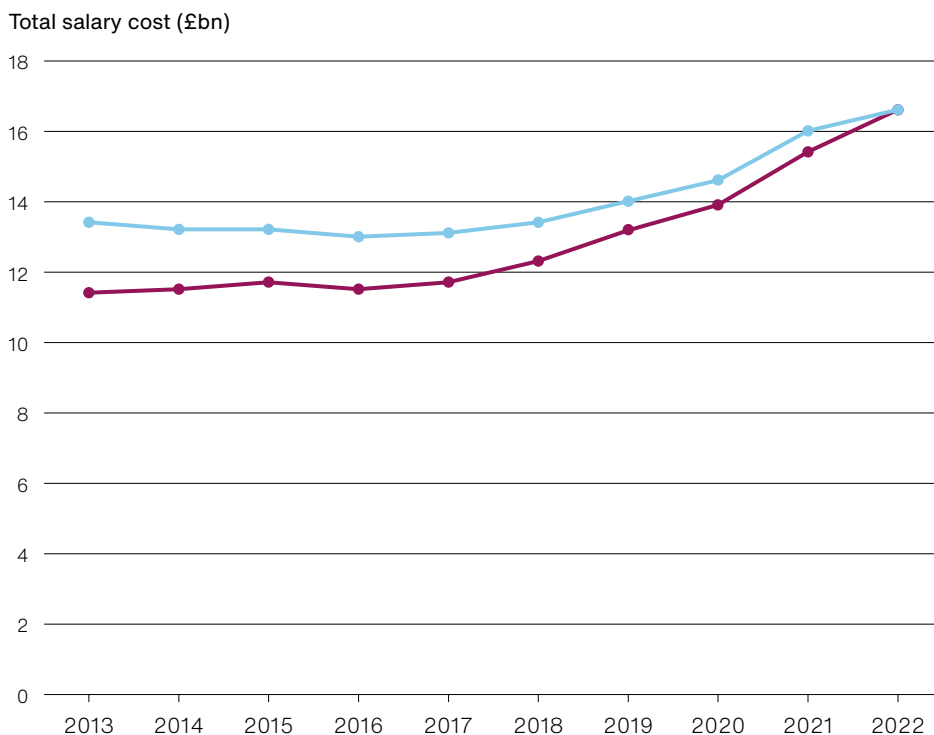
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
● Non-adjusted total salary cost (£bn)	11.4	11.5	11.7	11.5	11.7	12.3	13.2	13.9	15.4	16.6
● CPI-adjusted total salary cost (£bn)	13.4	13.2	13.2	13.0	13.1	13.4	14.0	14.6	16.0	16.6

Notes

1   Total civil service salary costs for each year have been calculated from Annual Civil Service Employment Survey (ACSES) data by adding annual salary data for all civil servants as at 31 March of the particular year.

2   Salary costs have been adjusted for inflation using the Consumer Prices Index (CPI) with the 2021-22 financial year as the index year.

3   Total salary costs may be slightly underestimated as ACSES is missing salary data for some individuals.

4   For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this chart.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

Figure 3
Percentage of civil service staff by grade, 2013, 2017 and 2022

Since 2013 the grade distribution of the civil service has shifted towards more senior grades

Percentage of civil service staff
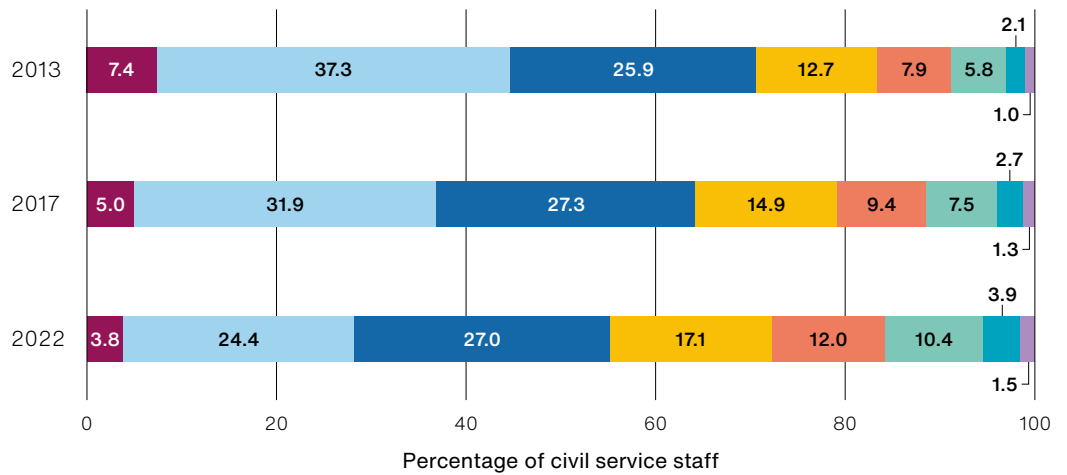
- ■ Administrative Assistant
- ■ Administrative Officer
- ■ Executive Officer
- ■ Higher Executive Officer
- ■ Senior Executive Officer
- ■ Grade 7
- ■ Grade 6
- ■ Senior Civil Service

Notes
1   The percentage of civil servants in each grade was calculated from Annual Civil Service Employment Survey data as at 31 March for each year.

2   For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this chart.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

1.7 Since 2013, government has expanded its recruitment of civil service staff with specialist professional skills, in areas such as digital, commercial and project delivery (**Figure 4**). Specialist staff are often recruited at higher pay rates than non-specialist staff in equivalent grades, for example using specialist pay frameworks or allowances, as this is seen as essential to attracting those with high-demand skills to the civil service.

Figure 4
Civil service new entrants in selected professions, 2013 to 2022

Civil service recruitment of staff with specialist skills has increased since 2013

Number of entrants

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
● Commercial	100	460	450	430	620	530	440	510	470	760
● Digital, Data and Technology	250	610	540	830	1,260	1,370	1,040	1,210	1,840	2,760
● Finance	300	700	610	570	880	770	570	660	720	1,150
● Human Resources	380	900	830	850	1,070	700	760	740	710	1,120
● Project Delivery	60	160	300	420	680	1,080	1,120	1,030	1,180	1,230
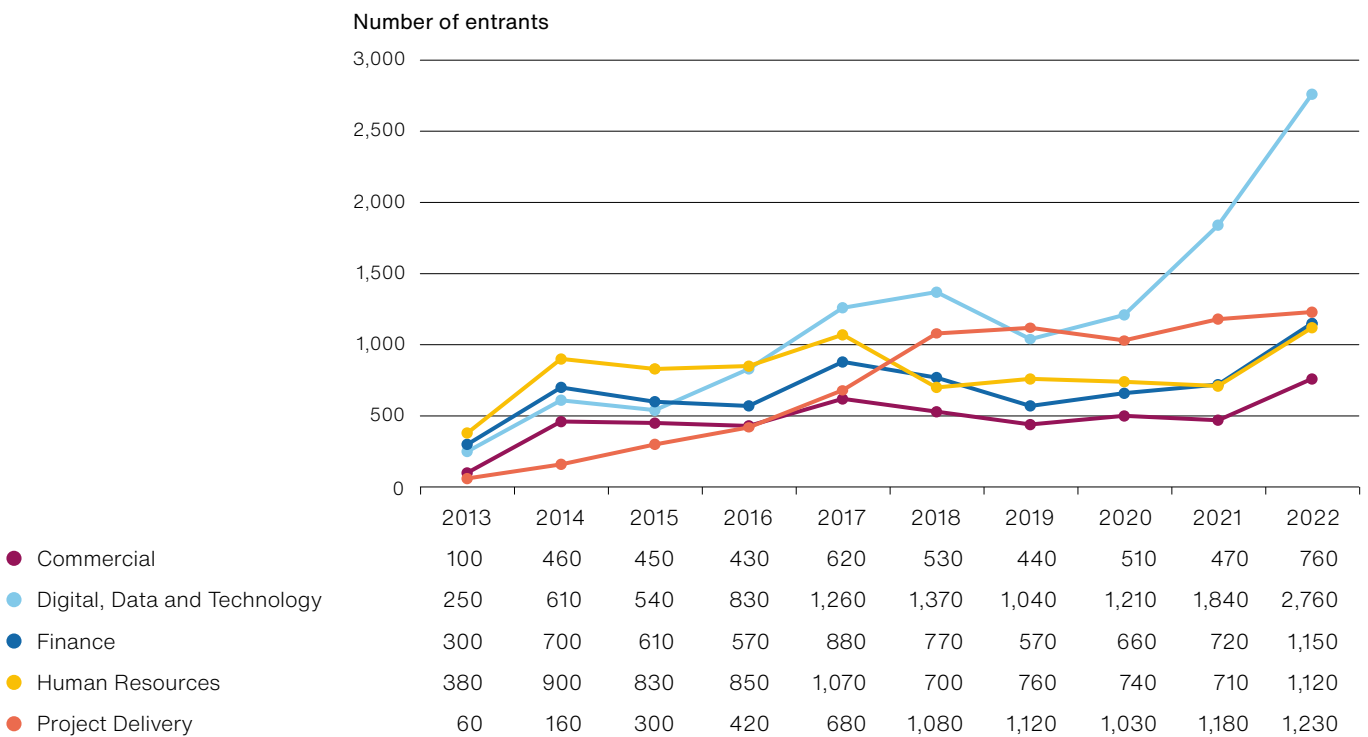
Notes

1 The number of new entrants in each profession for each year was calculated from Annual Civil Service Employment Survey data as at 31 March for the particular year and has been rounded to the nearest 10.

2 Professions in this chart were chosen because most have been identified by the government as priority skills for the civil service.

3 For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this chart.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

1.8   The government has had a longstanding aim to relocate civil service roles across the UK, rather than having them concentrated in London. The Cabinet Office's current Places for Growth programme has committed to moving 22,000 roles out of London by 2030. It reported in February 2023 that since March 2020, it had relocated more than 11,000 roles across the UK. The Cabinet Office told us that the majority of moves involve relocating roles based in London which become available through natural turnover, rather than moving people. The Public Administration and Constitutional Affairs Committee similarly noted that the relocation target is largely being achieved not by moving civil servants out of London, but by hiring new civil service recruits to roles being created in other centres.[3] In fact, since 2013, the proportion of civil servants based in London has actually increased by almost four percentage points (**Figure 5** overleaf). This means roughly one in five civil servants worked in London in 2022, compared with one in six in 2013.

1.9   The location of civil servants affects civil service salary costs because those based in London typically earn higher salaries. For staff in the 16 main departments we looked at, London-based civil servants had a median salary of £39,000, while civil servants working in all other areas had a median salary of £28,000. Many departments have higher pay rates for staff working in London to allow for higher living costs, but the higher London median salary also reflects the fact that departments tend to employ staff at more junior grades outside London.

Civil service salary trends

1.10   Across almost all civil service grades, real-terms median salaries have been falling over time (**Figure 6** on pages 21 and 22). Our analysis of Annual Civil Service Employment Survey (ACSES) data shows that since 2013, the median salary in every grade has gone down in real terms, apart from the most junior grade (Administrative Assistant, which saw the only real-terms increase).

1.11   Results from the annual Civil Service People Survey, which looks at civil servants' attitudes to working in government departments, indicate that civil servants were largely dissatisfied with their pay throughout the period 2013 to 2022. This is particularly the case for 2022: the percentage of civil service staff who thought their pay was reasonable compared with others doing comparable jobs elsewhere declined from 32% in 2021 to just 24% in 2022, or less than one in four civil servants.

3   Public Administration and Constitutional Affairs Committee, *Where Civil Servants Work: Planning for the future of the Government's estates*, Eighth Report of Session 2022-23, HC 793, July 2023, page 3.

Figure 5

Location of civil servants in the UK, 2013 and 2022

The percentage of civil servants based in London has increased over the past decade, despite civil service relocation efforts

Region/Country	Count		Percentage		Percentage point difference from 2013 to 2022
			(%)		
	2013	2022	2013	2022	
London	74,240	104,830	17.0	20.8	3.8
North West	55,005	64,305	12.6	12.8	0.2
Scotland	45,460	51,015	10.4	10.1	-0.3
South East	44,530	42,630	10.2	8.5	-1.7
South West	38,900	46,710	8.9	9.3	0.4
Yorkshire and the Humber	34,720	39,235	8.0	7.8	-0.2
North East	31,835	33,105	7.3	6.6	-0.7
Wales	31,705	37,900	7.3	7.5	0.2
West Midlands	29,830	33,170	6.8	6.6	-0.2
East of England	24,570	22,930	5.6	4.6	-1.0
East Midlands	21,355	23,000	4.9	4.6	-0.3
Northern Ireland	3,925	4,260	0.9	0.8	-0.1

Notes

1   The numbers of civil servants in each region or country were calculated from Annual Civil Service Employment Survey data as at 31 March for the particular year and have been rounded to the nearest 5. Civil servants in 'Unknown' or 'Overseas' regions have been excluded from the calculations.

2   Percentages have been calculated from unrounded figures and then rounded to the nearest 0.1%. Percentages do not sum to 100% due to rounding.

3   For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this table.

Source: Cabinet Office analysis of Annual Civil Service Employment Survey data

Figure 6

Real-terms median salaries for grades below senior civil service level, 2013 to 2022

Median salaries for nearly every grade have fallen in real terms from 2013 to 2022

Real-terms median salary (£)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administrative Assistant (AA)	19,000	18,600	18,400	19,300	19,500	20,000	19,900	19,300	20,900	20,900
Administrative Officer (AO)	22,300	21,900	21,800	22,300	22,100	21,900	21,900	21,700	22,200	21,700
Executive Officer (EO)	28,700	28,300	28,300	28,500	28,400	27,900	27,400	28,100	28,700	27,600
Higher Executive Officer (HEO)	35,400	34,900	34,800	35,100	34,600	33,900	33,700	33,900	34,300	33,400
Senior Executive Officer (SEO)	45,500	44,700	44,100	44,100	43,500	42,500	41,900	41,700	42,200	40,600
Grade 7	59,500	58,500	58,500	58,700	57,500	56,100	55,500	55,600	56,400	54,700
Grade 6	74,600	73,400	72,900	73,000	72,100	70,100	69,200	69,200	69,600	67,700

Figure 6 *continued*

Real-terms median salaries for grades below senior civil service level, 2013 to 2022

Notes

1   Median salary figures in this table were calculated from Annual Civil Service Employment Survey data as at 31 March for each year and have been rounded to the nearest £100.

2   Median salary data have been adjusted for inflation using the Consumer Prices Index (CPI) with the 2021-22 financial year as the index year.

3   This chart includes grades below senior civil service (SCS) level. All SCS grades also saw real-terms decreases in median salaries over this time period.

4   For operational security reasons, since 2016 Government Communications Headquarters (GCHQ) workforce numbers have not been reported as part of official civil service headcount reporting figures. As a result, and in line with official civil service headcount reporting, data and analysis prior to 2016 exclude GCHQ to enable like-for-like comparisons to be made across the period covered by this chart.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

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Responsibilities for the civil service workforce

1.12   Under the current civil service staffing model, individual departments are the employers of their staff. They are responsible for recruiting staff at grades below senior civil service (SCS) level, known as 'delegated grades', and for setting their pay and performance management arrangements.[4]

1.13   The Cabinet Office has broad oversight of the civil service workforce as a whole, with the Government People Group (formerly Civil Service HR) supporting the work of human resources (HR) teams in departments. For example, the Government People Group is responsible for setting overall civil service recruitment strategy and policy, as well as issuing guidance for departments to follow on annual civil service pay increases and performance management arrangements. The Government People Group is headed by the Government Chief People Officer, who in turn reports directly to the Chief Operating Officer for the Civil Service.

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4   Delegated grades comprise: Administrative Assistant (AA), Administrative Officer (AO), Executive Officer (EO), Higher Executive Officer (HEO), Senior Executive Officer (SEO), Grade 7 (G7) and Grade 6 (G6). SCS grades are: Deputy Director (Pay Band 1/1A), Director (Pay Band 2), Director General (Pay Band 3) and Permanent Secretary.

1.14 Civil servants usually belong to one of the 28 civil service professions. A government profession works across government to develop the capability of a group of people with particular skills, knowledge or expertise.[5] There are also 13 government functions (such as commercial, finance or HR), which are embedded in departments and which harness the skills of people from any relevant government profession. Functions also set and assure standards relating to their areas of expertise, which apply across government.[6]

1.15 The Cabinet Office's Government People Group hosts the government HR function. The HR function has an important role in setting standards for HR teams across government to follow, through the HR functional standard.[7] In the following parts of this report, we have used the standards and expectations set by the HR function to evaluate the efficiency of HR processes relating to recruitment, pay and performance management.

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5   The 28 civil service professions are: Analysis; Commercial and Procurement; Corporate Finance; Communications; Counter Fraud; Digital, Data and Technology; Government Economic Service; Government Social Research; Government Statistical Service; Finance; Human Resources; Intelligence Analysis; Internal Audit; International Trade and Negotiation; Knowledge and Information Management; Legal; Medical; Occupational Psychology; Operational Delivery; Operational Research; Planning; Policy; Project Management and Delivery; Property; Science and Engineering; Security; Tax; and Veterinary.

6   The 13 government functions are: Analysis; Commercial; Communication; Counter fraud; Debt; Digital, data and technology; Finance; Grants; Human resources; Internal audit; Project delivery; Property; and Security.

7   Cabinet Office, *Government Functional Standard – GovS 003: Human Resources*, July 2021. The HR functional standard is supported by more detailed standards documents such as: Cabinet Office, *HR Service and Technology Standards: Global HR Design*, March 2018.

Part Two

Recruitment

2.1 This part examines departmental performance on recruitment times and costs, and the Cabinet Office's central oversight role on recruitment. It focuses on technical efficiency-focused metrics such as time to hire and cost per hire. Organisations also seek to understand other recruitment outcomes such as quality of hire, candidate experience or impact on equality, diversity and inclusion goals. We do not consider these outcomes in this report given our specific focus on efficiency.

Recruitment processes

2.2 By law, all civil service recruitment is governed by principles of selection on merit, on the basis of fair and open competition.[8] As employers, departments have responsibility for hiring their own staff in accordance with these principles and generally follow similar recruitment processes (**Figure 7**).

2.3 Most departments use the recruitment services offered by the Government Recruitment Service (GRS) within the Cabinet Office. The level of service provided by GRS to departments varies from simply advertising vacancies on the government-wide 'Civil Service Jobs' online portal, through to a full end-to-end recruitment service. Some departments also use external providers such as the shared services company Shared Services Connected Limited (SSCL) and recruitment agencies, the latter particularly for senior or specialist recruitment.[9] A few departments such as the Department for Education (DfE), Department for Levelling Up, Housing & Communities (DLUHC) and HM Treasury (HMT) have taken most of their recruitment in-house, although they may still outsource supporting IT systems to external providers.

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8   *Constitutional Reform and Governance Act 2010*, section 10. Section 11 of this Act requires the independent Civil Service Commission to produce 'Recruitment Principles' which explain and interpret the requirement that recruitment be on merit, on the basis of fair and open competition: Civil Service Commission, *Recruitment Principles*, April 2018.

9   Under government's shared services strategy for the provision of 'back-office' business support services, SSCL delivers finance, human resources, payroll, resourcing and other services to departments and arm's-length bodies.

Figure 7

Recruitment process stages

Departments typically follow similar processes in recruiting employees

```
┌─────────────────────────────────────────────────────┐
│ Recruitment need identified                         │
│                                                     │
│ Recruitment need identified; vacancy approved       │
└─────────────────────────────────────────────────────┘
                          ↓
┌─────────────────────────────────────────────────────┐
│ Attraction/advertising                              │
│                                                     │
│ Recruitment campaign planned; vacancy created and   │
│ advertised                                          │
└─────────────────────────────────────────────────────┘
                          ↓
┌─────────────────────────────────────────────────────┐
│ Assessment and selection                            │
│                                                     │
│ Applicants sifted, assessed and interviewed;        │
│ candidate selected and job offer made               │
└─────────────────────────────────────────────────────┘
                          ↓
┌─────────────────────────────────────────────────────┐
│ Checks and onboarding                               │
│                                                     │
│ Pre-employment checks and vetting conducted; start  │
│ date agreed and contract issued                     │
└─────────────────────────────────────────────────────┘
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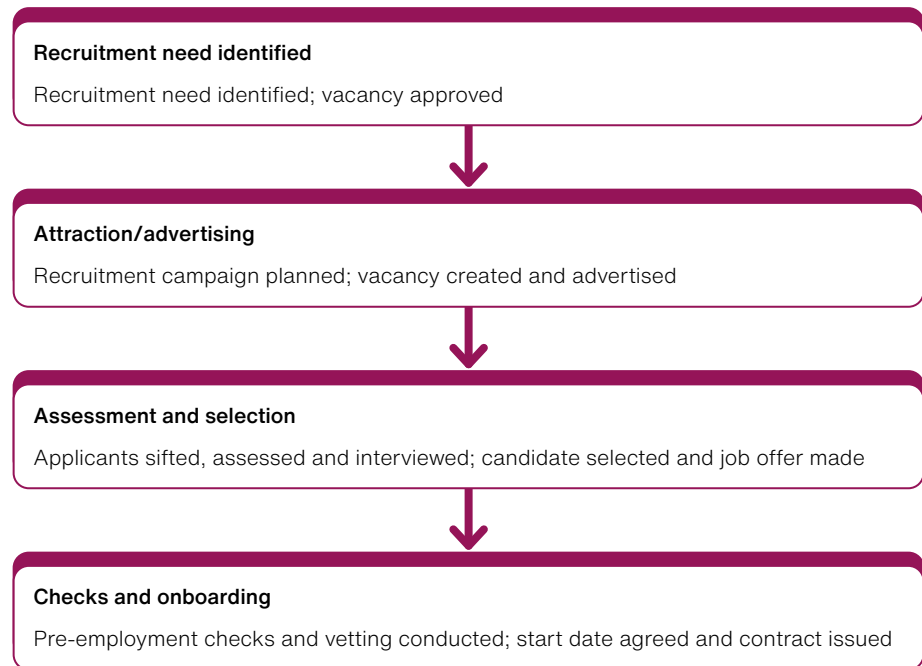
Source: National Audit Office analysis of departmental survey data

Recruitment times

2.4 Time to hire is a commonly-used metric across the public and private sectors, through which organisations track how long it takes to recruit employees. An efficient recruitment process should enable vacancies to be filled quickly with suitably qualified staff. However, there is no agreed definition of time to hire, with different organisations measuring it differently, and it is not defined in the government human resources (HR) functional standard. Across the departments we surveyed, most used GRS's measure, from publication of the job advertisement to the completion of pre-employment checks (excluding security vetting). For consistency, this is also the measure used in the following analysis. Other definitions of time to hire measure from the point at which approval to recruit is given, which departments we surveyed were generally not able to specify. The Cabinet Office is currently developing and implementing a standard definition of time to hire to apply to departments, as part of a broader measure to capture the total time taken to fill a vacancy (known as 'time to fill').

2.5 Across departments, the reported average time to hire ranged from 84 calendar days (the former Department for International Trade, or DIT) to 122 calendar days (Department for Work & Pensions, or DWP). This means the slowest department takes on average 38 calendar days longer to recruit than the fastest department. The overall departmental average time to hire was 100 calendar days, or just over three months (**Figure 8**).

2.6 The time taken for security clearance vetting is often cited as a major blocker to getting new employees into post quickly. Some departments, particularly those dealing with sensitive or security-related information, do not agree start dates until security vetting is complete. Other departments acknowledged that start dates are sometimes postponed because of delays in checks and vetting. They reported that the number of employees affected by such delays ranged from 10 to 27 each year.

2.7 The time taken for security vetting depends on the level of security clearance required for new recruits. The UK government has three main security clearance levels: Counter Terrorist Check (CTC), Security Check (SC) and Developed Vetting (DV, the highest level).[10] UK Security Vetting (UKSV), part of the Cabinet Office, processes applications for security clearance vetting from all departments. Security vetting times also include departmental processing time and the time taken for candidates to complete their clearance applications.

2.8 Most departments could not provide us with accurate data on their overall security vetting times that were consistent when checked against security clearance processing data from UKSV. Only five were able to report comparable data on vetting times: Department of Health & Social Care (DHSC), the former DIT, DWP, Foreign, Commonwealth & Development Office (FCDO) and HMT (**Figure 9** on page 28). For those departments, the average times reported for their security vetting were 52 calendar days for CTC, 59 calendar days for SC and 171 calendar days for DV.

2.9 Our January 2023 report on government security vetting concluded that UKSV had consistently failed to meet target performance levels for processing security clearances, with performance in 2022-23 the lowest it had ever recorded. For example, nearly one-third of DV clearances in 2022-23 took more than 180 days to process – almost double UKSV's own 95-day target – while 72% of SC clearances took longer than the 25-day target to process.[11] UKSV told us that it is now meeting its targets for DV initial clearances (not including clearance renewals) and SC clearances, but we have not independently verified this.

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10 Cabinet Office, *National security vetting: clearance levels*, December 2022. Comptroller and Auditor General, *Investigation into the performance of UK Security Vetting*, Session 2022-23, HC 1023, National Audit Office, January 2023, paragraph 2 notes that the most common types of security vetting are CTC, SC and DV.

11 Comptroller and Auditor General, *Investigation into the performance of UK Security Vetting,* Session 2022-23, HC 1023, National Audit Office, January 2023, paragraphs 1.5 and 1.6.

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

Figure 8

Average time to hire in calendar days by department, 2022

Civil service recruitment times vary, with the overall average time to hire across departments being just over three months

Average time to hire in calendar days

■ Departmental average time to hire

-- Overall departmental average time to hire: 100 calendar days

Notes

1   Two departments were not able to provide time to hire data according to the definition requested (mean average time from job advertisement published to pre-employment checks complete): Foreign, Commonwealth & Development Office and Ministry of Justice.

2   The average time to hire reported by departments is the mean average expressed in calendar days. The overall departmental average time to hire is also the mean of departmental averages.

3   Departments were asked to provide average time to hire data for 2022. Data provided by departments related to the 2022 calendar year, the 2021-22 or 2022-23 financial year, or from March 2022 to February 2023 (the 12-month period dating back from when the data request was made).

Source: National Audit Office analysis of departmental survey data

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

Figure 9

Average security vetting times by department, 2022-23

Departments' reported security vetting times for 2022-23 vary at each of the three security levels

Average security vetting time in calendar days

■ Counter Terrorist Check (CTC)

■ Security Check (SC)

■ Developed Vetting (DV)
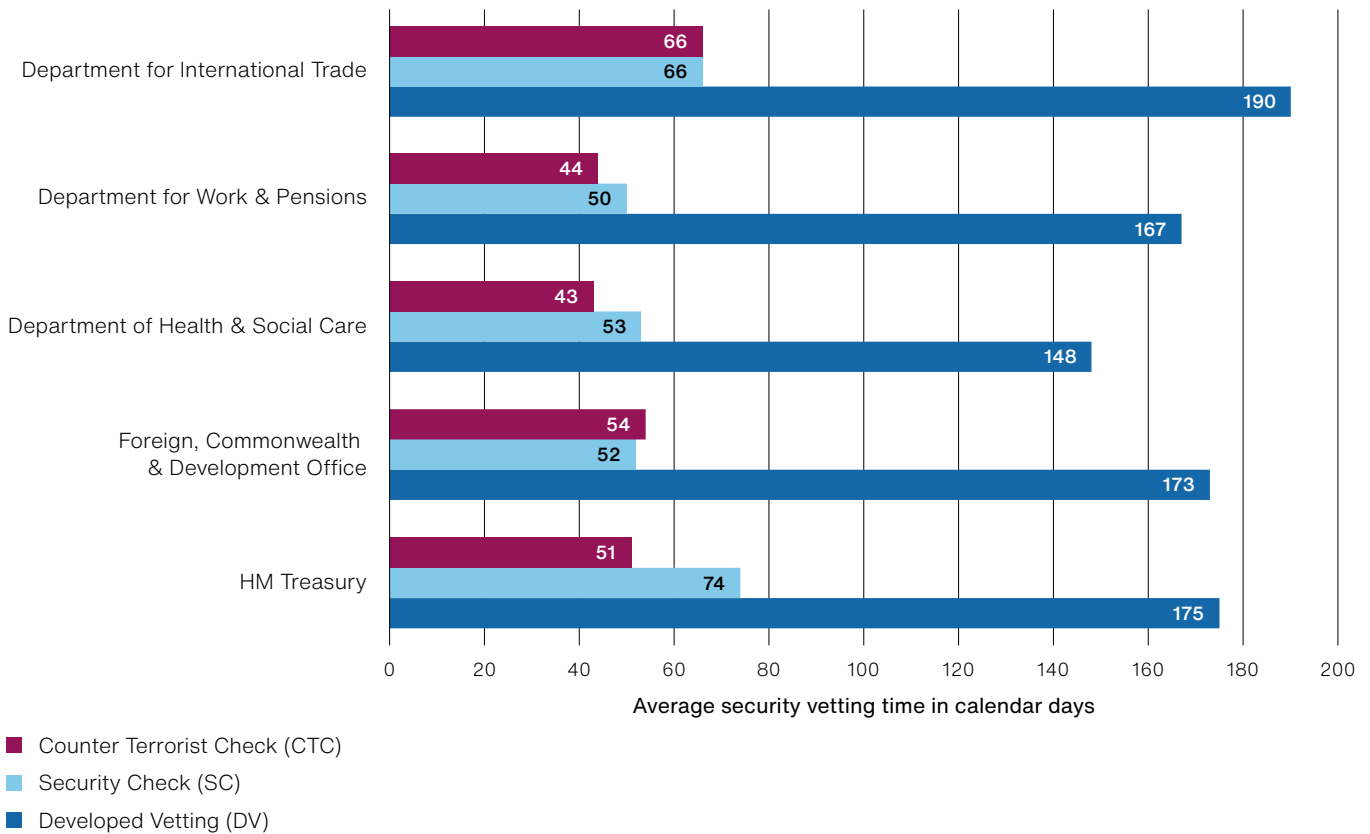
Notes

1   Security vetting time data in this chart were reported by departments and cross-checked against UK Security Vetting (UKSV) data. Departments not included either could not provide security vetting times or their data were not consistent when checked against UKSV data.

2   Security vetting times reflect UKSV processing time as well as other factors including departmental processing time and time for candidates to complete vetting applications.

3   Security vetting times reported by departments may include some data for clearance renewals, which do not relate to new staff recruitment as clearance renewals are for existing staff.

4   Where specified, departmental data on security vetting times were for the 2022-23 financial year (apart from one department which supplied data for part of the 2022 calendar year).

5   Foreign, Commonwealth & Development Office data include security vetting times for staff based in other countries as well as UK civil service staff. Security vetting times for the former Department for International Trade at DV level relate to less than 10 cases.

Source: National Audit Office analysis of departmental survey data and UK Security Vetting data

Recruitment costs

2.10 Organisations seeking to improve the efficiency of their recruitment processes need to have a clear understanding of their recruitment costs. According to the Chartered Institute of Personnel and Development (CIPD), the professional body for HR and people development, recruitment costs include in-house resourcing time, advertising costs and recruitment agency or search fees. Given the varying sizes of different organisations and hence their levels of recruitment, a common metric for evaluating recruitment cost efficiency is cost per hire, which takes into account the volume of recruitment undertaken by an organisation.

2.11 We surveyed the 16 main departments on their recruitment costs, including how costs broke down into advertising, agency and staff time-related costs. One department, the Ministry of Defence (MoD), was unable to provide any recruitment costs or estimates at all. Just two departments, HM Revenue & Customs (HMRC) and the former Department for Digital, Culture, Media & Sport (DCMS), could supply full cost data broken down by recruitment activities (advertising, agency and staff time costs or cost estimates). Most departments underestimated their recruitment costs because they could not provide full staff time costs for recruitment activities. This is largely because government departments do not require their staff to record time spent on work activities. Seven departments were able to give us estimated staff time costs for their central recruitment teams. However, only two departments could provide cost data on the time spent by hiring managers in the wider organisation (known as 'vacancy holders') on recruitment activities such as reviewing applications and interviewing candidates.

2.12 For departments that were able to report at least some recruitment spending, total recruitment costs reported varied from £59,000 to £26 million in 2021-22. Recruitment costs will depend on department size and the volume and composition of staff recruited (for example, in terms of grade level and skills required), but the variation in reported recruitment costs also reflects gaps and inconsistencies in what departments included in their costs. **Figure 10** on pages 30 and 31 reports the data provided by departments on recruitment costs, which should be read with the caveat that most departments' reported costs are understated due to significant cost categories such as staff time costs not being included.

2.13 We calculated cost per hire for departments based on their reported total recruitment costs and number of staff recruited in that year (permanent and temporary staff directly employed by departments). It is not possible to make a like-for-like comparison of departments on this measure or calculate an overall departmental average cost per hire, because of the differences in what reported departmental recruitment costs cover.

Figure 10

Annual total recruitment costs reported by departments, 2021-22

Most departments' reported recruitment costs are understated because they could not supply complete data on recruitment cost categories

Department	Total recruitment costs reported for 2021-22	What reported recruitment costs cover
	(£)	
Cabinet Office	6,945,739	Covers advertising costs. Agency costs and staff time costs are not included.
Department for Business, Energy & Industrial Strategy	607,746	Covers advertising costs and staff time costs (GRS services). Agency costs are not included.
Department for Digital, Culture, Media & Sport	3,257,936	Covers advertising costs (includes GRS services); agency costs (estimated external agency costs for recruitment of staff at delegated grades, SCS and board members, excluding recruitment and delivery of apprenticeship schemes and contingent labour workers); estimated staff time costs.
Department for Education	474,026	Covers recruitment team costs and cost of GRS services, including advertising via Civil Service Jobs. Vacancy holder staff time costs and other advertising and agency costs are not included.
Department for Environment, Food & Rural Affairs	648,000	Covers cost of GRS services.
Department for International Trade	1,320,202	Covers cost of GRS services and agency costs. Vacancy holder staff time costs are not included.
Department for Levelling Up, Housing & Communities	58,693	Covers advertising costs and agency costs for SCS recruitment. Staff time costs are not included.
Department for Transport	871,880	Covers advertising costs, agency costs, cost of GRS services and recruitment team costs. Vacancy holder staff time costs are not included.
Department for Work & Pensions	21,093,008	Covers cost of GRS and SSCL services, and recruitment team costs. Agency costs, vacancy holder staff time costs and some costs relating to bespoke recruitment campaigns are not included. The Department notes that its 2021-22 costs reflect exceptionally high Universal Credit recruitment volumes and recruitment to support COVID-19-related activities.
Department of Health & Social Care	760,367	Covers advertising costs and recruitment team costs. Vacancy holder staff time costs are not included.
Foreign, Commonwealth & Development Office	895,796	Covers advertising and estimated security clearance vetting costs. Staff time costs are not included.
HM Revenue & Customs	26,000,000	Covers cost of outsourced recruitment including GRS services, advertising costs, recruitment team costs and vacancy holder staff time costs. Cost figures are approximate.
HM Treasury	2,661,765	Covers advertising costs and agency costs. Staff time costs are not included.

Figure 10 *continued*

Annual total recruitment costs reported by departments, 2021-22

Department	Total recruitment costs reported for 2021-22	What reported recruitment costs cover
	(£)	
Home Office	7,426,964	Covers agency costs. Staff time costs are not included.
Ministry of Defence	–	No data provided as cost data are not captured centrally.
Ministry of Justice	184,000	Covers recruitment team costs for SCS recruitment. Advertising costs, agency costs and staff time costs are not included as cost data are not captured centrally.
		Within the Ministry's agencies, central bulk recruitment conducted by HM Prison and Probation Service for prison and probation-related roles costs around £22 million annually.

Notes

1   Recruitment costs depend on factors including department size and the volume and composition of staff recruited (for example, in terms of seniority/ grade level and whether specialist skills are required). Recruitment costs include costs of advertising, recruitment agencies and staff time spent on recruitment by departments' recruitment teams and hiring managers/vacancy holders in the wider organisation.

2   In this table, GRS means the Government Recruitment Service and SSCL means Shared Services Connected Ltd, both of which provide recruitment services to departments. SCS means the senior civil service.

Source: National Audit Office analysis of departmental survey data

2.14 The highest departmental cost per hire in 2021-22 was for HMT at £6,176, which is an underestimate as this department did not provide staff time costs. The only department reporting enough information to calculate a complete cost per hire figure was HMRC, which had a cost per hire of £1,538. This compares with CIPD's 2022 figure of £1,500 for median cost per hire for non-senior managers, derived from its survey of private, public and not-for-profit organisations.[12] DCMS also had relatively full recruitment cost information, but told us that its cost per hire could not be calculated because it does not record complete data on the number of staff it recruits each year.

12   Chartered Institute of Personnel and Development, *Resourcing and talent planning report 2022*, September 2022, page 13.

Central delivery and oversight of civil service recruitment

2.15 The Cabinet Office has the following responsibilities for civil service recruitment:

- Providing recruitment services to departments through GRS: GRS offers a range of services to departments, from advertising vacancies on the Civil Service Jobs portal through to a full end-to-end recruiting service. Departments are not required to use GRS's services.

- Central oversight of recruitment activity across departments: As part of the Cabinet Office's wider oversight over the civil service workforce (see paragraph 1.13), it has a role in monitoring how recruitment activity is carried out across departments.

2.16 GRS is a business unit of the Cabinet Office within the Government People Group. It acts as a central specialist provider of recruitment services to departments, which can select from a range of recruitment services offered by GRS (although this is not mandatory and departments can use other providers or run their own recruitment). Most of the 16 main departments use GRS to a greater or lesser extent – at minimum, departments advertise vacancies through Civil Service Jobs. GRS employed 308 full-time equivalent (FTE) staff in June 2023. It operates on a cost-recovery basis and in 2022-23 reported operating costs of £28.3 million and £30 million of revenue from charges to departments for its services, resulting in a surplus of £1.7 million for that year, which was reinvested in service improvements.

2.17 In July 2022, the Cabinet Office decided to reduce GRS's FTE staffing by 40% to 186 FTE posts by March 2024. The Cabinet Office expected civil service recruitment, and hence demand for GRS's services, to reduce because of the target to cut civil service headcount by 91,000 posts in place at that time. However, demand for recruitment services did not reduce as expected. After the headcount reduction target was removed in November 2022, demand for GRS's services went up, partly due to increased hiring by DWP and the Home Office. GRS could not fully accommodate the increased demand given its reduced staffing levels, and it relied heavily on contractors and agency workers to maintain 'business as usual' operations. Consequently, the quality of service to departments deteriorated over this period: for example, according to the Cabinet Office, GRS's average time to hire was 67 days in 2022 but rose to 80 days in 2023.

2.18 Cabinet Office officials asked ministers in July 2023 for approval to increase GRS's permanent headcount, to reduce its reliance on contractor labour. Ministers were told the Cabinet Office was spending around £21 million of taxpayers' money annually on running a service that was at significant risk of failure – by as early as October 2023 if nothing was done. Ministers approved resourcing proposals to increase GRS staffing to 345 FTE posts, so that GRS could return to levels of productivity and service delivery it was achieving before the 40% FTE staffing reduction. This increased 2023-24 spending on GRS's permanent staffing from £10.8 million to an estimated £16.8 million, while at the same time reducing contractor and agency staff costs from £10.1 million to an estimated £1.8 million.

2.19 While the Cabinet Office's decision to reverse GRS's staffing reductions averted potential failure in the short term, it did not address the wider issue of whether central delivery of recruitment services is an efficient model for civil service recruitment. The Cabinet Office has written to departments to inform them of work to develop and agree the future GRS service offer and delivery model. Previously, in 2022, the Cabinet Office explored several options to reform GRS including:

● maintaining GRS's current in-house recruitment services;

● keeping recruitment services largely in-house, but also engaging an external partner to bring in service delivery innovation;

● full outsourcing of recruitment services to commercial providers; and

● a 'mixed economy' approach combining outsourcing and in-house provision.

2.20 In December 2022, the Cabinet Office decided to continue with in-house provision through GRS, with the intention of eventually pursuing the second option above of in-house provision supported by an external partner. However, the Cabinet Office's options analysis did not set out the economic case for each option, including full costs and benefits. The commercial outsourcing and mixed economy options were not costed at all. This means the Cabinet Office does not have a complete understanding of the efficiency of its in-house GRS service offer compared with other delivery models.

2.21 As well as delivering recruitment services to departments through GRS, the Cabinet Office is responsible for overseeing civil service recruitment activity across departments. To date it has not used this central oversight role to set common standards and benchmark performance across departments to improve the overall efficiency of recruitment processes. In July 2023 the Cabinet Office promised several new initiatives to bolster its recruitment oversight role.[13] It expects to implement the following recruitment commitments by the end of 2024:

- Set new standards and metrics for how recruitment is carried out by departments, with the aim of improving consistency and raising performance on time, cost, quality and diversity of hires.

- Trial new approaches to speed up recruitment processes and open up entry routes to the civil service.

- Review civil service branding and attraction strategies.

- Launch new industry secondment programmes, particularly for high-demand skills such as digital skills.

2.22 The commitment to work with departments to set new recruitment standards has the potential to strengthen the Cabinet Office's recruitment oversight role, since it does not currently set standards of this kind. Effective oversight of recruitment will depend on how the proposed standards and metrics are monitored and used in future to benchmark departmental performance. One key area for the Cabinet Office to focus on is how to measure recruitment cost efficiency consistently and comprehensively, given the difficulties outlined earlier in this part on capturing and comparing departments' recruitment costs.

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13 As part of wider civil service recruitment initiatives announced by the Minister for the Cabinet Office, *Speech: Skills, Efficiency and Technology in the Civil Service,* 19 July 2023. The initiatives announced were partly based on an end-to-end review of civil service recruitment processes conducted by the Cabinet Office.

Part Three

Pay

3.1   This part looks at pay setting processes in departments for staff below senior civil service (SCS) level, including pay band structures. It considers departmental variations in pay for staff at the same grade level, particularly for those in the same locations or with specialist skills. Analysis in this part of the report is based on information provided by departments (data on pay bands) and the Annual Civil Service Employment Survey (ACSES – data on median salaries). ACSES salary data used were accurate as at 31 March 2022, and departmental pay band data as at 31 December 2022. Since then, departments have made further pay awards which have changed pay rates for staff in delegated grades below SCS.

Departmental pay setting

3.2   Departments determine pay for staff in delegated grades according to the pay structures they have set, which define pay rates for each grade. Departments' pay structures can include specific pay rates to reflect factors such as location and specialist skills. For example, the Department for Work & Pensions (DWP) has specific rates for specialists such as medical psychologists, and many departments have London and national pay rates. Annual pay increases are decided by departments in line with annual civil service pay remit guidance issued by the Cabinet Office. This guidance sets out the maximum pay increase to be made each year for civil service staff in grades below SCS.

3.3   Within individual grades, pay rates can vary quite significantly. For example, at Grade 7 (G7), the lowest minimum salary across the 16 main departments in 2022 was paid by the former Department for Digital, Culture, Media & Sport (DCMS) at £48,014, while the top of the G7 salary pay band was paid by HM Treasury (HMT) at £62,470. HMT had a relatively wide pay band for its G7 staff, with a minimum of £50,550 and a maximum of £62,470 – a difference of £11,920 between the highest and lowest salaries in this pay band. In contrast, the width of the Home Office's G7 pay band was £5,400 and the Department for Transport's (DfT's) was £5,759. Departmental variations in pay may in some cases reflect factors such as different terms and conditions applying in departments, for example on required working hours.

Pay variations by department

Pay variations for staff at the same grade

3.4 Differences in departmental pay structures mean some departments pay significantly more than others for staff at the same grade level. For example, at higher executive officer (HEO) grade, the Department for Environment, Food & Rural Affairs' (Defra's) 2022 national pay band was £30,317 to £32,803, while HM Revenue & Customs' (HMRC's) national pay band was £34,404 to £36,985 (**Figure 11** on pages 37 and 38). This means Defra's highest HEO salary in its 2022 pay structure was £1,601 less than the lowest HEO salary HMRC offered. The skills and experience required for HEO roles are meant to be broadly equivalent across government, so departments offering higher rates for HEOs may find it easier to attract staff. Similar differences in departmental pay structures were seen for all other delegated grades apart from Grade 7, where pay bands for departments all overlapped with each other to a greater or lesser extent.

3.5 Analysis of median civil service salary data from ACSES also indicates there are pay variations by department for staff at the same grade. Senior executive officer (SEO) grade median salaries, for example, varied by up to £6,100 across departments in 2022. As at 31 March 2022, DWP had the lowest SEO median salary of £37,000 and the Foreign, Commonwealth & Development Office (FCDO) had the highest at £43,100 (**Figure 12** on page 39).

Pay variations by location

3.6 Some departments told us they had concerns about competition for civil service staff among departments located in the same city or local area. Departmental differences in pay for staff at the same grade were seen as contributing to an internal civil service market, with departments competing for the same pool of staff. Given the push to relocate civil service roles out of London through the Places for Growth programme, we analysed ACSES salary data by location to understand if this anecdotal concern was supported by evidence of significant local pay disparities across the 16 main departments we looked at.

Figure 11

Higher executive officer (HEO) pay bands by department, 2022

Some departments pay higher salaries to their HEO staff than others

Position in pay band
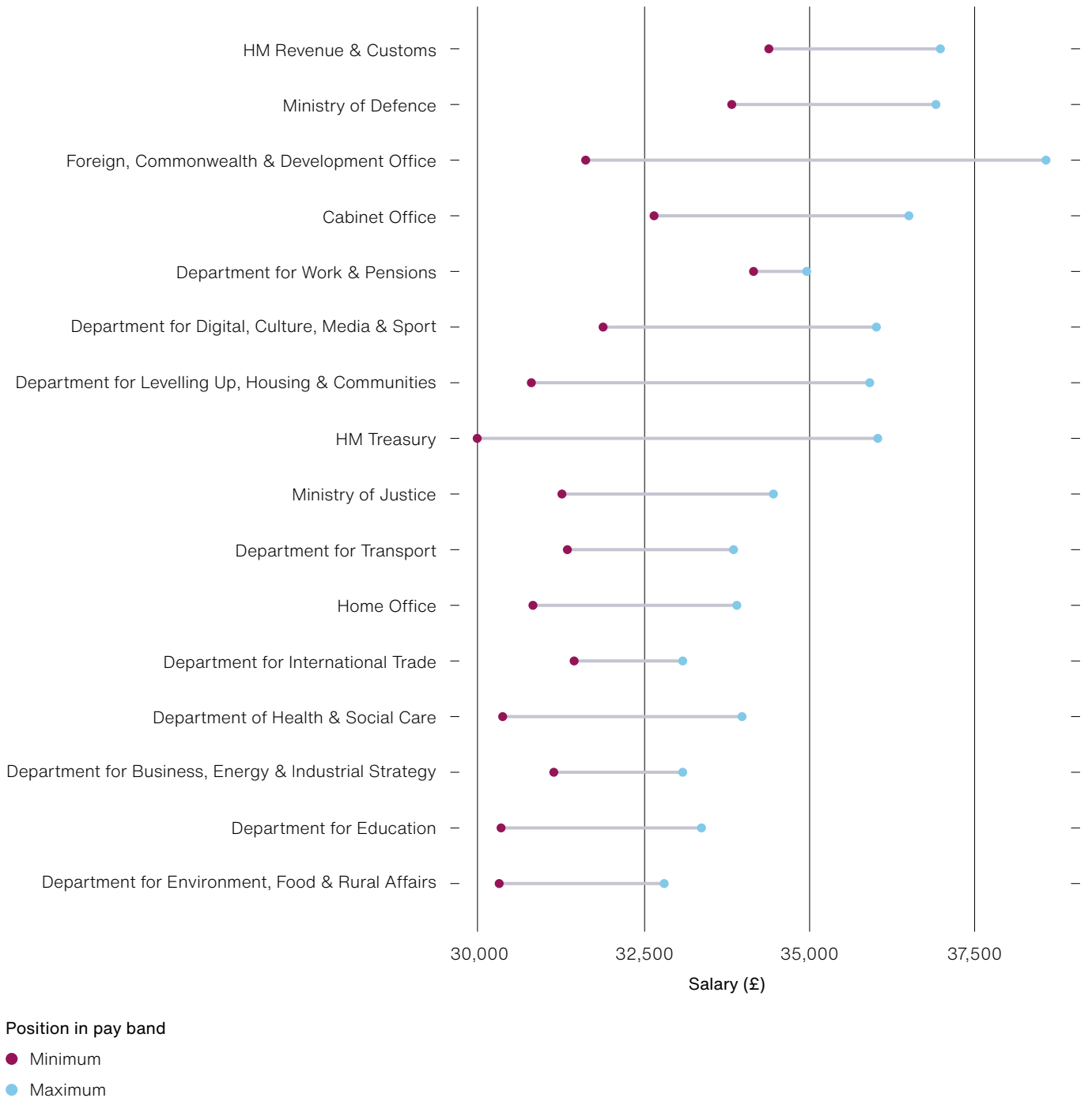
● Minimum

● Maximum

Figure 11 *continued*

Higher executive officer (HEO) pay bands by department, 2022

Department	HEO pay band (national)	
	Minimum	Maximum
	(£)	(£)
HM Revenue & Customs	34,404	36,985
Ministry of Defence	33,830	36,920
Foreign, Commonwealth & Development Office	31,621	38,595
Cabinet Office	32,640	36,510
Department for Work & Pensions	34,173	34,971
Department for Digital, Culture, Media & Sport	31,884	36,024
Department for Levelling Up, Housing & Communities	30,792	35,926
HM Treasury	29,970	36,040
Ministry of Justice	31,265	34,446
Department for Transport	31,349	33,846
Home Office	30,817	33,899
Department for International Trade	31,443	33,097
Department of Health & Social Care	30,366	33,985
Department for Business, Energy & Industrial Strategy	31,120	33,085
Department for Education	30,332	33,371
Department for Environment, Food & Rural Affairs	30,317	32,803

Note

1   Pay bands in this chart are departments' national pay bands as at 31 December 2022. Some departments have additional pay bands with different rates for London-based staff and/or staff with specialist skills.

Source: National Audit Office analysis of departmental survey data

Figure 12

Senior executive officer (SEO) median salaries by department, March 2022

Median salaries for SEO staff varied by up to £6,100 across departments as at March 2022

Department	Median salary	Number of SEO staff
	(£)	
Foreign, Commonwealth & Development Office	43,100	690
Department for Transport	42,500	750
Home Office	42,000	4,020
Ministry of Justice	41,700	1,700
Ministry of Defence	41,000	4,840
Cabinet Office	40,600	1,050
Department of Health & Social Care	40,600	770
HM Revenue & Customs	40,500	7,900
Department for Business, Energy & Industrial Strategy	40,100	1,300
Department for Levelling Up, Housing & Communities	39,600	650
Department for International Trade	38,500	620
Department for Environment, Food & Rural Affairs	37,900	1,670
Department for Education	37,100	1,610
Department for Work & Pensions	37,000	3,480

Note

1   Median salary figures in this table were calculated from Annual Civil Service Employment Survey data as at
     31 March 2022 and have been rounded to the nearest £100. Numbers of staff have been rounded to the nearest 10.
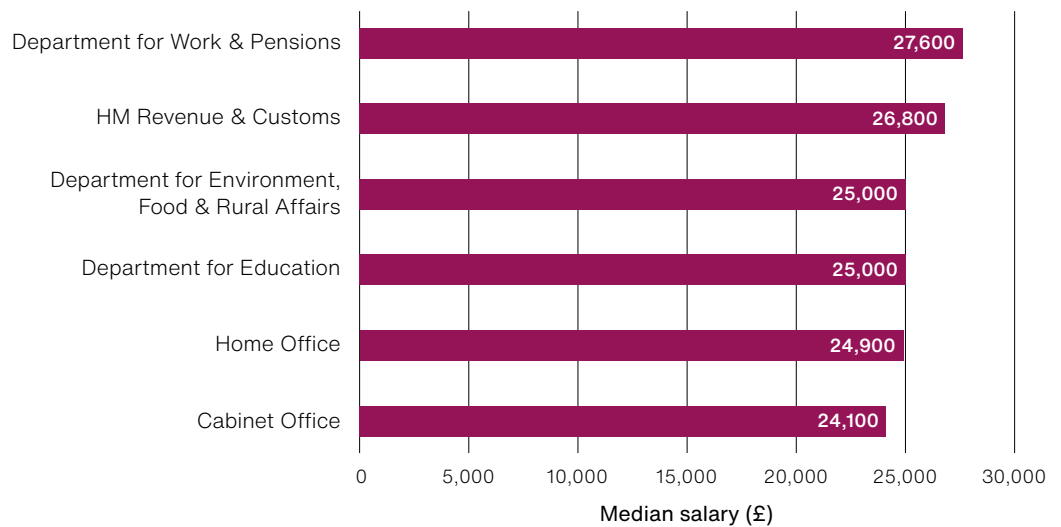
Source: National Audit Office analysis of Annual Civil Service Employment Survey data

3.7 Our analysis of ACSES salary data as at 31 March 2022 considered departmental variations in pay for civil servants in Birmingham, Darlington, Liverpool, Newcastle and Sheffield.[14] For example, we examined departmental median salaries for civil servants at executive officer (EO) grade in these five centres. As at 31 March 2022, DWP and HMRC had the highest EO median salaries in Newcastle, at £27,600 and £26,800 respectively, while the Cabinet Office had the lowest at £24,100 – a difference of £3,500 between the highest and lowest departmental median salaries in the same city (**Figure 13**).

3.8 We conducted similar analysis of March 2022 ACSES salary data for EOs employed by departments in Birmingham, Darlington, Liverpool and Sheffield. In Liverpool and Sheffield, the difference between the highest and lowest departmental median salaries for EO staff was £2,700; for Birmingham it was £3,000; and for Darlington it was £3,400.

Figure 13

Executive officer (EO) median salaries in Newcastle, March 2022

In Newcastle, departmental median salaries for EO staff as at March 2022 varied by up to £3,500

Median salary (£)

Notes
1 Median salary figures in this chart were calculated from Annual Civil Service Employment Survey data as at 31 March 2022 and have been rounded to the nearest £100.
2 Out of the 16 main departments we looked at, for this chart we included departments employing more than 10 staff in Newcastle.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

14 These locations were chosen because departments told us there were concerns about pay competition in those cities, and/or because departments have recently relocated posts to those areas (for example, HMT's presence in the Darlington economic campus).

Pay variations for specialist skills

3.9 There are various specialist pay initiatives in government designed to attract and retain those with in-demand specialist expertise. Departments are able to make the case for pay exceptions so they can pay more for staff with particular professional skills, and specialist pay frameworks, supplements and allowances exist for digital, commercial, finance and other specialists.

3.10 Our 2020 report on *Specialist skills in the civil service* reported concerns that, as for local job markets, departmental differences in pay effectively create internal markets for specialist staff. Departments were further concerned that competition of this kind in turn led to higher staff turnover and ratcheting-up of pay. The report found that across the civil service, there were variations in pay for staff with certain specialist skills at the same grade level: for example, in 2018 there was a difference of £56,000 between salaries at the 10th and 90th percentiles for project delivery professionals at senior civil service (SCS) deputy director level.[15] Updated analysis for this report indicates some pay variations still exist for sought-after professional skills. For example, for digital professionals at deputy director level, in 2022 there was a difference of £36,600 between salaries at the 10th and 90th percentiles across the civil service.

3.11 Analysis of median salaries in 2022 for specialists at the same grade level showed these also varied by department. For example, for digital professionals at Grade 6 level, the lowest departmental median salary across the 16 main departments we looked at was £60,400 (Defra) and the highest was £73,500 (Home Office), giving a difference of £13,100. For human resources (HR) professionals, the departmental median Grade 6 salary ranged from £59,700 to £69,900, representing a difference of £10,200 (**Figure 14** overleaf).

Pay coherence across departments

3.12 The Cabinet Office's responsibility for overseeing the civil service workforce suggests it has a role in identifying and mitigating the impact of pay variations across departments. It told us it does hear concerns from departments about departmental pay disparities, including local and specialist pay differentials. However, it said it did not formally have a role to direct or coordinate departments to resolve pay disparities, given departments' delegated responsibility for staff pay.

15 Comptroller and Auditor General, *Specialist skills in the civil service*, Session 2019–2021, HC 575, National Audit Office, July 2020, paragraphs 2.25 and 2.26.

Figure 14

Grade 6 departmental median salaries for selected professions, March 2022

Departmental median salaries for Grade 6 staff in the digital profession varied by up to £13,100 as at March 2022
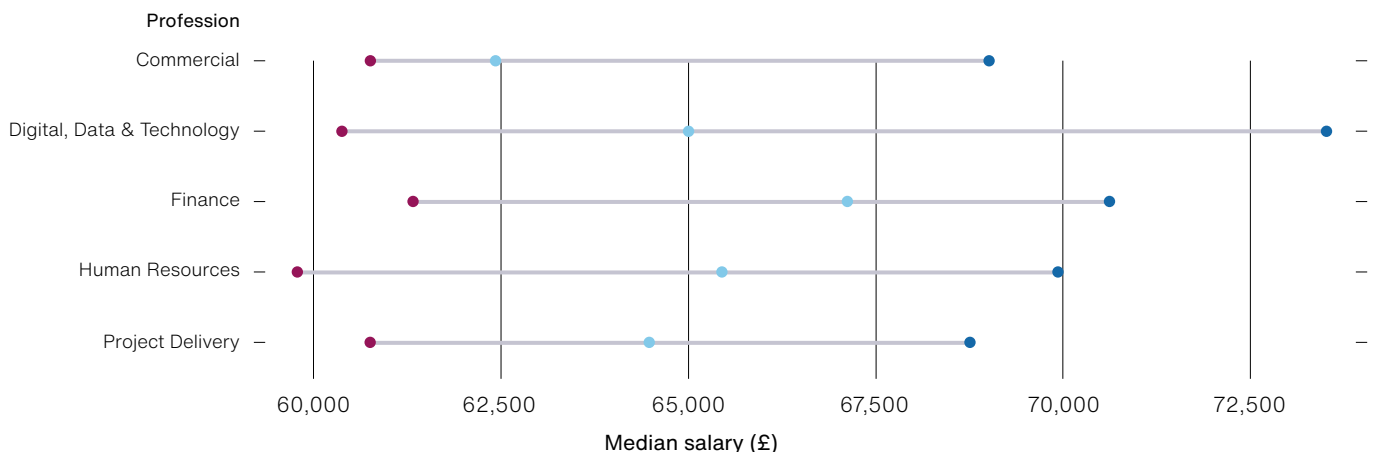
- Lowest department
- Median department
- Highest department

	Department with lowest Grade 6 median salary	Department with median Grade 6 median salary	Department with highest Grade 6 median salary
	(£)	(£)	(£)
Commercial	60,700	62,400	69,000
Digital, Data and Technology	60,400	65,000	73,500
Finance	61,300	67,100	70,600
Human Resources	59,700	65,400	69,900
Project Delivery	60,700	64,500	68,700

Notes
1   Median salary figures in this chart were calculated from Annual Civil Service Employment Survey data as at 31 March 2022 and have been rounded
     to the nearest £100.

2   Median salary data in this chart relate to the 16 main departments we looked at.

Source: National Audit Office analysis of Annual Civil Service Employment Survey data

3.13 The Cabinet Office monitors pay variations across departments and collates information such as the different rates departments pay staff at the same grade. On specialist pay variations in particular, the Cabinet Office told us in response to a recommendation in our 2020 specialist skills report that it collated and shared the use of allowances across departments in order to encourage pay coherence.[16] It said departments are encouraged to work together to collectively address pay system challenges for professions and functions.

3.14 In the past, the Cabinet Office has tried to bring departments together to coordinate approaches to pay. It developed a set of pay coherence principles in 2018 which attempted to set out a consistent cross-departmental approach to civil service pay, including local and specialist pay. The Cabinet Office described the objectives of the pay coherence principles as follows:

- Pay calculations to be based on a single set of 37 contracted hours.

- A more consistent approach to reward structures, including spot rates, shorter ranges and fewer merged grades.

- A consistent approach to location and specialist premia, including consistent definitions of London and the South East. Departments and professions to partner on consistent market data and standards for specialist premia.

- A more consistent approach to premia for additional hours, such as standardised time off in lieu arrangements.

3.15 However, despite being agreed by the Civil Service Board at the time, the Cabinet Office told us that the principles had not been wholly adopted by departments. Departments have made some use of them, for example, by including pay coherence principles when making business cases for pay flexibility.

16 Comptroller and Auditor General, *Specialist skills in the civil service*, Session 2019–2021, HC 575, National Audit Office, July 2020, paragraph 10, recommendation i, reads: "The Cabinet Office's civil service pay team should review the issue of specialist pay disparities across all functions, for senior civil service and lower grades. It should use this analysis to inform discussions with functions on how they are addressing pay disparities."

Part Four

Performance management

4.1   This part considers performance management approaches in departments for staff in grades below the senior civil service (SCS), including how departments manage the performance of their staff, make performance-related payments and deal with underperformance.

Performance management approaches

4.2   Organisations manage the performance of employees so that staff can contribute effectively to the work and objectives of their organisation. According to the Chartered Institute of Personnel and Development (CIPD), performance management usually involves: setting clear objectives linked to what the organisation is trying to achieve; seeking to improve the performance of both individuals and teams; and holding people to account for their performance.[17] The CIPD notes that the quality of line management in particular has fundamental impacts on employee engagement, performance, health and wellbeing.[18]

4.3   The Cabinet Office's civil service performance management framework specifies the core elements that departments' performance management systems should contain, as set out in **Figure 15**. The government human resources (HR) functional standard further specifies that data must be collected on performance management outcomes and poor performance measures, analysed by diversity characteristics as appropriate to generate insight for further improvement.[19]

17   Chartered Institute of Personnel and Development, *Performance management: an introduction*, August 2022.
18   Chartered Institute of Personnel and Development, *The importance of people management: Analysis of its impact on employees*, May 2023.
19   Cabinet Office, *Government Functional Standard – GovS 003: Human Resources*, July 2021, page 20.

Figure 15

Civil service performance management framework

The Cabinet Office expects all departments to reflect eight core elements in their performance management systems

Framework element	Description
1 Leaders are accountable	Leaders must be held accountable for effective performance management in their business area. This covers all the core elements of performance management and must include whether performance outcomes in their area are reflective of business performance.
2 'What' and 'how'	There must continue to be an equal focus on what individuals have achieved and on the skills and behaviours they have shown.
3 Development focused	Departments must ensure that performance is considered as both a reflection on the last year and from a future development focused perspective, allowing individuals to develop and continuously improve performance.
4 Differentiates performance	Departments must be able to identify, at individual level, who their high performers and/or high potential individuals and their poor or under performers are, based on common/comparable standards within professions.
5 Under and poor performance addressed	For poor and under performers, departments must ensure timely action is being taken to support and address their performance; and must track and be able to report on the progress being made with each individual.
6 Diversity and inclusion addressed	Departments must understand and address any differences in performance outcomes and experience for diversity groups, including consistent quality of support and management as well as any differences in assessments.
7 Functional, professional and departmental translation	Departmental approaches to performance management must be developed with input from the relevant professions, to ensure that comparable professional standards are being applied across organisations and that assessments of individuals translate between departments when moving within a profession.
8 Coordination and consistency	Departments must coordinate in developing their approaches in order to ensure that cohesion and permeability across the civil service is reinforced.

Note

1   The performance management framework was agreed by departmental permanent secretaries and has applied to the civil service since April 2017.

Source: Cabinet Office

4.4 Government departments set their own performance management approaches for staff below senior civil service (SCS) level. Over recent years, departments have evolved their systems to emphasise different aspects of performance management. Some departments have moved away from formally rating individual performance toward a focus on people development, for example through line managers conducting regular performance management conversations with staff members where performance and development needs are discussed. A 2022 Cabinet Office review of departments' performance management approaches found that departments that had moved away from ratings systems had received positive responses from employees. However, most departments still retain some form of performance assessment and rating:[20]

- Nine departments had a performance ratings system for staff in delegated grades: former BEIS, Cabinet Office, former DCMS, DfT, DHSC, former DIT, FCDO, HMT and MoD.

- Seven departments had no formal performance ratings system for delegated grades: Defra, DfE, DLUHC, DWP, HMRC, Home Office and MoJ.[21]

- Of the departments with a ratings-based system, one (HMT) had a forced/ guided distribution system where employees' ratings must fit a specified distribution of defined percentages in the highest, middle and lowest performance bands.

- One department (DWP) managed performance on a team basis rather than an individual basis.

4.5 Departments varied in the numbers of employees that line managers were expected to manage. The line manager to employee ratio ranged from 1:1.4 in the former BEIS to 1:6 in DWP. Across departments, the median line manager to employee ratio was 1:2.5. The Cabinet Office told us that there was no single optimal line manager to employee ratio applying to the entire civil service, as the appropriate ratio for a particular department or team would depend on many factors such as the nature of work being carried out and the capabilities of both team members and managers. In September 2022, the Cabinet Office initiated work to enhance line management capability across the civil service. This work is intended to support departments to make good decisions about organisational design affecting line management capability, and to ensure that line managers are well-equipped to perform their management responsibilities.

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20 Departmental abbreviations used in this part of the report are: BEIS – Department for Business, Energy & Industrial Strategy; DCMS – Department for Digital, Culture, Media & Sport; Defra – Department for Environment, Food & Rural Affairs; DfE – Department for Education; DfT – Department for Transport; DHSC – Department of Health & Social Care; DIT – Department for International Trade; DLUHC – Department for Levelling Up, Housing & Communities; DWP – Department for Work & Pensions; FCDO – Foreign, Commonwealth & Development Office; HMRC – HM Revenue & Customs; HMT – HM Treasury; MoD – Ministry of Defence; and MoJ – Ministry of Justice.

21 Defra had a performance rating system for departmental staff in delegated grades until March 2023.

4.6 It is difficult to judge the effectiveness of different approaches to performance management but the Civil Service People Survey sheds some light on staff views of their departments' performance management systems. Analysis of 2022 People Survey data shows most employees in the 16 main departments are broadly positive about how performance is evaluated in their departments (**Figure 16** on pages 48 and 49). DfE, DLUHC and DfT received comparatively higher scores from their staff on their performance management arrangements.

Performance-related pay

4.7 Departments are able to make non-consolidated performance payments to their employees, in accordance with the Cabinet Office's civil service pay remit guidance.[22] These performance payments are awards to staff in grades below SCS, based on performance either at an individual, team or organisational level. Types of payments include:

- performance-related payments based on individual contributions to the department, as assessed by the department's performance management system; and

- special bonus schemes for individual payments for special projects or outstanding work not covered by the normal performance management system.

4.8 Each department has a non-consolidated performance 'pot' from which to make payments, which is a cash amount calculated as a percentage of the department's paybill (rather than a fixed cash sum). In 2021-22, the overall spend on non-consolidated performance-related pay was 0.9% of the total civil service pay bill.

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22 Cabinet Office, *Civil Service Pay Remit Guidance, 2023 to 2024*, April 2023. Non-consolidated payments are one-off payments made to staff that do not change an employee's base salary. They are taxable, but do not count as income for pension purposes.

Figure 16

Civil servants' satisfaction with performance management arrangements by department, 2022

Civil Service People Survey scores suggest most civil servants support the performance management systems in their departments

Percentage of respondents who agree or strongly agree
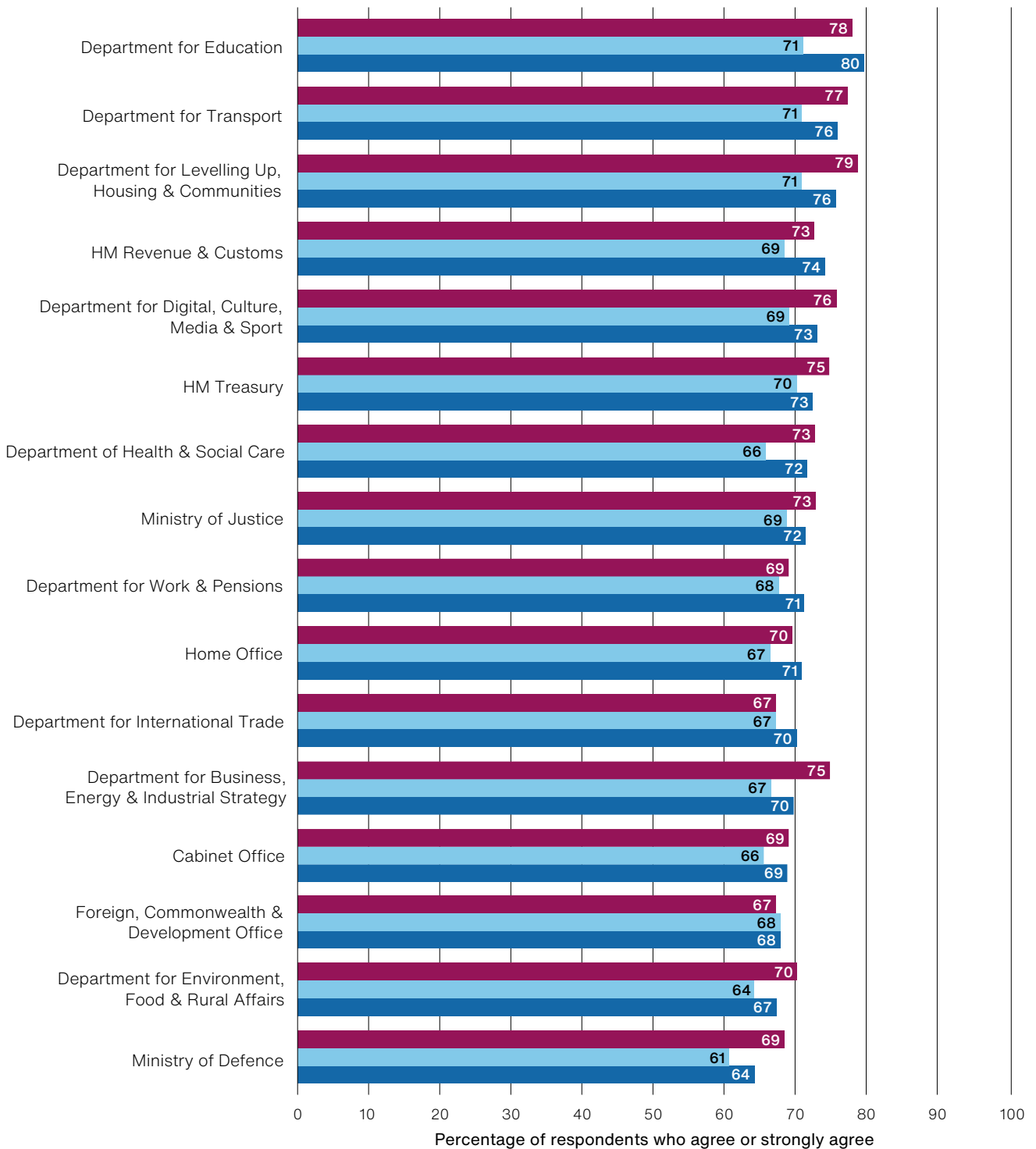
Figure 16 *continued*

Civil servants' satisfaction with performance management arrangements by department, 2022

■ B16. I think that my performance is evaluated fairly (% strongly agree or agree)

■ B15. The feedback I receive helps me to improve my performance (% strongly agree or agree)

■ B14. I receive regular feedback on my performance (% strongly agree or agree)

Note

1   The response rate for the 2022 Civil Service People Survey was 65% (346,957 respondents out of 536,096 invited to participate).

Source: National Audit Office analysis of Civil Service People Survey data

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4.9 Departments have varying approaches to performance-related pay for staff in delegated grades, reflecting differing views on how good performance should be recognised and incentivised. Most departments do not formally link their performance management systems with performance-related pay for staff in delegated grades. However, six departments told us their performance management systems did result in performance-related payments to staff:

- Three departments (Cabinet Office, FCDO and HMT) make end-of-year payments or bonuses on the basis of individual performance ratings.[23]

- DWP makes end-of-year performance-related rewards to all eligible staff except for those in formal poor performance measures (DWP also awards in-year rewards to employees as part of its 'Reward and Recognition' scheme).

- The other two departments (DfE and Home Office) do not have ratings systems. DfE and Home Office line managers are able to make payments to staff to reward good performance based on evidence from regular performance management conversations.

4.10 It is now more common for departments to use discretionary awards throughout the year to recognise good performance. The remaining departments reported taking this approach, for example making cash or voucher awards to individuals or teams to recognise strong performance on specific projects or positive behaviours.

4.11 Analysis of departmental reporting on performance-related pay for 2021-22 found that departments varied in terms of how many of their staff below SCS level received payments. For example, for the three departments that pay end-of-year bonuses based on performance ratings, 79% of HMT staff received these payments compared with 41% of FCDO staff and 50% of Cabinet Office staff. Among those departments that made only in-year performance awards, the former DCMS reported that all of its staff received in-year payments – in contrast to just 39% of HMRC staff who received them.

23 Defra ended its performance rating system for staff in delegated grades in March 2023, including its link to end-of-year performance payments based on ratings.

4.12 Overall, the 16 main departments spent £85 million in total on performance-related pay to staff below SCS level in 2021-22. In-year awards accounted for £56 million of this total and £29 million was spent on end-of-year payments. As noted earlier, departments have chosen different approaches to performance-related pay. As a result, the average amount that departments spent per head on performance-related pay varied considerably, from £13 on average per employee in HMRC to £1,366 per employee in DfT (**Figure 17**). Across departments, the average of all departmental median values for end-of-year payments was £495, while for in-year awards it was £293. The Cabinet Office made the highest-value individual end-of-year payment of £14,536, with the Home Office paying out the highest individual in-year award of £5,500.

Identifying and monitoring underperformance

4.13 The civil service performance management framework and the HR functional standard clearly set out the expectation that departments will deal effectively with poor performance and underperformance among their staff. The Cabinet Office distinguishes between staff in formal poor performance measures and those considered to be underperforming, which is potentially more widely drawn. We asked departments to explain their processes relating to staff underperformance, as we wanted to understand how they dealt with staff not meeting expected levels of performance. Responses to our departmental survey suggest there are gaps in some departments' ability to identify and monitor underperforming staff. This in turn indicates that departments are not adequately following up underperformance to support both individuals and the teams they work with.
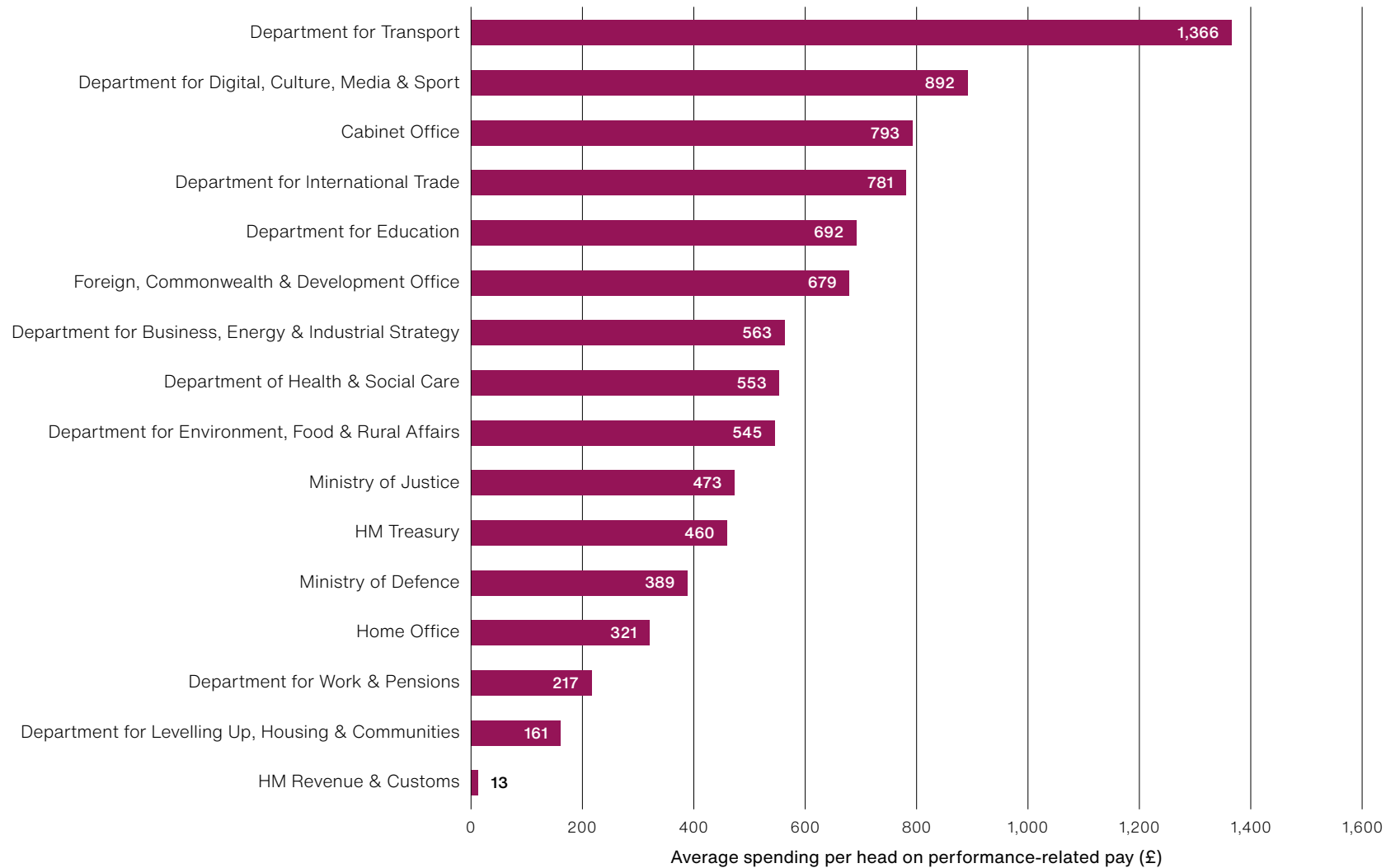
4.14 Thirteen out of the 16 main departments supplied us with data on the number of underperforming staff in their departments. Three departments did not provide data on staff in delegated grades classed as underperforming: Defra, HMRC and Home Office. This is at odds with the mandatory requirement in the HR functional standard that data must be collected on performance management outcomes and poor performance measures.

4.15 Six departments were able to report on what happened after staff were classed as underperforming, at least in terms of high-level outcomes such as changing departments, resignation, dismissal or moving out of poor performance: former BEIS, DfE, DfT, former DIT, FCDO and MoD. DfE, in particular, has a detailed process for following up underperforming staff to ensure they get the support needed (**Figure 18** on page 52). The remaining 10 departments did not provide data on how they monitored and managed individuals identified as underperforming, including outcomes for those staff: Cabinet Office, former DCMS, Defra, DHSC, DLUHC, DWP, HMT, HMRC, Home Office and MoJ.

Figure 17

Average departmental spending per head on performance-related pay for staff below senior civil service level, 2021-22

Departmental per-head spending on performance-related pay varies considerably from a low of £13 to a high of £1,366

Department	Average spending per head on performance-related pay (£)
Department for Transport	1,366
Department for Digital, Culture, Media & Sport	892
Cabinet Office	793
Department for International Trade	781
Department for Education	692
Foreign, Commonwealth & Development Office	679
Department for Business, Energy & Industrial Strategy	563
Department of Health & Social Care	553
Department for Environment, Food & Rural Affairs	545
Ministry of Justice	473
HM Treasury	460
Ministry of Defence	389
Home Office	321
Department for Work & Pensions	217
Department for Levelling Up, Housing & Communities	161
HM Revenue & Customs	13

Average spending per head on performance-related pay (£)

Note

1   This chart is based on reported data on non-consolidated performance-related payments that all departments are required to publish each year.

Source: National Audit Office analysis of departmental reporting of non-consolidated performance-related payments

Figure 18

Monitoring and managing underperformance in the Department for Education (DfE)

DfE actively monitors staff after they are classed as underperforming, to ensure they are followed up through effective management and support

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Context

The Department for Education (DfE) used to manage performance within a cross-civil service performance management framework that is no longer in place. This included a guided distribution of performance ratings and an expectation that around 5%–10% of employees may be underperforming at any point in time. Performance ratings were agreed following the end of a performance year.

DfE wanted its performance management system to put appropriate support systems in place early, to help staff that needed extra support and adopt an approach which encouraged identification and management of underperformance at the point it arose.

Approach

DfE introduced its 'ABLE' performance management system to encourage effective line management behaviours.

Under the ABLE system, line managers are encouraged to put support in place as soon as someone needs it and then keep it under review on a monthly basis. Line managers can access a range of learning and support on preparing performance improvement plans, as well as specific guidance on matters such as investigating dips in performance and approaching conversations about underperformance.

DfE has developed its human resources (HR) and payroll system so that managers record the outcomes of monthly check-ins within it, enabling real-time data on the number and percentage of check-ins and performance outcomes on an ongoing basis, with data shared with senior leaders.

Result

DfE can track the support, action taken and outcomes for individuals identified as underperforming via its HR and payroll system.

Around 6% of staff were identified as needing extra support as a result of performance concerns at some point in 2022.

Of those identified as needing support in 2022, by February 2023:

- 59% moved out of needing any further support, including 5% who achieved promotion.
- 10% were still needing support.
- 15% had left the department, including 5% who had transferred to another department. This category also includes dismissals, moves to other employment, voluntary exits, retirement and end of temporary appointments.
- 15% no data available.

In 2022, DfE scores on the performance management-related questions in the Civil Service People Survey were between four and eight percentage points above civil service benchmarks.

Notes

1   A guided distribution system is where employees' ratings are expected to fit a specified distribution of defined percentages in the highest, middle and lowest performance bands.

2   Percentages do not sum to 100% due to rounding.

Source: National Audit Office analysis of Department for Education data and Civil Service People Survey data

Appendix One

Our audit approach

Our scope

1   The aim of this report is to provide a picture across government of potential areas where departments, and the civil service as a whole, could make efficiency improvements to some of their key human resources (HR) processes. We chose to examine recruitment, pay and performance management because each of these areas has significant impacts on overall staff costs or organisational performance:

- Recruitment: How do departments vary in the speed and cost of their recruitment activity?

- Pay: Does pay differ by department for civil servants at the same grade, particularly for staff in the same local area or with specialist skills?

- Performance management: How do departments' performance management approaches vary?

2   This report is intended to provide a starting point to consider where departments could improve key HR processes. It does not seek to explain in detail the reasons for departmental variations in recruitment, pay or performance management, as this would require more comprehensive evaluative examinations of how individual departments carry out these HR activities.

Our evidence base

3   We reached our independent conclusions on the scope for improving the efficiency of civil service recruitment, pay and performance management processes following analysis of evidence collected primarily between February and September 2023.

4   Our analysis focuses on the 16 main civil service departments that were in place on 1 January 2023 (prior to machinery of government changes to departmental structures announced in February 2023). Departments in existence at this time were: Department for Business, Energy & Industrial Strategy (BEIS); Cabinet Office; Department for Digital, Culture, Media & Sport (DCMS); Department for Environment, Food & Rural Affairs (Defra); Department for Education (DfE); Department for Transport (DfT); Department of Health & Social Care (DHSC); Department for International Trade (DIT); Department for Levelling Up, Housing & Communities (DLUHC); Department for Work & Pensions (DWP); Foreign, Commonwealth & Development Office (FCDO); HM Revenue & Customs (HMRC); HM Treasury (HMT); Home Office; Ministry of Defence (MoD); and Ministry of Justice (MoJ). Data included in this report for DCMS cover several years when this department's responsibilities included 'Digital' (these responsibilities have now transferred to the Department for Science, Innovation & Technology, formed in February 2023).

5   To enable consistent data collection across departments, the analysis in this report considers each department's core civil service workforce only and does not cover civil servants employed in departments' arm's-length bodies such as executive agencies. The report's discussion of recruitment, pay and performance management focuses mainly on the civil service grades below senior civil service (SCS) level, as HR policies and practices for staff in these grades are set by their employing departments. FCDO data in this report cover UK civil service staff and not 'country-based staff' located in other countries, and relate to external recruitment into FCDO rather than internal movement within the department as part of its staff rotations model.

6   The evaluative criteria for our analysis have been drawn from the government's own standards for the civil service HR profession – for example, common standards on the workforce data departments should be collecting. Our analysis also identifies the scope for improving efficiency by benchmarking departments against each other, as well as other relevant comparators such as those from HR professional bodies.

7   In forming our conclusions, we drew on a range of methods and evidence sources, which are set out in the paragraphs below.

Departmental survey

8   We surveyed the 16 main government departments in place on 1 January 2023 on their recruitment, pay and performance management processes for permanent staff who are civil servants. The survey took the form of a written questionnaire and the response rate was 100%.

9   We asked departments to provide information on their civil service recruitment, pay and performance management processes, as well as related data and metrics (for example, recruitment costs and times). The information requested was based on HR service specifications contained in the government's HR functional standard and other relevant guidance. We asked for information relating to structures and processes in departments as at 1 January 2023, to avoid any issues arising from machinery of government changes announced in February 2023.

10   The survey results have informed our understanding of different departmental approaches to pay, recruitment and performance management. Analysis of survey responses has also enabled us to compare departments on activities such as recruitment costs and times, pay rate setting, use of performance-related pay and management of underperforming staff.

Analysis of civil service data sets

11   We conducted data analysis of the Annual Civil Service Employment Survey (ACSES) data set from 2013 to 2022. ACSES is a large data set which includes data on all civil service staff. It is owned by the Cabinet Office and is collated from departments and other public bodies that employ civil servants. For each individual civil servant, it includes data on their department, grade, location, profession, salary and personal data (relating to protected characteristics such as age, gender and ethnicity).

12   The civil service grades presented in our ACSES analysis are the standardised cross-civil service 'responsibility levels'. Delegated grades comprise: Administrative Assistant (AA), Administrative Officer (AO), Executive Officer (EO), Higher Executive Officer (HEO), Senior Executive Officer (SEO), Grade 7 (G7) and Grade 6 (G6). SCS grades are: Deputy Director (Pay Band 1/1A), Director (Pay Band 2), Director General (Pay Band 3) and Permanent Secretary. Departments are asked to map their internal grade structures to these responsibility levels when reporting for civil service statistics. However, it should be noted that not all departments have (or have always had) all of the responsibility levels in their internal grade structures. Caution is therefore advised when interpreting the figures, particularly for historical data for individual departments. It should also be noted that ACSES includes SCS-level employees, which means that the data set includes a number of health professionals, military personnel and senior diplomats that are not part of the centrally-managed senior civil service.

13   We analysed ACSES data to reach our findings on pay, particularly median salaries and variations across departments by grade, profession and location. In addition, our analysis of ACSES data explored changes in civil service numbers, composition and costs over time.

14   We also analysed the Civil Service People Survey data set from 2013 to 2022. This data set is also owned by the Cabinet Office and examines civil servants' attitudes to working in government departments.

15   Our analysis of People Survey data supported our other findings on pay and performance management by providing insight into civil servants' satisfaction with their pay and how their performance is managed.

Interviews

16   We interviewed officials from the Cabinet Office and selected departments who had policy or operational responsibilities for recruitment, pay and performance management. These included:

●   Government People Group officials in the Cabinet Office responsible for civil service recruitment, pay and performance management, including Government Recruitment Service staff responsible for delivery of recruitment services to departments.

●   HR teams in four departments: Cabinet Office, DfE, Defra and DWP. We selected departmental HR teams to interview based on good or innovative practice they have undertaken on recruitment, pay or performance management.

17   We also conducted interviews with the Government Internal Audit Agency, Institute for Government and Public and Commercial Services (PCS) union.

18   Interview evidence has developed our understanding of departmental approaches to civil service recruitment, pay and performance management and identified departmental examples of good practice to complement our wider cross-departmental comparative analysis. Interviews with Cabinet Office officials provided insight into the centre of government's oversight and coordination role in relation to the civil service workforce.

Analysis of reported financial data

19 We collated and analysed financial data from departmental reporting on performance-related pay and annual reports and accounts for the 16 main departments, for 2021-22. Analysis of reported financial data contributed to our findings on performance-related pay spending.

Document review

20 We reviewed published and internal Cabinet Office documents including: guidance documents, government HR standards, published workforce data, organisational data, internal review documents and internal reports and programme documents.

21 We reviewed documents from Cabinet Office business units delivering services to departments, including security clearance vetting data from UK Security Vetting and operational and service performance data from the Government Recruitment Service.

22 We reviewed operational information from HR teams in the departments we interviewed (see paragraph 16 above) on how they carried out processes including recruitment, pay setting and performance management.

23 We also reviewed past National Audit Office reports on the civil service and reports from external organisations.

24 Documents reviewed have informed our understanding of civil service processes and practices, such as recruitment and security vetting, pay setting, performance management approaches and central oversight of the civil service workforce.

CORRECTION SLIP

Title: Civil service workforce: Recruitment, pay and performance management

Session: 2023-24

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Correction one:

Page 4, Key facts: Text of the first key fact under the top three key facts in red currently reads:

100 calendar days

average time to hire across departments, from job advertisement being published to basic pre-employment checks completed

Text should read:

99 calendar days

average time to hire across departments, from job advertisement being published to basic pre-employment checks completed

BACK

Correction two:

Page 7, paragraph 10: Text of the first sentence in bold currently reads:

Civil service recruitment times vary, with the slowest department taking on average 38 days longer to recruit than the fastest department.

Text should read:

Civil service recruitment times vary, with the slowest department taking on average 42 days longer to recruit than the fastest department.

BACK

Correction three:

Page 7, paragraph 10: Text of the last two sentences of this paragraph currently reads:

Across departments, the average time to hire ranged from 84 calendar days at the fastest department (the former Department for International Trade), to 122 calendar days at the slowest department (DWP). The overall departmental average time to hire was 100 calendar days, or just over three months (paragraphs 2.4 and 2.5 and Figure 8).

Text should read:

Across departments, the average time to hire ranged from 80 calendar days at the fastest department (the Department for Levelling Up, Housing & Communities), to 122 calendar days at the slowest department (DWP). The overall departmental average time to hire was 99 calendar days, or just over three months (paragraphs 2.4 and 2.5 and Figure 8).

Correction four:

Page 26, paragraph 2.5: Text of the last two sentences of this paragraph currently reads:

Across departments, the reported average time to hire ranged from 84 calendar days (the former Department for International Trade, or DIT) to 122 calendar days (Department for Work & Pensions, or DWP). This means the slowest department takes on average 38 calendar days longer to recruit than the fastest department. The overall departmental average time to hire was 100 calendar days, or just over three months (Figure 8).

Text should read:

Across departments, the reported average time to hire ranged from 80 calendar days (DLUHC) to 122 calendar days (Department for Work & Pensions, or DWP). This means the slowest department takes on average 42 calendar days longer to recruit than the fastest department. The overall departmental average time to hire was 99 calendar days, or just over three months (Figure 8).
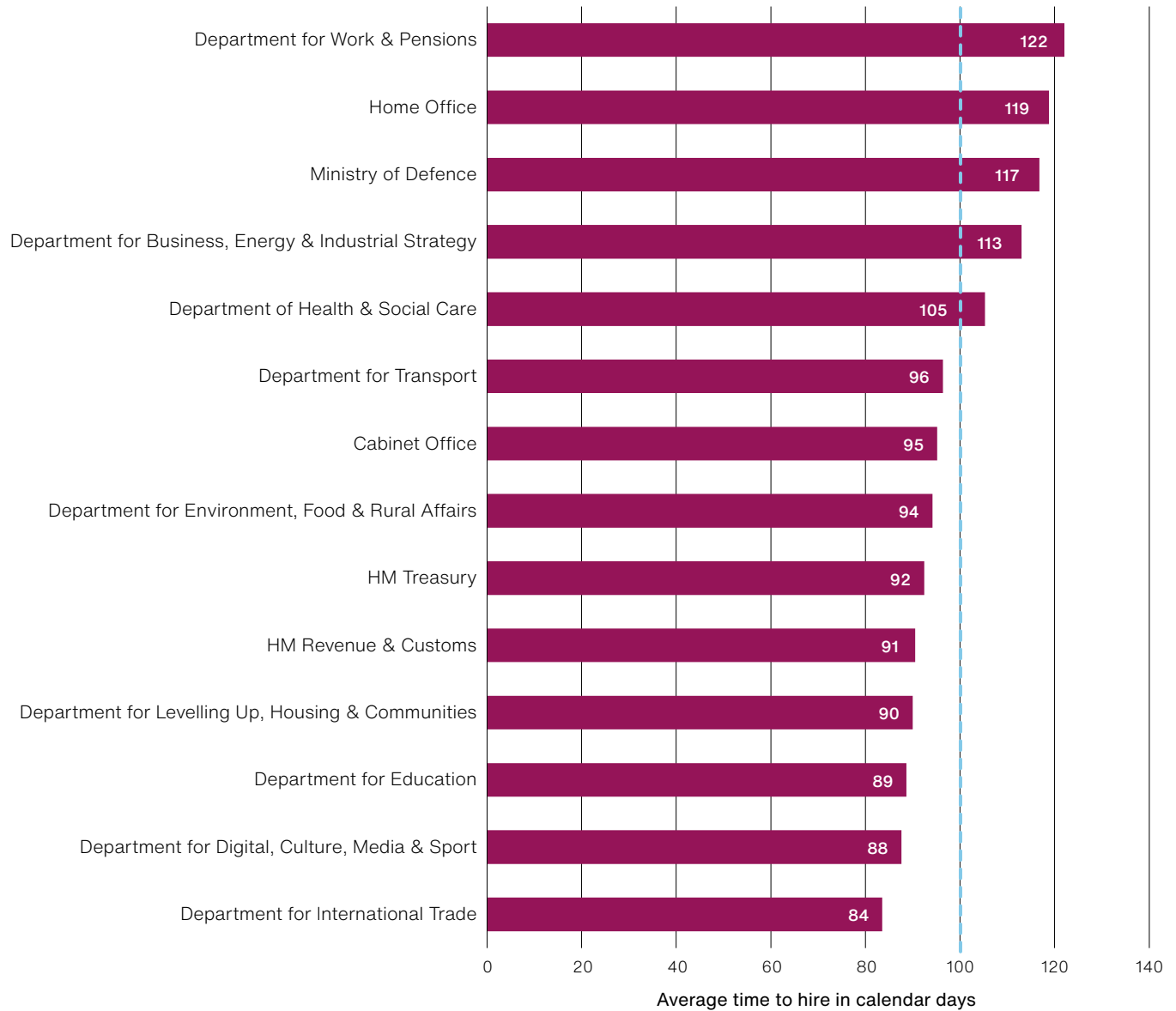
Correction five:

Page 27, Figure 8: This figure currently appears as follows:

Figure 8

Average time to hire in calendar days by department, 2022

Civil service recruitment times vary, with the overall average time to hire across departments being just over three months

Average time to hire in calendar days

- ■ Departmental average time to hire
- -- Overall departmental average time to hire: 100 calendar days

Notes
1   Two departments were not able to provide time to hire data according to the definition requested (mean average time from job advertisement published to pre-employment checks complete): Foreign, Commonwealth & Development Office and Ministry of Justice.
2   The average time to hire reported by departments is the mean average expressed in calendar days. The overall departmental average time to hire is also the mean of departmental averages.
3   Departments were asked to provide average time to hire data for 2022. Data provided by departments related to the 2022 calendar year, the 2021-22 or 2022-23 financial year, or from March 2022 to February 2023 (the 12-month period dating back from when the data request was made).

Source: National Audit Office analysis of departmental survey data

Figure entries should read:

- Department for Levelling Up, Housing & Communities: 80 [please note this means this department moves to the bottom position on the chart]
- Home Office: 118 [no change to position on the chart]
- Legend: Overall departmental average time to hire: 99 calendar days
- Blue dotted line on chart: Position of line shifted to reflect this is now 99 calendar days rather than 100
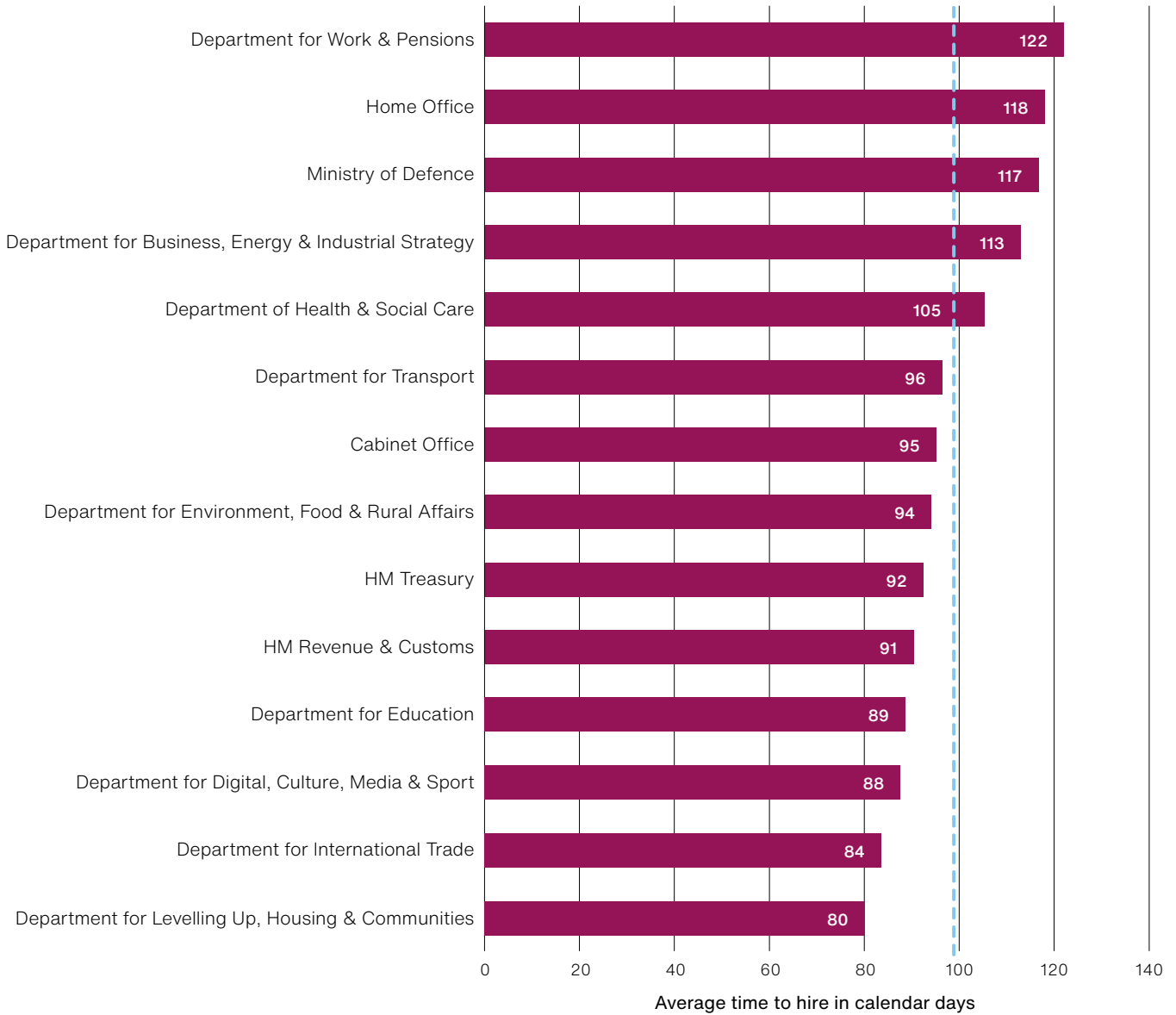
(see right)

Figure 8

Average time to hire in calendar days by department, 2022

Civil service recruitment times vary, with the overall average time to hire across departments being just over three months

Department	Average time to hire in calendar days
Department for Work & Pensions	122
Home Office	118
Ministry of Defence	117
Department for Business, Energy & Industrial Strategy	113
Department of Health & Social Care	105
Department for Transport	96
Cabinet Office	95
Department for Environment, Food & Rural Affairs	94
HM Treasury	92
HM Revenue & Customs	91
Department for Education	89
Department for Digital, Culture, Media & Sport	88
Department for International Trade	84
Department for Levelling Up, Housing & Communities	80

Average time to hire in calendar days

■ Departmental average time to hire

-- Overall departmental average time to hire: 99 calendar days

Notes

1   Two departments were not able to provide time to hire data according to the definition requested (mean average time from job advertisement published to pre-employment checks complete): Foreign, Commonwealth & Development Office and Ministry of Justice.

2   The average time to hire reported by departments is the mean average expressed in calendar days. The overall departmental average time to hire is also the mean of departmental averages.

3   Departments were asked to provide average time to hire data for 2022. Data provided by departments related to the 2022 calendar year, the 2021-22 or 2022-23 financial year, or from March 2022 to February 2023 (the 12-month period dating back from when the data request was made).

Source: National Audit Office analysis of departmental survey data

BACK

Date of correction: 11 December 2023

National Audit Office