Moving On
The costs of high staff turnover in the civil service

Tom Sasse | Emma Norris
About this report

Civil servants in the UK change roles more quickly than their equivalents in other countries or private sector organisations. This rapid movement of staff around Whitehall is deeply ingrained in Whitehall’s workforce model. It has been criticised for more than 50 years. But in the last two decades it has accelerated, with the opening up of the internal jobs market with few controls on movement, and the imposition of a pay freeze and cap, meaning that most staff have to change roles to get a promotion and a pay rise.

This report argues that the current workforce model is unfit for the challenges the civil service faces. The civil service needs to replace it with a system which values specialists as well as generalists; and rewards those who stay in post, build experience and see through projects, as well as those who move through a wide range of roles.

Chapter 1 draws on data available for the first time to set out how quickly staff in different departments, professions, grades and roles move through the civil service.

Chapter 2 describes the problems that high staff turnover causes.

Chapter 3 explains what is causing staff to change roles too frequently.

Chapter 4 assesses the civil service’s efforts to address high turnover.

Chapter 5 contains our recommendations for managing the workforce better.
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Summary

At a moderate level, staff turnover is healthy and refreshing. But when every year, crucial departments like the Treasury lose up to a quarter of their staff; when most senior managers leave their roles every two years, disrupting work and leaving ministers to maintain institutional memory; and when, in just three years, multi-billion pound projects can cycle through five project directors and whole policy teams turn over almost entirely, staff turnover in the civil service is not healthy but debilitating.

Such constant upheaval in Whitehall’s workforce has been criticised by civil servants for more than 50 years. But in the last two decades – with the introduction of an open internal market for jobs and the imposition from 2010 of a pay freeze and cap – it has accelerated. While some staff will always leave the civil service for roles outside, an increasing proportion of staff turnover is due to staff switching departments and switching roles.

In some parts of the civil service – Whitehall, the senior civil service, and among commercial, operational delivery and policy roles – staff turnover is consistently at an excessive level. Several London-based departments consistently lose 20–25% of staff each year. In six departments, a new minister will find four in 10 of their senior officials have been in post less than a year, while permanent secretaries only average around three. Such brevity in role compares poorly with other civil services around the world and equivalent private sector organisations.

This level of personnel change creates four problems. First, it is very expensive. We estimate that excessive turnover in departments costs the civil service between £36 million and £74 million each year in recruitment, training and lost productivity. But this figure only represents a small part of the problem.

Second, excessive turnover harms Whitehall’s ability to make policy – a core task. Whitehall struggles to retain knowledge and expertise in key policy teams. The Coalition Government lost almost all of its experts on homelessness in two or three years after 2010, for example. Ministers, who themselves often move around quickly, frequently complain that they know more about a policy area than the officials who advise them. The quality of policy advice suffers for lack of experience and expertise.

Third, excessive turnover disrupts the implementation of policy in major projects. Universal Credit went through five senior responsible owners (SROs) in less than a year.

between May 2012 and May 2013, for a variety of reasons including poor workforce management. This is just one example where very rapid senior turnover has contributed to muddled project management and missed targets – and ultimately wasted millions of pounds. When project managers change very quickly, it also undermines accountability because those responsible for failures have often left by the time Parliament calls departments to account.

Fourth, excessive staff turnover undermines the effectiveness of the Treasury, which is responsible for ensuring public money is spent well. Around a quarter of the Treasury’s workforce leaves every year, often for better paid roles elsewhere. Some spending review teams, which oversee departmental spending, experience 90% turnover from one review to the next, while the department struggles to retain staff in key areas such as financial services.

Brexit recruitment is making turnover higher across Whitehall – and is illustrating Whitehall’s difficulties with getting staff into key roles and keeping them there. While staff have had to be moved to work on Brexit, some are using the new roles as a promotion opportunity before moving on quickly. This is both bad for Brexit work and disruptive for the areas these staff leave behind.

In 2012, the civil service recognised once more that staff ‘moving from job to job too quickly’ is a major problem. It has proposed solutions including improving workforce management through the functions, improving bonuses and restricting pay increases for those who move. But these measures are failing to curb excessive levels of personnel change because they do not tackle the underlying causes.

The main drivers of excessive levels of turnover are Whitehall’s open internal jobs market coupled with managers’ inability to reward those who stay in post, and a culture which values those who move quickly above those who develop expertise and see through projects; anyone can apply for any job at any time and managers have little means with which to encourage them to stay. This pits departments against one another in a war for talent. Movement of staff around Whitehall appears to be largely unplanned; driven by individuals’ perceptions of how they can most quickly advance their career rather than where the organisation needs skills and experience.

**Recommendations**

As a first step to address excessive turnover, Whitehall must reform pay. Before 2010, almost all staff across the public sector automatically increased their pay each year, regardless of performance. Now civil servants have to move jobs to increase their pay. Neither is desirable.

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** Functions are key parts of the workforce, including commercial, finance and digital, that work across departments.

*** Unfortunately we were not able to access data on the proportion of planned or unplanned moves.

**** A very small number of civil servants (22 in 2017/18) receive temporary pay increases through the Pivotal Role Allowance. We discuss these in Chapter 4.
Instead, Whitehall should implement targeted pay progression, which means those who perform well or acquire extra skills or capabilities are able to increase their pay while staying in post. This is standard in the private and third sectors, and has already been introduced in some parts of government, such as in digital roles and in a national security department. Once introduced, it would be no more expensive than the current system. The Cabinet Office and the Treasury have both expressed a desire to move towards targeted pay progression, but have yet to outline concrete plans for getting there.4

• The Government should introduce targeted pay progression throughout the civil service by 2021. The Chief People Officer, Rupert McNeil, should work with the Treasury, heads of function and permanent secretaries to agree models that work for each profession, department and grade.

Beyond pay, however, Whitehall needs a HR and career progression system fit for the workforce it requires: one that rewards the right mix of specialist skills, policy knowledge and generalist capabilities; and creates a culture that encourages some officials to move through a wide range of roles, while ensuring others stay in post longer, build deeper expertise and complete key projects.

Two key changes are needed to transform how the Whitehall workforce is managed. First, senior leaders in departments need to be made accountable for reducing turnover and improving workforce management. Currently there is no requirement for departments to publish data, which means permanent secretaries have often not taken the issue seriously enough.

• Permanent secretaries should be required to publish key workforce data annually – including turnover levels for the department, individual directorates and key roles – and they should be accountable when departments experience excessive levels of personnel change.

Second, Whitehall needs to move away from the current weak role that HR still has in most departments towards a more strategic one that addresses long-term staffing needs, retention, succession planning, talent management, corporate culture, skill levels and employee performance – as opposed to just payroll, job adverts and background checks. This will rely on improving HR capability and giving it a stronger role in departments.

• Every department should appoint its HR Director to its board, to ensure HR has sufficient capability and a voice at the top table so that it can play a key role in the running of the department.

Stronger HR teams in departments, working with functional heads, will be able to do much more to intelligently manage the way the workforce moves around Whitehall. We offer six recommendations that departmental HR teams should put into practice:

• Identify roles that require longer tenure and those that don’t.
• In roles that require longer tenure, hire people who want to do the job long term and give them specific contracts and opportunities for career development.

• Create specific roles that meet demands for expertise, including at senior levels.

• Use the new recruitment framework* to reward those who build experience and expertise.

• Monitor turnover by team and chain of command, and implement special measures if it exceeds a particular level within a fixed period.

• Establish processes for succession planning and handover.

* The civil service is rolling out a new recruitment framework, ‘Success Profiles’, for scoring interviewees, which includes experience and specific knowledge as categories, unlike the previous ‘competency-based’ approach. We describe these frameworks in Chapter 4.
1 What do we know about turnover in the civil service?

The civil service is the UK’s second largest employer, with 430,000 staff – behind the NHS and just ahead of Tesco. It is responsible for everything from overseeing our education system to collecting tax; from implementing Brexit to delivering major infrastructure projects. But for over 50 years now, the civil service has recognised that its staff changing roles too rapidly is compromising its ability to work effectively. In this chapter, we set out what government data tells us about levels of turnover in different departments, grades, professions and roles, and show how this compares with the private sector and other civil services.

The civil service often argues that its turnover is relatively low compared with other organisations. But this doesn’t count staff moving between departments or moving roles within departments. Using data from the Cabinet Office and the Office for National Statistics, which has not been publicly available before, we show that when moves between departments are included, the proportion of staff leaving departments rises significantly. These transfers, over which the civil service has direct control, account for a significant (and growing) amount of staff movement. If the civil service collected data for staff moving roles within departments, levels of personnel change would be even higher.

While some turnover of staff is necessary and healthy, current levels are damaging and cause a range of problems, including harming productivity, undermining good policy advice and disrupting major projects.

Definitions
There are various words used in Whitehall and elsewhere to describe staff leaving their roles, and they are not always used consistently. For instance, when government departments refer to ‘turnover’, they often only count staff leaving the civil service as a whole – not those moving to another department, or on a secondment or loan from one department to another. In this report, when we refer to staff leaving the civil service, we specify that we are talking about ‘civil service turnover’. Otherwise, we use the word ‘turnover’ to describe all staff leaving a specific department, team or role, including both transfers to other departments and leaving the civil service altogether.


** In Whitehall, the word ‘churn’ is often used to describe movement between or within departments. We decided not to use this description because it is not widely understood outside of Whitehall.
Staff are moving between departments more frequently

The late Lord Heywood, the Cabinet Secretary until October 2018, said in January 2018 that “turnover in the UK civil service is less than in the private sector. There is no sign of it increasing. It is difficult to say we have a massive problem compared with other organisations”. This is correct if you treat the civil service as a single organisation: only 9% of staff leave the civil service entirely each year, which is not especially high. Indeed, Oliver Dowden, the Minister for Implementation, has compared this to average turnover across UK organisations, which was 16.5% in 2016, a figure which includes sectors with very high turnover, such as construction and retail. Even in a professional services firm, a better comparison to the central part of the civil service in Whitehall, average turnover is 12–14%. But the 9% figure counts only those who leave the civil service altogether. The real problem is staff moving around Whitehall more rapidly. In recent years, the proportion of staff moving between departments has been increasing (see Figure 1).

Figure 1  **Percentage of staff moving departments as a percentage of overall leavers, 2010–2018**

Once the figures include people changing department, the picture looks substantially worse. By this measure, there are eight departments with an annual turnover that exceeds 15% (see Figure 2). The Treasury consistently loses around a fifth of its workforce each year. The Ministry of Housing, Communities and Local Government (MHCLG) lost almost a quarter of its staff last year. And up to a third of staff leave the

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* This report focuses on excessive staff movement within the civil service, but it is worth noting that having people move between the civil service and the private and third sector benefits the civil service by giving it access to wider skills and experience. The drivers of people leaving the civil service are different to the drivers of movement within the civil service. For instance, higher pay is available outside the civil service for senior civil servants, staff in London and the South East, and staff in certain roles, such as digital. Institute for Fiscal Studies, *Public Sector Pay: Still time for restraint?*, 2017, www.ifs.org.uk/publications/9805

** We use the term ‘Whitehall’ to refer to the part of the civil service based in central London around Whitehall. This is usually the central part of each department that works with ministers.

*** This was according to the former HR Director of a large strategy consultancy. Other interviewees with private sector experience agreed. A survey by LinkedIn put turnover in professional services at 13%. Booz M, ‘These three industries have the highest talent turnover rates’, LinkedIn Talent Blog, 15 March 2018, https://business.linkedin.com/talent-solutions/blog/trends-and-research/2018/the-3-industries-with-the-highest-turnover-rates
Cabinet Office each year. These rates are very high compared to other civil services and to comparative parts of the private sector.

**Figure 2 Percentage of staff who left each department, 2017/18**

Staff move on more rapidly in the UK than in other civil services

Other civil services do not suffer from excessive staff turnover to the same degree as the UK. In the Australian Public Service (APS), turnover in key departments is more manageable. Turnover in the Treasury, the Finance department and Social Services averages 11–13%, and even in the Prime Minister and Cabinet department (their equivalent of the Cabinet Office) it reaches only 13.9%. Fewer people have experience in multiple departments – in fact, it is common in Australia for departmental heads (the equivalent of permanent secretaries) to spend most of their career in one department. Indeed, the APS has identified that is has the opposite problem to the UK: it needs to encourage more staff to get experience in multiple departments, particularly those likely to go on to senior roles. However, it is possible to have senior staff who have served in several departments over the course of 20- or 30-year careers, without having anything like the annual turnover levels in the department that the UK does. In New Zealand, turnover in departments is lower and turnover of managers (including moves between departments) averages 10%, but nonetheless most senior staff have experience in more than one department.

* Government’s reporting of workforce data changed in 2017, with 2,000 fast streamers moved from being counted in HM Revenue and Customs to being counted in the Cabinet Office. These fast streamers work in various departments and their moves between departments are not counted as departmental transfers; they are only counted as having left the Cabinet Office when they leave the fast stream. Their inclusion skewed the data to make it appear that Cabinet Office turnover had fallen significantly (by more than 10%) in 2017/18 compared with turnover of more than a third in the previous three years. We therefore decided it would be more accurate to exclude these fast streamers from our turnover calculations for the Cabinet Office.

We have recommended to the Cabinet Office that for the purposes of improving workforce management, they continue to calculate workforce data based on their real staff headcount (i.e. people who work in the department) as well as including any changes to the structure of the civil service.
Rapid staff turnover in the UK civil service is a problem in Whitehall and in senior roles

Looking at turnover in whole departments only tells us so much. As Figure 2 shows, in several UK departments, turnover levels appear moderate, even taking into account staff moving between departments. In fact, in some large delivery departments like the Department for Work and Pensions (DWP), turnover looks quite low. That is because very rapid turnover is only really a problem in specific parts of the civil service: in London, or more accurately in Whitehall; in the senior civil service (and at Grades 6 and 7 in some roles); and in particular professions (such as commercial, project delivery and policy).

Turnover is highest among officials in Whitehall – and in those departments, roles and professions mostly based there – because the labour market for civil servants based in Whitehall is unusual. Almost 80,000 civil servants work in London; around one fifth of the total civil service workforce and more than any other region. This includes two thirds of the senior civil service and two fifths of Grades 6 and 7. With almost 80,000 roles, there are always opportunities to apply for promotion. As one Whitehall-based Grade 7 civil servant told us, “you are always on the lookout for a move”. Indeed, an ex-senior civil servant, reflecting on his career, joked, “I’d been in the department six months so it was time to start looking for something else”.

In other parts of the country it is different. In cities with ‘clusters’ of civil service offices, such as Leeds, there are promotion opportunities, but they are limited. Interviewees told us that turnover was considerably lower in these places (we were not able to access data for regional offices). More remote offices have the opposite problem to London: opportunities to move up are very limited, and workforces are more likely to be stagnant.

Overall turnover is much lower in large delivery departments like DWP and the Home Office because the front-line workforce in job centres and immigration centres around the country (who are from the operational delivery profession) is more stable. But focusing in on senior officials shows these departments also suffer from very disruptive levels of staff change.

In seven departments, a third of senior officials leave the department each year

Senior civil servants (SCS) – the top 4,500 officials in the civil service – are responsible for overseeing and managing all the most critical work of the civil service, including public services, major projects and (at the moment) Brexit. But on average senior civil servants stay less than two years in post. Seven of the departments for which data was available lost 30% or more of their senior officials each year to other departments (see Figure 3). Senior turnover data was not available for the Department for Exiting the European Union (DExEU), the Department for International Trade (DIT).

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* The senior civil service (the top 4,500 officials in the civil service), covers Grades 1 to 5.
** Both to a smaller range of departments, and a smaller range of roles, particularly at senior levels.
*** Turnover is also lower in certain departments that have a large number of staff who enter government specifically to work in certain policy areas, such as the Department for International Development.
**** The Government’s evidence to the Senior Salaries Review Body said ‘median time in post for SCS is just under two years; median time in pay band is three years’. The civil service set out an expectation that SCS would stay in post for four years in the mid-2000s, but it has struggled to make progress towards this. Interviewees told us that HR managers were unclear whether this expectation remained in place.
and the Department for Business, Energy and Industrial Strategy (BEIS) – which all have high overall turnover.

**Figure 3** Percentage of senior civil servants who left the department, 2016/17

Source: Cabinet Office data shared with the Institute for Government

**Adding moves within departments shows even more staff changing roles**

On top of this, there is internal turnover – staff moving between roles within departments.* We were able to access these figures for the SCS and, when added to the number of staff moving through roles, staff changes climb even higher.** Figure 4 shows that in six departments, a new minister will find that more than four in 10 of their senior officials have been in post less than a year, and in the space of just two years, a majority of their senior officials will have left their roles. In the majority of departments the proportion of senior civil servants who have been in post less than a year has increased since 2013/14; in the Cabinet Office, MHCLG and Defra it has almost doubled.¹² Unfortunately similar figures were not available beyond the SCS.

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* We cannot discern whether staff are moving from one role to another within the same area of departmental work, or to a completely new area.

** ‘Staff in post for less than a year’ is a proxy that captures internal moves.
WHAT DO WE KNOW ABOUT TURNOVER IN THE CIVIL SERVICE?

Figure 4 Percentage of senior civil servants who left the department or have been in post less than a year, 2016/17

This compares very unfavourably with other civil services and the private sector. In the New Zealand civil service, as described above, turnover of managers averages only 10%, while interviewees told us that managers in professional services firms stay in post longer. And it is not only managers where the civil service compares poorly: permanent secretaries also move on much faster than leaders in the private sector and other civil services.

Permanent secretaries are moving roles after three years
Permanent secretaries are responsible for the long-term health of departments and must develop a close working relationship with ministers. The late Lord Heywood said that he tried to “establish a norm that permanent secretaries stay in their role for five years; they do not dart around every two or three years... unless there is some major problem”. But the average time in post of the current group of permanent secretaries is just two years and nine months, while the average tenure of all permanent secretaries appointed in the last 10 years is a mere 3.2 years (see Figure 5). Since 2010, nine departments have had three different permanent secretaries and three departments have had four different permanent secretaries (excluding interim appointments). This makes life difficult for ministers. When Sir Mark Sedwill was appointed Permanent Secretary of the Home Office in 2014, he noted that he was the fourth permanent secretary to have served the then Home Secretary, Theresa May, since she assumed office in 2010 (including a six-month interim in 2012–13).

* This figure is for the heads of the 18 major Whitehall departments as of 1 September 2018. It excludes the Wales and Northern Ireland offices, and other permanent secretary-level roles such as the National Security Adviser.
** This is for permanent secretaries who were appointed after 1 January 2008 and have completed their tenure as permanent secretary (i.e. it excludes those currently serving).
Serving permanent secretaries have only been in post a year longer, on average, than English football managers, who are hired and fired notoriously quickly (see Figure 6). By contrast, the average UK Chief Executive Officer (CEO) is currently in position for almost five years, down from over eight years in 2010. The average American CEO is in place for eight years.16
High turnover of permanent secretaries is especially damaging since ministers themselves move roles frequently, meaning the political direction of government departments may change frequently as well. While this report focuses on the civil service, high ministerial turnover is a closely related problem, which we have examined elsewhere.\(^1\)

**It is difficult to assess turnover in different professional groups, but some have started to make improvements**

Beyond rapid movement at senior levels, turnover also appears to be especially damaging in certain professional groups. The evidence we have seen suggests that turnover has caused particular problems in certain functions and professions,\(^2\) including commercial, project delivery and policy. Unfortunately, however, the quality of data on turnover in different groups is not sufficient to compare them properly. Most functions and professions we asked did not collect useful data on turnover or track how long staff stayed in roles – and the data collected centrally is of insufficient quality because several departments fail to report which professional groups any of their staff are from.

It is possible to assess turnover in senior roles in the project delivery profession because it has been reported for several years. Figure 7 shows that turnover of senior

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\(^1\) Some civil service turnover is driven by ministerial turnover. We discuss this in Chapter 2.

\(^2\) There are 12 functions and 25 professions. Functions are key parts of the workforce – including commercial, finance and digital – which have been given extra powers and resources to work across departments. Heads of function have clear responsibility for setting standards and ensuring the function has the right people, skills and capabilities. These functions have been created on top of the 25 professions – including policy, tax science and engineering – which are more informal professional networks which existed previously. See McCrae J and Gold J, *Professionalising Whitehall*, Institute for Government, 2017, [www.instituteforgovernment.org.uk/publications/professionalising-whitehall-september-2017](http://www.instituteforgovernment.org.uk/publications/professionalising-whitehall-september-2017)
figures on major projects is still very high. At current rates, almost half of project directors\(^*\) and a quarter of senior responsible owners\(^**\) leave their roles each year. However, this is a significant reduction on levels in 2012/13, when the project delivery profession first recognised that turnover was much too high.\(^***\) This was causing significant implementation problems for major projects, including Universal Credit and the West Coast Mainline Franchise (which we describe in the next chapter). To address this, the project delivery profession worked with the Infrastructure and Projects Authority to: monitor turnover more accurately across the 150–200 projects in their portfolio; emphasise expectations about time in post; and provide more support on projects that come under pressure. Turnover of senior responsible owners has fallen steadily, while turnover of project directors has recently started climbing again, probably driven by senior staff moving to work on Brexit.\(^****\)

Figure 7 Quarterly turnover for leaders of major projects (rolling three-month average)


Rapid staff movement looks unlikely to slow down anytime soon

Various factors have contributed to the rapid staff movement we describe in this chapter, such as the civil service pay freeze and pay cap, and the recruitment drive for Brexit roles. And it is currently set to remain high. The Civil Service People Survey shows that the majority of civil servants do not expect to be in their current department in three years’ time (see Figure 8). In over half of departments, more than a fifth of officials expect to leave their organisation within the next year.

\(^*\) Programme or project directors manage the day-to-day running, and are accountable to the project senior responsible owner.

\(^**\) Senior responsible owners oversee delivery, establish effective governance around projects and secure the resources necessary to ensure success. They are accountable to parliamentary select committees for explaining the decisions and actions they take.


\(^****\) The Infrastructure and Projects Authority note that some senior responsible owner turnover is due to departments being restructured, rather than people leaving their roles.
WHAT DO WE KNOW ABOUT TURNOVER IN THE CIVIL SERVICE?

Figure 8 Intention to leave by government department

The quality of government’s workforce data is poor

The data presented in this chapter offers the clearest picture possible of how staff move around the UK civil service. It is the first time such a picture has been available. But our understanding is hampered because some of the most important data is not collected or is of insufficient quality.

Departments do not track turnover in role, including moves within the department. This means they have little ability to distinguish between the needs of different roles: some require deep expertise and continuity, whereas in others, people moving through more quickly is less of a problem. Many departments also do not collect basic workforce data, such as turnover rates by directorate or team. There is also limited data available on turnover in different professional groups, as described above, and there is no data collected on how many different departments staff have worked in.

The significance of this poor data collection and data quality is not that it is a hindrance to researchers like us, but that government does not have sufficient understanding of its workforce to manage it properly. One Whitehall Human Resources (HR) Director described data as an ‘Achilles heel’ for many departmental HR teams. Other civil services, such as those in New Zealand and Australia, and private sector companies, collect much better information about their workforces.


2 Why does this matter?

Some level of turnover is inevitable and desirable. A team with very low turnover can become stagnant and resistant to, or lacking in, new ideas. But staff moving too frequently in Whitehall causes serious problems, including millions of pounds of wasted money, insufficient expertise in key policy areas and major project delivery failures. In this chapter, we set out the most significant consequences of the excessive turnover documented in Chapter 1.

High turnover is expensive

Whitehall’s workforce model is expensive and inefficient. High turnover adds significant direct costs to departmental ledgers: recruitment is expensive and time-consuming; and departments invest significant resources in training staff, who then move on quickly. But the indirect costs are even greater. Excessive staff movement reduces Whitehall’s productivity. Overall, we estimate that excessive turnover currently costs the civil service at least £36 million a year, and could be as much as £74 million. Individual case studies point to areas where the costs have been significantly higher, such as when insufficient expertise or poor management have led to major projects hitting implementation problems.

Recruiting new staff is expensive

Recruitment – advertising roles, sifting applications, interviewing candidates – is a major drain on resources, particularly for departments replacing a quarter of their staff each year. When staff spend a lot of time interviewing candidates, they must drop other priorities. Some departments use recruitment agencies to avoid this, but they are also expensive: the Department for International Trade (DIT), which was created in 2016, spent £1.15 million on recruitment agencies in its first year alone.** In 2009, the National Audit Office (NAO) assessed the total costs of recruitment per employee in three departments:** the Ministry of Justice and the Ministry of Defence estimated that they spent £1,400 and £2,676, respectively, for each post filled in the year 2007/08 – over £5.4 million in total.**** The Department for Work and Pensions (DWP) was unable to provide a figure because it had not collected sufficient data.

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* Departments face a trade-off: using recruitment agencies reduces the burden on current staff, but we heard evidence that when permanent staff are not involved in recruitment, it can lead to unsuitable appointments, and ultimately more turnover.

** This information was made available due to a parliamentary question. Lord Price, Answer to question by Lord Adonis HL747, 27 July 2017, www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2017-07-12/HL747/.

*** Unfortunately, this was the most recent internal or external assessment of the costs of recruitment in Whitehall available.

**** This was for over 1,000 recruits in each department. We did not find more recent estimates for the civil service than this. National Audit Office, Recruiting Civil Servants Efficiently. 2009, www.nao.org.uk/report/recruiting-civil-servants-efficiently/
Training new staff is costly
Departments provide new employees with everything from basic orientation and core skills training, to specialist skills training needed for a specific role. Between 2012 and 2016, departments spent around £250 million on centrally-provided core training through Civil Service Learning (CSL), managed by Capita.¹ But this training contract was widely deemed to be inadequate and did not cover the cost of specialist training or in-house training, which some departments like the Treasury use instead.² Recruitment and re-training costs quickly start to add up. In the UK legal sector, it costs around £6,500 to recruit and train a replacement for someone earning £25,000 or more. Unfortunately we did not find a comparable estimate for the total direct costs of turnover in the civil service.

The fall in productivity caused by excessive turnover is even costlier
Although significant in their own right, direct costs are only a small part of the overall costs associated with turnover. Far more significant is the loss of productivity across the civil service caused by excessive turnover.³⁻⁻⁻

There are two ways of thinking about turnover and productivity. At the individual level, each time a person leaves and is replaced by a new employee, the organisation incurs a fall in productivity, mostly because of the time it takes for the new employee to become fully productive.⁴⁻⁻⁻ While new staff find their feet, their output is lower. At the organisational level, studies show that productivity falls when turnover exceeds an optimum level.⁵ Very low turnover is associated with low productivity: staff lack new ideas and incentives to perform well. But excessively high turnover is also associated with lower productivity: too many staff have insufficient knowledge and expertise about how to do their jobs, which makes it hard to run the organisation well. The level of turnover considered ‘optimum’ varies by sector; we did not find an agreed ‘optimum’ level of turnover for the civil service.⁶⁻⁻⁻

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² The Capita contract was deemed a failure by the National Audit Office and we heard repeated questions about the quality of training provided through it during our interviews. The cost of providing adequate core training is likely to be more expensive. National Audit Office, Our Enquiries into Civil Service Learning’s Contract with Capita, 2015, www.nao.org.uk/wp-content/uploads/2015/03/Our-enquiries-into-civil-service-learnings-contract-with-capita.pdf
⁴ The amount of time varies significantly by role: we found estimates varied from three months for administrative roles to two years for more specialist roles or managers. In addition, some studies showed that when employees decide to leave, their productivity dips in the time before they leave, although this is a smaller factor. Oakes K, ‘How long does it take to get fully productive?’, Training Industry Quarterly, 2012, www.nxtbook.com/nxtbooks/trainingindustry/tiq_2012winter/index.php?startid=60#40
⁵ For example, 12–14% is considered optimum turnover for strategic consultancies, which several interviewees said were a good comparison to Whitehall, whereas the optimum level is likely to be higher in sectors such as retail and construction where working patterns are very different.
While the productivity losses associated with high staff turnover in the civil service have not been sufficiently examined, the link between high turnover and lower productivity in other sectors is strong, for example:

- A 10% increase in teacher turnover in primary schools in London was found to be associated with a decline of 2–2.5% in pupils’ SATs (Standard Assessment Tests) scores.2

- A study of United States (US) hospitals found higher turnover was related to lower rates of childhood immunisations, and of screenings for cholesterol and cervical cancer.3

- High turnover of mortgage bankers in the US was associated with lower productivity and lower profits.4

- A study of senior management teams in over 350 US companies found that high turnover had ‘deleterious effects’ on a firm’s performance.5

In Chapter 1 we showed that turnover in many departments and key roles in Whitehall is much higher than other civil services or private sector organisations. In the rest of this chapter, we set out how this high turnover undermines civil service performance. Overall, this evidence supports the view that in many departments, and in senior roles, turnover exceeds optimum levels – and public statements suggest this is a view shared by departments themselves.** The weight of evidence from a range of organisations quoted above supports the conclusion that productivity in Whitehall suffers as a result of this excessive turnover.

** It is difficult to calculate turnover costs for a whole organisation accurately

There is strong evidence that staff turnover incurs significant costs in recruitment, training and lost productivity, and high turnover is particularly damaging. But calculating exactly how much organisations could save by reducing turnover is difficult. To do so, organisations need to do significant work to know what their optimum levels of turnover are and how much each role that turns over beyond this costs them.

Existing estimates of the costs associated with turnover in different roles vary significantly – from 30% to over 250% of salary – depending on the type of role and who fills it:

- Administrative or entry-level roles are typically found to be less expensive to replace: it is quicker to find new staff, training costs are lower and replacements take
less time to reach full productivity. Most estimates put the cost at around 30% of salary. 

- More complex ‘knowledge-based’ roles, like most jobs in Whitehall, are more expensive to replace because it can take staff six months to two years to reach full productivity. In order to prepare a submission for a minister, for example, civil servants have to learn the particular nuances of what is required. While estimates vary, several studies put costs at around 100% of salary for mid-level complex roles.

- At senior levels, where staff movement in Whitehall is especially rapid, turnover is much more expensive than it is at junior levels. It is harder to find senior replacements and they take longer to become fully effective in their roles. Moreover, when managers change frequently it reduces the productivity of a whole team or organisation: the direction of work becomes confused, strategic relationships with other organisations are weakened and performance incentives on staff are reduced. Several studies put the costs of senior turnover at 200–250% of salary.

- Exactly how large the costs are will also depend on the performance of the person leaving their role and the characteristics of their replacement. When replacements come from the same sector, it tends to be less expensive because they come with more relevant existing knowledge and learn more quickly. It is likely to take longer for someone joining from outside the civil service to learn how to do a Whitehall role than someone switching departments. That said, some moves in Whitehall still entail staff changing to very different roles.

Departments need to develop their own models for estimating costs, based on management information, exit interviews and qualitative research with staff. For instance, they need information on turnover levels in different teams, how long it takes for new staff to become fully effective, and how long before they start to become stale; how turnover of different types of staff affects the performance of the rest of the team; and the costs associated with recruitment, training, and lost productivity. But most organisations do not have this information.

**We estimate that excessive turnover costs the civil service £36 million – £74 million each year**

Given the absence of this information for the civil service, we have produced a range of estimates for what Whitehall could save by reducing turnover, using different assumptions about optimum levels of turnover and the cost of turnover in each role, drawn from the wider academic literature, industry reports, government reports and analysis by HR experts and consultants.

We estimated figures for four different scenarios. These assume optimum turnover rates of between 20% and 12% – which corresponds to staff staying in each role.
department for between five and eight years on average – and assume that the cost to the department for each member of staff who turns over more quickly than this is somewhere between 100% and 200% of the annual cost of employing them. We set out our full method and workings in Appendix 1.

The results from our four scenarios are summarised in Table 1. We estimate that excessive turnover costs the civil service between £35.9 million and £74.4 million each year in recruitment, training and lost productivity.

Table 1  Summary of costs of excessive turnover using different assumptions

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Cost of replacing each worker (as % of total annual employer cost)</th>
<th>Target turnover rate</th>
<th>Total annual costs (£ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100% across the workforce</td>
<td>15% for junior and mid-level (delegated) staff; 20% for senior staff (SCS)</td>
<td>35.9</td>
</tr>
<tr>
<td>2</td>
<td>100% across the workforce</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>53.6</td>
</tr>
<tr>
<td>3</td>
<td>100% for junior and mid-level staff; 150% for senior staff</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>64</td>
</tr>
<tr>
<td>4</td>
<td>100% for junior and mid-level staff; 200% for senior staff</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>74.4</td>
</tr>
</tbody>
</table>

Staff moving roles too quickly undermines good policy making

“I sat there for six and a half years, looking at the third, fourth, fifth generation of a person doing a particular area: there is no corporate knowledge retained. That’s just a massive vulnerability.”
Lord Freud, Minister of state for Welfare, 2010–2016

Policy teams need knowledge, skills and good relationships with key organisations in their sector in order to be effective. Crucially, they need to maintain these things over time. But rapid turnover often prevents this from happening. Policy civil servants move quickly and often they move between completely different policy areas. It is not uncommon for the large majority of a team to depart in the space of two or three years, meaning new staff have to rebuild knowledge and relationships largely from scratch.

Some level of movement of policy staff is necessary and beneficial. Moving between different types of role can help officials develop generalist skills – such as how to work with ministers – and prevents teams from becoming stagnant. Ministers also often want policy officials to move to work on their own priorities, which can contribute to staff turnover. But at the moment, staff are leaving roles too quickly; either before they have mastered an area, or before government is able to benefit from the skills and

* It is not possible to calculate tenure or average turnover of policy officials because of insufficient data quality. Ed Straw, a former political adviser, described civil servants regularly moving from ‘education to housing; domestic violence to primary teaching; industry productivity to police budgets’. Straw E, The Dead Generalist, Demos, 2004, www.demos.co.uk/files/TheDeadGeneralist.pdf. A Coalition Government special adviser said of Whitehall, “there is no inherent expertise in this building. You would presume they would know the ins and outs… they move everybody every two to three years… to something completely irrelevant”. Haldenby A, Whitehall Reform: The view from the inside, Reform, 2012.
knowledge they have developed. And there is a lack of differentiation between more generalist roles, where staff moving through more quickly does not matter as much, and those that need more specialist knowledge and therefore staff that stay in post longer.

**Ministers are concerned about rapid turnover**

Ministers need policy officials to give them high-quality advice based on robust analysis. They must be confident that advice is grounded in a strong understanding of the policy area and the evidence; and that officials are prepared to give honest assessments of the different options on the table and challenge a minister’s reasoning (while ultimately accepting their decisions). This is at the core of how government works.

Among some ministers there is concern that Whitehall’s workforce model can prevent officials from developing sufficient expertise. A range of former ministers interviewed for the Institute for Government’s Ministers Reflect series highlighted this as a problem:

- Oliver Letwin, a Cabinet Office minister who worked across a wide range of policy areas in the Coalition Government, said that too often when discussing policy “people just didn’t know what they were talking about” or have any evidence behind it. He argued that the subject area expertise of officials had diminished significantly since the 1980s, partly as a result of civil servants moving between departments more often.

- Lord Freud, who played a key role in Universal Credit as Welfare Minister from 2010 to 2016, said that he became the institutional memory in DWP: “I sat there for six and a half years, looking at the third, fourth, fifth generation of a person doing a particular area: there is no corporate knowledge retained. That’s just a massive vulnerability.”

- Chris Huhne, Secretary of State for Energy and Climate Change in the Coalition Government, identified particular problems in the Treasury: “It is a department that has massive problems; its staff turnover is enormous. You know, any professional organisation that has a staff turnover like the Treasury’s should really be worried. I can’t think of any other professional organisation I’ve ever dealt with that has those sorts of problems and, as a result of that staff turnover, there are people who arrive in responsible jobs who, frankly, don’t know enough about the job they’re meant to be doing. I think that’s really regrettable.”

- Greg Barker, Minister of State for Energy from 2010 to 2014, said he found the “fact that the civil servants changed so frequently really frustrating” because new officials did not understand the policy they were discussing. Barker said he would “have to ask all sorts of follow-up questions to get an answer that should have been clear” when discussing a complex policy area such as the Renewable Heat Initiative, a renewable energy subsidy scheme.

The late Lord Heywood recognised this: “Ministers raise this issue quite a lot,” he told the Public Administration and Constitutional Affairs Committee. “They get used to
somebody being their expert adviser in an area and then after three years that person gets whisked off on promotion to somewhere else.” The Better Government Initiative, a group of former permanent secretaries and senior civil servants, put it more strongly, concluding in 2017 that ‘excessive churn in staff deployment... weakens subject expertise and corporate memory’.21

Rapid turnover damages Whitehall’s institutional memory

Institutional memory is vital to any organisation. It shapes everything from how staff perform basic tasks, to how they learn from past mistakes and improve, or ensure that work is not being repeated unnecessarily. But excessive turnover in Whitehall is damaging institutional memory, with negative consequences for policy making.

Institutional memory is stored in either people or systems. But Whitehall’s knowledge management systems are very poor. In 2017, the Cabinet Office said that most of the information civil servants had accumulated in the past 15 to 20 years in carrying out work is ‘poorly organised, scattered across different systems and almost impossible to search effectively’.22 In practice, civil servants cannot access previous work to find out whether policy proposals had been investigated or rejected and why. The civil service is trying to improve this, but so far has made little visible progress.23

Teams in Whitehall therefore rely on people to act as institutional memory, but high turnover undermines this strategy: knowledge is lost when key individuals leave.24 Often entire teams leave in a short space of time: for instance, from 2010 MHCLG lost almost its entire homelessness team (more than 20 staff) in the space of two or three years, including subject experts and directors with links across Whitehall. This degrades the knowledge government has accumulated.25 Indeed, in the case of homelessness policy, attempts to rebuild the team and develop a new strategy have been criticised for failing to adequately draw on past experience: Geoff Mulgan, Chief Executive of Nesta, who was involved in the Government’s homelessness policy in the 2000s, said “there is very little sign that either government or opposition is even dimly aware of what was done [before]”.26 We found similar upheaval in policy areas including further education and industrial strategy.27

The inquiry into the botched Renewable Heat Incentive scheme in Northern Ireland also identified a loss of knowledge as a critical factor in its failure: within a period of six months the whole chain of command turned over and ‘the baton was dropped’.28 ‘High turnover of staff... meant that important knowledge about how the complex

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** Institutional memory is a collectively held set of facts, concepts, experiences and knowledge that organisations build up over time.

*** Following the 2015 Alex Allan review, a team was set up in the Cabinet Office to take forward its recommendations, which included renewing efforts to improve compliance. It is looking at: how to make existing information searchable; how to develop new standards, guidance and naming conventions for future information; and the platforms and funding needed for future systems. However, in most departments we spoke to, little has so far changed. Sasse T and Haddon C, How Government Can Work with Academia, Institute for Government, 2018, www.instituteforgovernment.org.uk/publications/how-government-can-work-academia

scheme operated was lost as officials moved to other parts of the civil service'.

The combination of poor knowledge management and rapid turnover creates what has been called ‘collective amnesia’. This is expensive not only when policy goes wrong, but over the long run as work is replicated. In total, the Government has estimated that ‘wasted effort recreating old work’ costs £500 million a year.

**Frequent turnover disrupts relationships which are vital to effective policy making**

Good policy is not made in isolation. It relies on policy teams having strong relationships with others, including:

- other teams in the department, other departments in government (especially departments in related areas, such as health and welfare; the Treasury; and, in sensitive areas, Number 10), arm’s-length bodies and devolved governments

- delivery organisations, for instance NHS England and local authorities, and regulators

- key groups affected by policy changes, for instance businesses or groups representing the people using services and non-governmental organisations (NGOs)

- organisations that provide evidence and expertise to help inform policy, such as think tanks and academia.

These links are especially important given the lack of institutional memory. But staff constantly changing disrupts these relationships – not least because in Whitehall contacts are often not handed over when staff leave. Within Whitehall, civil servants struggle to keep up with the rate of change and progress is frustrated. In the case of homelessness policy, a 2016 report found the department’s subsequent inability to influence and co-ordinate other departments was a key factor in its failure to reduce homelessness.

Public bodies similarly struggle with civil service job-switching. A survey of public bodies found high turnover in sponsorship teams in departments was a common problem. Graham Farrant, Chief Executive of HM Land Registry until December 2018, told us that in almost four years they had been through four ‘lead contacts’ at UK Government Investments, their sponsor body, and the same number at the Treasury. Almost all the Treasury officials they worked with on the 2015 Spending Review had left; policy contacts in BEIS rarely lasted more than 18 months; and there was almost no one left in the Government Digital Service who understood the thinking behind a programme of work from the start. “Constantly going back to first principles” delayed...
projects and was “hugely frustrating”. Civil servants at other public bodies we spoke to told a similar story.

Businesses have the same complaint; that their points of contact in Whitehall change frequently without any handover.\textsuperscript{33} This has been a particular gripe among industry stakeholders engaging with government on Brexit.\textsuperscript{34} Academics tell us that it is very difficult to find out who to speak to about a subject in Whitehall – and when they find the right person, invariably the person moves on rapidly and they have to rebuild relationships from scratch.\textsuperscript{35} Because relationships are not handed over, policy officials often do not know who the expert is on a particular subject, which makes it harder to base policy on rigorous evidence and expertise.

**Leadership turnover jeopardises major projects**

Many government policies are delivered through the implementation of a project or programme, yet government often struggles to keep staff in place to oversee projects.\textsuperscript{36} This can lead to implementation failures and wasted money. There are signs that government has started to get a grip on major project turnover, but there is still much further to go.

**Major projects need stable leadership**

Many government projects are extremely large and complex. The Infrastructure and Projects Authority (IPA) oversees a portfolio of 133 ‘major projects’ totalling £423 billion.\textsuperscript{37} Current projects in the portfolio include courts transformation, changing the government’s largest IT supplier, and building a railway between Oxford and Cambridge. In 2016, the NAO concluded that the government’s track record on delivering major projects was ‘poor’.\textsuperscript{38}

A key reason for this is that many major projects have suffered from rapid turnover of senior responsible owners (SROs) and project directors. The NAO found that ‘only four of the 73 programmes that had been in the Portfolio for four years hav[e] had a single senior responsible owner during that time’, while over half had at least three SROs in four years.\textsuperscript{39} Turnover at senior levels often contributes to, and is compounded by, turnover in the project team.

The three case studies below demonstrate how turnover of key senior officials can undermine project delivery across government departments. It is in troubled major projects like these that Whitehall’s turnover problem really hurts the exchequer. Just taking these three case studies into account, failed implementation has wasted more than £235 million.

**Chaotic changes in leadership damage the implementation of major projects**

The case of Universal Credit shows how even top government priorities can be undermined and disrupted by dizzying leadership turnover, with severe consequences for thousands of citizens.

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\textsuperscript{36} ‘Major projects’ are defined as ‘those which require spending over departmental expenditure limits, require primary legislation, are innovative or contentious’. GOV.UK, Major Projects Authority, [www.gov.uk/government/groups/major-projects-authority](http://www.gov.uk/government/groups/major-projects-authority)
**Case study: Universal Credit (DWP)**

When Iain Duncan Smith was appointed Secretary of State for Work and Pensions in the new Coalition Government in 2010, he already had the blueprint for transforming the welfare system. Dynamic Benefits, a book-length policy paper published by the Centre for Social Justice think tank in 2004, described in detail a model for ‘a new benefit system’ called ‘Universal Credits’. But upon trying to implement this huge change in 2010, the policy foundered. The reasons for this were numerous. As Tony Meggs, Chief Executive of the IPA, has said, much of the initial planning was done without engaging delivery teams, which led to costs and delivery timelines that were over-ambitious and did not account for the scale of transformation being proposed. Some officials said ministers also had unrealistic expectations and there was a ‘good news’ culture in which problems were not discussed.

But a key factor in Universal Credit’s ‘troubled birth’ was chaotic management. Between 2012 and 2013, the project went through five SROs in the course of a year. The project also had five programme directors between 2010 and 2013. Partly this was down to tragic circumstances: Philip Langsdale, the SRO who many insiders credited with getting a grip of the project, died in 2012. But it was also down to poor management of people. For instance, the previous SRO took early retirement due to stress after being made responsible for Universal Credit alongside another role as Chief Operating Officer for the department. The department was unable to ensure stable leadership of this vital project. Universal Credit did not have a project director and SRO working continuously together for more than a few months.

As the NAO has said, although turnover was far from the sole cause of Universal Credit’s problems, it did contribute to mistakes and wasted resources. Problems in early implementation led to £130 million worth of information technology (IT) work being written off entirely or phased out because it was deemed of insufficient quality by new leaders who came in to replace those that left – and a 2015 Public Administration and Constitutional Affairs Committee (PACAC) report suggested this figure was conservative for wasted IT work over the project. Claimants moving onto the system in pilot sites encountered significant problems, including delays in receiving benefits. This was caused by the division between the policy and delivery projects, which persisted for too long as SROs and project directors kept changing. The NAO was highly critical of DWP leadership for not having a sufficient blueprint for how it would move people from the old system to the new one. Frequent staff turnover also led to a lack of accountability for the programme’s problems.

After prolonged implementation problems, the project was officially ‘reset’ in 2013. The two-year timeline for implementation was scrapped and replaced with a ‘test and learn’ approach – adapting the system based on feedback. Leadership has been more consistent (the SRO who took over in 2013 remains in place) and implementation challenges have started to abate (the Major Projects Authority have judged it ‘amber’ since 2013). But the NAO remains critical of Universal Credit. The department still pays one in five people late, and auditors found the programme’s ‘value for money’ remains unproven.
While less high profile outside of Whitehall, the story of the Department for Environment, Food and Rural Affairs’ (Defra) Common Agricultural Policy Rural Payments Scheme bears many similarities to Universal Credit: the implementation of a complex IT system for managing payments to end users failed, leading to missed targets and wasted money. Similarly fast-changing leadership, which resulted in constant and unnecessary changes in focus and leadership style, contributed to the project’s failure.

**Case study: Common Agricultural Policy Rural Payments Scheme (Defra)**

The Common Agricultural Policy (CAP) is a European Union framework of subsidies for rural development. The UK currently receives around £3 billion per year in CAP payments. Many farmers rely on these subsidies for financial stability. CAP payments are delivered in England by a combination of Defra, the Rural Payments Agency and the Government Digital Service. Defra took on responsibility for CAP in 2012 but encountered significant problems in taking on this role: between 2012 and 2015, delays in payments caused significant anxiety and hardship for farmers. The project went £60 million over budget.

Turnover in senior roles was found to be central to these problems. The NAO pointed out that the project had four different SROs in three years, ‘each from a different background and each bringing their own style, vision and priorities’. It even produced a diagram showing constant changes in leadership and governance arrangements. The Public Accounts Committee agreed with the NAO’s analysis that leadership change had contributed to implementation problems, finding that ‘frequent changes in leadership were accompanied by changes of direction, shifts in focus and further disruption’.

Senior turnover has not only been a problem for the implementation of major IT projects, as the West Coast Mainline project shows.

**Case study: West Coast Mainline (Department for Transport)**

In August 2012, the contract for operating the InterCity West Coast rail line was awarded to FirstGroup. Virgin, a rival bidder, was due to make a legal challenge to this decision but, before they did, Patrick McLoughlin, the then Secretary of State for Transport, cancelled the contract, citing “significant technical flaws” in the 15-month bidding process. “The original model didn’t take into account inflation and some evidence of the passenger numbers increase over a number of years”, he said. The cost of cancelling the contract was £40 million. Three civil servants were suspended.

Reviewing the botched tendering process, Sam Laidlaw, the Department for Transport’s (DfT) lead Non-executive Director, found inadequate planning and preparation, deficiencies in organisational structure and resourcing, and weaknesses in governance. Staff turnover played a role in all of these. Laidlaw
said ‘there was a lack of continuity in senior leadership roles within the DfT and in oversight of the ICWC [InterCity West Coast] franchise process’. Laidlaw also criticised the department’s wider staffing model, saying ‘responsibility for the complex procurement was left in the hands of relatively junior civil servants’ with limited commercial expertise.

The West Coast debacle led to greater scrutiny of DfT’s management of major projects. The NAO published a critical report in 2012 which identified problems with project management across the department. DfT had four permanent secretaries in two years and multiple changes in directors general responsible for major infrastructure projects. Responsibility for Crossrail was juggled around the department and the project was rescued only by continuity in the management of the department’s delivery partners, Transport for London and Crossrail Limited. ‘Such high turnover impedes the Department’s ability to discharge its responsibilities’, and ‘raises questions about whether there is sufficient continuity to achieve long-term infrastructure projects or service contracts’, the NAO concluded.

Turnover of senior responsible owners has improved, but turnover of project directors remains high

In 2012, the Cabinet Office set a target to ‘significantly reduce the turnover of Senior Responsible Owners’. It recognised that that SROs ‘move too frequently’, often midway through projects – and that this ‘causes delay and instability and disrupts effective implementation’. It developed several measures to meet the target:

- Ensuring much more oversight of the leadership of major projects through the IPA, including ‘collect[ing] regular data from projects on the number and movement of project leaders’.

- Creating clearer expectations about expected length of tenure when SROs are appointed.

These have had some success. In 2013, shortly after the IPA started collecting data, turnover of project directors and SROs was 16–17% per quarter; more than half of the SROs and project directors of major projects were leaving each year. By March 2017, turnover of both project directors and SROs on major projects had fallen to below 8% per quarter, although project director turnover has since ticked back up to 11%, which means slightly fewer than half of project directors still leave their role each year (see Figure 9).
It is too early to tell how effective these measures have been: the current level of project director turnover remains too high; and there is more to do to ingrain a culture of managers staying for a larger part of the lifetime of a major project, and being rewarded for doing so. But nevertheless, the IPA’s efforts to reduce leadership turnover on major projects is making a difference to tenure in key roles and contains lessons for tackling high turnover in other areas.

**Rapid Treasury turnover undermines the way government spends money**

The Treasury consistently has the highest staff turnover level of any department with a normal staffing model. It has averaged 23% a year since 2011, not taking into account internal staff movement. The Institute has looked at the Treasury in detail in recent reports on tax policy\(^*\) and spending reviews.\(^{**}\) In both cases, and throughout research for this report, interviews with a large number of current and former officials from the Treasury and other departments revealed widespread concerns about Treasury turnover levels. This rapid turnover harms the Treasury. And, as the two case studies on the following pages show, it prevents the department from acting as a strategic finance ministry, which also has negative consequences for how government departments spend money; and it harms the department’s stewardship of key areas of the economy, such as financial services.\(^{**}\)

\(^*\) Only the Cabinet Office, which relies heavily on secondments, consistently has higher turnover.

WHY DOES THIS MATTER?

Case study: Treasury spending teams
Since 1998, there has been a Spending Review every two to five years (see Figure 10). This is the process by which government departments and the Treasury engage in lengthy negotiations to agree expenditure limits and performance targets covering several years. Spending Reviews are a key part of how the Treasury manages government spending and agrees performance targets; and how departments ensure they have adequate funding to deliver key services.

Figure 10 Spending Reviews since 1998

For the process to be effective, Treasury spending teams (there is one for each department) need to be able to scrutinise and challenge spending submissions. They require a good understanding of the department – ‘the different ways in which public services are delivered... the supplier marketplace, the characteristics of service users, and the systems and cultures of the department and others in the delivery chain’.

Yet, turnover in spending teams is incredibly high. Twenty months after the 2010 Spending Review, only eight out of 52 staff in the Treasury spending teams which the NAO looked at were still in place. In the Work and Pensions team there was only one ‘survivor’ from a team of 13. It is rare for the head of a spending team to remain in post for more than one review.

This turnover – and the consequent lack of experience and expertise in spending teams – reduces the Treasury’s ability to control spending with a strategic, long-term view. Around half of departmental finance directors surveyed in 2016 said that the Treasury had been unable to challenge parts of their submission robustly and in detail. Indeed, we were told spending teams often have little

* The number of years between Spending Reviews changes. Reviews were conducted every two to three years between 1998 and 2015, but the next Spending Review will be in 2019. Institute for Fiscal Studies, ‘How and when is spending allocated?’ 2015, www.ifs.org.uk/tools_and_resources/fiscal_facts/how_and_when_is_spending_allocated
memory of the basis for agreements made with previous teams. This makes life hard for departments: three departments told the NAO that constant change in Treasury roles made the spending review process less productive, as relationships had to be rebuilt and trust re-established.\textsuperscript{77}

Overall, high turnover hinders the Treasury’s ability to improve the efficiency and effectiveness of departmental spending.\textsuperscript{78} But the problem is not confined to spending teams. High turnover has also left the Treasury vulnerable in other key areas, including financial services.

**Case study: Financial services**

In 2017, the financial services sector generated 6.5% of the UK’s economic output, employed 1.1 million people and contributed £27.3 billion in tax to the exchequer.\textsuperscript{79} The relative dominance of financial services in the UK means that the health of the financial sector has direct consequences for other sectors.

The Treasury is responsible for the government’s relationship with the financial sector. Yet when the financial crisis struck, the department was caught off guard. A review of the department’s response to the financial crash by Sharon White, a top Treasury official, found that it lacked expertise and experience in financial services and financial stability.\textsuperscript{80}

It found that there were at least seven different directors general responsible for financial services between 2001 and the 2008 financial crash.\textsuperscript{81} Financial services policy was moved twice in that time and, although there was a team of 70 to 80 working on financial services, few had significant experience. The average age of staff in the department was 34.\textsuperscript{82} The review found that financial services and stability were not ‘high profile area[s]’ – and not in the spotlight of ministers and top management’, which may help explain brief tenures.

Nick Macpherson, Permanent Secretary at the time, agreed that the department lacked experience and added that it also had weak institutional memory of previous financial crashes.\textsuperscript{83}

These case studies highlight how the Treasury’s staffing model – and in particular its very high levels of turnover – hinder its ability to perform core tasks. Yet this is not a new problem: the Treasury itself has identified high levels of staff turnover as an organisational weakness for many years.

**The Treasury has failed to get a grip on staff turnover for over a decade**

A 2007 capability review said the Treasury had launched an ‘ambitious workforce and skills strategy’ to ‘address the impact on experience and expertise from a very high level of internal staff turnover’.\textsuperscript{84} The 2012 White review found high staff turnover was still a major problem and proposed a modest target of 15–20% turnover. In response,
the Treasury committed – not for the first time – to take turnover seriously and meet this target. But, since 2012, it has missed White’s target every year but one (see Figure 11).

**Figure 11 Staff turnover in the Treasury (%) 2011–2018**

[Graph showing staff turnover in the Treasury from 2011 to 2018]

Source: Institute for Government analysis of Treasury annual reports

**The Cabinet Office and Number 10 have high turnover because of their staffing models**

Like the Treasury, turnover in the Cabinet Office and Number 10 is extremely high: it has averaged around 25% in recent years, but reached 35% in 2015/16. Rapid turnover in key senior roles is a problem, for instance, since the National Security Adviser role was created in 2010, there have been four holders, with only one staying longer than two years in post.

However, interviewees from across Whitehall and outside told us that the average level of turnover in the Cabinet Office (around 25%) does not cause problems in the way that high turnover in the Treasury does. They gave two reasons for this. First, the Cabinet Office has an unusual staffing model: it relies on secondments from departments, to ensure the centre and line departments work effectively together. This model makes turnover look artificially high. Second, the nature of a lot of work in the Cabinet Office and Number 10 is short term and ‘process-driven’ compared with other departments – for instance getting decisions passed through ministerial committees or responding to rapidly changing political priorities. In these roles, continuity and depth of knowledge is less important than, for instance, in spending review teams.

* Unfortunately, we could not access directorate-level turnover data. While large parts of the Cabinet Office, such as the Economic and Defence Secretariat, are ‘process-driven’, other parts, such as the functions and the Government Digital Service, are less able to deal with high turnover. Interviewees suggested that high turnover was driven by rapid staff change in the directorates that do more short-term work, but we were unable to confirm this.
3. What causes staff to move jobs too quickly?

Staff move jobs for all sorts of reasons, including faster promotion, a happier work environment or higher pay. But in the civil service, rapid, unplanned movement of staff is a feature of the culture and workforce model to an extent that is unlike other sectors. Officials have correctly identified that moving roles is usually the fastest route – and in some cases the only route – to greater seniority and higher pay. Coupled with this, managers have few tools to keep officials in a role, even when they are critical to the completion of a project or have in-depth knowledge of a priority policy area. Brexit has exacerbated pressures for staff to move quickly.

Moving is the fastest way to get promoted

“Civil servants... feel that the only way that they can advance their career is to move upwards and across, so there is a constant loss of stability within the Civil Service.”
Oliver Dowden, Minister for Implementation in the Cabinet Office, 2018

While the civil service needs both continuity and change of personnel in its teams, it encourages only the latter. The incentive to move on is created by the civil service’s hands-off approach to career progression through the internal jobs market, and inflexible rules around pay and promotion.

Until the 1980s, the job market in the civil service was centrally planned: officials spent most of their careers in one department and roles were largely allocated by senior officials, without transparent recruitment processes. This was poor for diversity: senior officials tended to appoint in their own image. This changed in the 1990s and 2000s with gradual reform of recruitment, pay and promotion. In 2010, ‘open recruitment’ was made the default. These changes have contributed to improvements in fairness and diversity, and have enabled the civil service to bring in more external talent. It is important that the benefits of these reforms are retained.¹

But the reforms have also meant that the civil service jobs market has shifted from central control (within each department) to a situation where civil servants are entitled to apply for any role elsewhere in the civil service at any time. Senior management have little or no influence over moves, even if an official is right in the middle of

delivering a complex project. This pits departments against each other in a war for talent. As the Cabinet Office has put it: ‘departments are bidding for talent in an “internal market” within the civil service, exacerbating unnecessary or premature movement of SCS members’. This applies at junior as well as senior levels, and it is especially acute for some professions. For instance, after decades of outsourcing, digital skills are ‘highly competitive’ and there is a ‘Whitehall merry-go-round’ with departments poaching each other’s staff.

The Cabinet Office recently concluded: ‘controls are not in the right place, resulting in perverse outcomes, including reduced efficiency and lower productivity’.4

Managers have few tools with which to incentivise people to stay or to discourage movement. This is because they have limited ability to offer staff career progression while staying within the same team. “Promotion within teams is almost non-existent”, one mid-ranking official explained. Staying within one team for more than two or three years in the civil service is the equivalent of being stuck in the slow lane while your peers overtake you. Even if a civil servant is passionate about a specific area of work, the system strongly encourages them to move on. As the late Lord Heywood said “it is particularly pernicious when somebody is doing a really complicated project, if they feel they have to leave before the project reaches fruition just to get a promotion”.5

While there were good reasons for moving away from central planning towards open competition, the current hands-off approach to career progression has gone too far the other way – and would be anathema to most equivalent private sector organisations. It means that staff movement is primarily driven by individuals’ perceptions of opportunities for progression, rather than the civil service allocating people to where they are needed (and can best develop their skills).*

**Moving between several departments is the route to the top**

Moving is not only the fastest way to the next promotion; moving often and gaining experience in a wide range of departments is widely perceived to be the best route to the upper echelons of the civil service.6 When ambitious young officials study the careers of permanent secretaries, they find the majority have served in at least three or four departments, and changed roles frequently as they moved up the rungs of the career ladder (see Figure 12).7 The large majority of current permanent secretaries are generalists and relatively few have developed deep specialist expertise. Only half have previously worked in the department they now lead.

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* The Better Government Initiative has said that Whitehall must find a ‘better balance... between departmental requirements... and the personal interests of [individuals]’. Public Administration and Constitutional Affairs Committee, Better Government Initiative Evidence to Enquiry on Civil Service Effectiveness and Capacity, 2017, www.bettergovernmentinitiative.co.uk/wp-content/uploads/2017/12/PACAC-evidence-final-version.docx
The incentive to change jobs frequently is particularly strong for policy officials who work most closely with ministers and who dominate the upper ranks of the civil service. Officials think that promotion prospects are ‘enhanced by acquiring generalist policy skills and gaining experience of working in a variety of high profile roles on Ministerial priorities’. The Cabinet Office says there is a ‘general tendency in the Civil Service for staff seeking promotion to quickly gain a range of experiences, and this can lead to short tenure in some groups of ambitious staff’. The need to acquire a wide range of experience is regularly reinforced by peers and managers. Mid-ranking policy officials told us that they are strongly encouraged by managers to move on after 18 months in a job and get experience in a range of roles. Of course, there are benefits to having senior managers with experience in different civil service roles. But these need to be balanced with the need to also encourage others to stay in post, build expertise and see through projects. Currently, staying in one policy area for several years and developing expertise is not encouraged. We were told that hiring managers consider officials who have stayed in one team for more than two or three years to be ‘duds’.

Figure 12 Career path of current permanent secretaries

The ‘cult of generalism’ – and its continuing dominance over ‘specialism’ in shaping the civil service, particularly at the top ranks – has a long history in the civil service, which we explain in Appendix 2.

* Each segment represents a different job. Changes in department are labelled.
** The ‘cult of generalism’ – and its continuing dominance over ‘specialism’ in shaping the civil service, particularly at the top ranks – has a long history in the civil service, which we explain in Appendix 2.
Moving is the fastest way to get a pay rise
As well as better promotion opportunities, moving also brings higher pay. It is difficult to disentangle financial and career incentives. Serving the public in important roles is a strong reason to move up the ranks. But nevertheless, money matters.

The civil service has limited ability to reward those who stay in post and perform well with pay increases. Departments can use ‘pivotal role allowances’ – one-off salary increases of up to 10% which only last for the duration of a project – “to try to persuade people to stay longer, particularly on big projects.”¹¹ But these are used very sparingly: in 2017/18, only 22 were agreed across government (they have to be agreed between the permanent secretary and the Cabinet Secretary, and signed off by the Chief Secretary to the Treasury).¹² Departments can also offer some performance-related bonuses – but these are mostly small compared with permanent pay increases officials can earn by moving. In general, managers have limited ability to use pay as a retention tool. A review of civil service recruitment and retention found that managers often lost talented staff because they were unable to match 10% pay increases being offered in alternative roles.¹³ The Cabinet Office recognises that members of the senior civil service are ‘moving too early in pursuit of pay increases’.¹⁴

The effect of pay on turnover has been significantly exacerbated by a recent period of pay restraint. Pay was frozen from 2010 to 2012,* and then a 1% pay cap was put in place, which was only lifted this year and replaced with guidance to departments to keep pay increases to 1–1.5%. For most of the period since 2010, public sector pay has risen below inflation – and it continues to do so with the 1.5% pay cap (see Figure 13).** Overall, the real value of senior civil service pay fell on average 20–25% between 2010 and 2014 as a result of the pay freeze and cap, inflation, tax and national insurance changes, reductions in bonuses, and increases in pension contributions, according to the Senior Salaries Review Body.¹⁵ Private sector pay fell more sharply during the recession, but has outpaced public sector pay growth since 2013.¹⁶

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* For all except those earning less than £21,000.
** This is for the whole public sector; civil service-specific figures were not available.
Pay restraint has meant that civil servants no longer move up through the 'spines' in pay bands automatically, as the large majority did before 2010 (we explain this in more detail in the next chapter). Their pay remains the same, apart from a small below-inflation increase, unless they move roles or earn an exceptional pay increase for outstanding performance. As a result, a wide gap develops between the pay of officials who move jobs frequently and those who stay in post. The Cabinet Office recently summed up this problem by saying ‘promotion (or level transfer) are seen as the only way to obtain a pay increase’. For the senior civil service they concluded, ‘this is driving them towards promotion too early, often before they are ready. Meanwhile, acquisition of expertise and depth of experience is not being rewarded (or seen to be rewarded)’. The late Lord Heywood argued that the 1% pay cap has contributed to moving jobs being seen as the only way to get a pay rise.

Problems with pay go deeper than the pay cap though. As a result of inconsistent pay banding between departments, moving on 'level transfer' can earn officials below the senior civil service a pay rise (see box on the following page). Freedom of Information releases show that the Department for International Development pays around £5,000 more than the Treasury for Grade 6/7 roles, for example. Indeed, Lord Kerslake’s 2017 review of the Treasury concluded that the department’s ‘hair shirt’ approach to pay and retention was one reason why it had persistent retention problems. He said the Treasury relies on profile and influence to attract graduates, who then move on rapidly to better paid roles.

* ‘Level transfer’ means moving to the same grade in a different department.
**Who sets pay in the civil service?**

The Treasury issues guidance to departments each year with limits on increases in departmental pay bills (this year it is 1–1.5%). But within this guidance, departments have considerable flexibility to set their own pay policy, except for the senior civil service (SCS). Pay for the SCS is set by the prime minister, who receives advice from the Senior Salaries Review Body, an independent body. Pay bands are consistent across Whitehall for the SCS (although where the median official sits within these bands varies, as Figure 14 shows). Below the SCS, however, pay bands vary considerably, as the differences in median pay suggest.

Figure 14 **Median pay by department and grade, 2018**

Officials also have a perverse incentive to move back and forth between departments. If an official moves on level transfer from one department to another and receives a pay rise, they keep the pay rise even if they move back to the original role (or an equivalent one). We were told that this happens frequently between some departments. In the Treasury, it even has a name: ‘the HMRC switch’ – moving to HM Revenue and Customs (HMRC) to lock in higher pay, before returning. This has been the case since 1994, when pay was delegated to departments. The Civil Service Management Functions Act provided for delegation of civil service appointments and management functions. Cabinet Office, *The Civil Service: Continuity and change*, HM Government, 1994, www.gov.uk/government/publications/the-civil-service-continuity-and-change.

In a previous study, we found that this problem cuts the other way, too. When HMRC was created, the Treasury expected tax staff to move over periodically to help the Treasury build its tax expertise. But the Treasury has struggled to attract HMRC tax experts, partly because of its lower pay. Rutter J, Dodwell B, Johnson P, Crozier G, Cullinane J, Lilly A and McCarthy E, *Better Budgets: Making tax policy better*, Institute for Government, 2017, www.instituteforgovernment.org.uk/publications/better-budgets-making-tax-policy-better.
Brexit is exacerbating rapid staff movement around Whitehall

The challenge of staffing Brexit is increasing staff movement across Whitehall. Brexit has created lots of opportunities for civil servants to switch jobs, including on promotion. But departments are struggling to retain staff in key Brexit roles because staff are moving on to other jobs.

Brexit is increasing staff movement around Whitehall

Brexit has created an urgent demand for people and skills in Whitehall. Institute for Government analysis in June 2018 found that around 10,000 Brexit roles have been created since the European Union (EU) referendum.\(^2\) Defra has grown by more than two thirds since the referendum, adding 1,300 staff, and is ‘about half way through’ the process of hiring 1,400 more.\(^3\) BEIS’s workforce increased by 9% in the final three months of 2017 alone.\(^4\) HMRC has hired 250 new staff to do the ‘huge amount of policy work’ relating to Brexit, such as developing the policy proposals set out in the white paper on the customs bill.\(^5\) Across Whitehall, while most recruits so far have been in policy roles, the focus is shifting to operational and delivery roles too.

An assessment by the NAO in October 2017 found that while the civil service was bringing in some new people from outside, the majority of roles were being filled by internal transfers, loans or ‘fast streamers’.\(^6\) The use of internal transfers and loans is sensible and necessary: it is crucial that the Government is able to shift high-performing staff onto urgent Brexit priorities. However, it creates two problems. First, it creates significant capability gaps that need to be filled in the departments and teams that people transferring leave behind. Shifting effort to focus on Brexit has already started to contribute to delays in other key policy areas, such as social care and the NHS.\(^7\) The NAO said that government will need to do more to assess these capability gaps.\(^8\)

Second, the data suggests that many recruits are not staying long in some of the new Brexit roles. DExEU has been particularly badly affected (see Figure 15). The department grew rapidly from 100 staff when it was formed in July 2016 to almost 600 in late 2017. But a Freedom of Information request revealed that 124 employees left the department during its first year.\(^9\) While some had to move because their loans or fast-stream postings ended, others were simply moving to other roles in the civil service.\(^9\) DExEU’s overall turnover rate is 16.9% – and the department says they have ‘introduced a range of measures to seek to reduce turnover’.\(^8\) And on top of this, the Civil Service People Survey shows 44% of DExEU civil servants plan to leave their role in the next year (see Figure 8 on page 17). As we highlighted in previous work, turnover of staff out of key Brexit roles makes it more difficult for DExEU to co-ordinate

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implementation and contingency planning across Whitehall, and manage important external relationships.  

**Figure 15** *Staff turnover in DExEU compared with other departments*

Brexit is exacerbating retention problems because of Whitehall’s hands-off approach to career management. Interviewees told us that some staff are moving into Brexit roles as a means to move up the career ladder, before quickly moving on again. While this is understandable given Brexit roles may offer a much faster route to promotion, it disrupts both Brexit work and the work people leave behind.

**Low morale contributes to staff leaving some departments**

In addition to ‘pulls’ like promotion and pay, ‘pushes’ like low morale and lack of purpose encourage civil servants in some departments to leave their roles prematurely. While not as big a driver of staff moving as promotion and pay, there is nonetheless a significant correlation between low morale and poor retention.

In 2016, BEIS came out bottom on ‘organisational objectives and purpose’ in the Civil Service People Survey, eight points behind the next department (and 17 behind the one after that). In 2017, BEIS had the third highest turnover rate of any department, which prompted it to put the process of conducting its exit interviews out to tender and ask for help in understanding what was driving high turnover. The results of this were not published, but former staff have pointed to low morale and lack of direction.

Recruiting staff unsuited to a role can also increase turnover. DExEU is a good example. While the high number of leavers is partly caused by people finishing secondments and fast stream placements, we were told that in the rush to recruit large numbers of people into the department, some new joiners had found themselves unsuited to, or unprepared for, a role, which led to them leaving quickly.

Source: Office for National Statistics, Annual Civil Service Statistics, 2017/18
4. What has been done already?

The civil service has identified that it needs to reduce current levels of turnover. The Workforce Plan 2016–2020, published in July 2016, said it must ‘ensure people are encouraged to develop deep expertise, not move too frequently from job to job’. Individual departments such as the Treasury have said that their turnover is too high, as have professional groups such as the project delivery profession, which is responsible for overseeing major projects. There are initiatives underway to try and tackle excessive turnover, including functional reforms, changes to pay and efforts to strengthen HR in departments. Our interviews and analysis suggest these are making some progress, but they are not yet sufficient to tackle the deep-rooted problems described in the previous chapters.

“I think you need to have more stasis in the Civil Service, less rotation, more people staying put, building deep knowledge, being able to be promoted within the same area in a way a normal, sane organisation would do – instead of people being rotated as soon as they know anything about it… And we, I think, pretty solidly, failed to deal with that, although we went on about it from the outset.”

Lord Francis Maude, Minister for the Cabinet Office, 2010–2015

Some functions are taking on a role in career management

In the last five years, the civil service has embarked on ambitious reforms to strengthen key parts of the workforce which work across departments by creating ‘functions’, which include commercial, finance and digital. The heads of each of the 12 government functions have been given responsibility and extra resources to set standards and ensure they have the right people, skills and capabilities. These functions have been created on top of the 25 professions, such as policy, tax, and science and engineering – more informal professional networks with fewer powers, which existed previously.

Some functional leaders have started to achieve significant improvements in recruitment and workforce management. The digital, commercial and project management functions have been particularly successful in attracting people from

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* The functions are: analysis; commercial; communications; corporate finance; digital; finance; fraud, error, debts and grants; human resources; internal audit; legal; project delivery; and property.

** The full list of professions is available at: www.gov.uk/government/organisations/civil-service/about. Some functions are made up of several professions – for instance, the analysis function is made up of eight analytical professions – whereas others, such as finance and communications, replace the previous profession. Cross-government functions – such as digital and HR – are found in every department, while other functions like operational delivery are concentrated in certain departments.
outside government to fill key roles, especially where Whitehall lacks skills and experience. The project delivery function has worked with the Major Projects Authority to successfully reduce turnover of SROs and, until recently, project directors. Most functions have published ‘career pathways’ – frameworks which provide clear information about career development, roles and skills to help staff to plan their careers in more structured ways. The digital function is using its framework as the basis for introducing capability-based pay progression – a key measure to help improve retention (see case study on page 45). In these examples, progress in a short amount of time has been impressive.

But progress has been uneven. Several functions have been hampered by problems including leadership turnover, capacity constraints, insufficient resources and a lack of stable funding, previous Institute for Government research found. Some, such as the finance function, are too often excluded from decision making at the top of departments. This reduces their ability to improve the way their specialist workforces are managed in departments.

The policy profession has fallen behind some functions in terms of the progress it is making on workforce management. Rapid turnover of policy staff causes several of the problems we identified in Chapter 2. Yet so far, while it has developed a set of policy standards, the profession has not increased its ability to manage the policy workforce. While most functions have teams of 25 or 30 driving professional reforms, the policy profession has just a handful of staff members with no guaranteed long-term funding. The profession is attempting reforms, but unsurprisingly given its lack of resources, we found in previous research that not all are gaining traction.

One ex-permanent secretary said that if the profession is to really improve policy making across Whitehall – including by playing a role in shaping and managing policy careers – it will need the resources and mandate that functions have.

** The Government is looking at pay reform, but needs to go further**

Before 2010, there was automatic pay progression for the large majority of civil servants (and other public sector workers). This meant that officials moved up a spine point within each pay grade every year. George Osborne, Chancellor in the Coalition Government, ended this, arguing it was ‘at best antiquated and at worst deeply unfair’ that public servants automatically increased their pay ‘regardless of performance’.

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*** It has successfully developed a set of policy standards. However, we previously found that while the profession has appointed Heads of the Policy Profession in each department, these figures were under-resourced, often not visible, and struggled to improve the standard of policy making across their department. Sasse T and Haddon C, How Government Can Work With Academia, Institute for Government, 2018, www.instituteforgovernment.org.uk/publications/how-government-can-work-academia

**** There are reasons why it may be more difficult to centralise powers over talent management in the policy profession than in other professions. Policy officials have historically been the most powerful officials in their own departments – and still are. Creating a policy function would be seen as a challenge to departmental powers. However, the other functions have already proven that the functional structure is effective and can work alongside departmental structures. McCrae J and Gold J, Professionalising Whitehall, Institute for Government, 2017, www.instituteforgovernment.org.uk/publications/professionalising-whitehall-september-2017
This was in the context of austerity and significant cuts to public spending. Civil servants we spoke to agreed that automatic pay progression did not create good incentives: low performers who stuck around moved to the top of pay scales.

But after seven years of pay restraint, the Government has recognised that it needs to reform the pay system. No pay progression in-role was a measure to hold down costs in the short term, but it is not a sustainable long-term replacement for automatic pay progression. It means there are constant incentives to move too early. ‘Promotion (or level transfer) are seen as the only way to obtain a pay increase’, as the Government said in this year’s evidence to the Senior Salaries Review Body, which leads to ‘unnecessary and premature movement’.6

The Cabinet Office has said that it wants to embark on significant pay reform and ‘develop a longer term reward framework across the civil service’ by 2020.7 But so far its plans, which have mainly addressed the senior civil service, have focused on restricting pay increases for people moving around the system, expanding the use of bonuses to reward good performance and encouraging departments to align pay at equivalent grades.7 The logic behind these measures is understandable, but there are not enough to correct incentives to move. While a high-performing official may stand a reasonable chance of being awarded £1,000–£2,000 as a bonus, or more in extreme cases for senior officials, they will be able to increase their pay by 10% on average by moving on promotion (even with the Cabinet Office’s proposed cap).

If the Government is to address the fundamental problem – that staff are not able to increase their pay significantly while staying in the same team – it must reform consolidated pay and address the absence of pay progression.7 As the Senior Salaries Review Body put it in their response to the Government’s plans, ‘some issues with the SCS pay framework would be better tackled by offering meaningful pay progression’, adding ‘a credible salary progression model within the new pay ranges is an urgent priority’.8

The Government does appear to be in favour of bringing back pay progression in some form. In response to the review body, the Cabinet Office committed to ‘explore options for a credible capability-based salary progression model’ (which would mean some staff could increase their pay by showing they have acquired extra skills or capabilities).9 And the Treasury has also made positive noises. After replacing the 1% pay cap with a 1.5% cap for 2018/19, it was reported ahead of the 2018 Budget that the Chancellor and Chief Secretary to the Treasury intend to move to ‘targeted’ pay increases tied to performance, that focus on retention and productivity.10

However, despite these statements of intent, it remains unclear when or how targeted pay progression will be introduced – and whether it will be introduced for all staff across the civil service or just in specific areas. The digital profession has introduced ** They are increasing departments’ ability to hand out bonuses by giving them greater flexibility to award in-year performance and introducing a new ‘Corporate Recognition Scheme’ with awards of around £1,000. Cabinet Office, Government Evidence to the Senior Salaries Review Body on the Pay of the Senior Civil Service, 2018, retrieved 13 September 2018, www.gov.uk/government/publications/government-evidence-to-the-senior-salaries-review-body-on-the-pay-of-the-senior-civil-service--2. We describe the Government’s submission to the expert pay body in detail in Appendix 3.

** Consolidated pay refers to the total pay offer, including salary and pensions. Bonuses are non-consolidated pay.
WHAT HAS BEEN DONE ALREADY?

pay progression (see case study below), which it was able to do because digital skills are in especially high demand. And we were told that the National Crime Agency and a national security department had also introduced targeted pay progression. But the Cabinet Office has so far outlined no concrete plans to introduce it for the SCS. And no departments have yet outlined plans to bring back pay progression for their non-SCS workforces.


Case study: Capability-based pay progression in the digital, data and technology profession

The digital, data and technology (DDaT) profession has begun the process of introducing capability-based pay progression across its profession, starting in a handful of departments. Departments are able to use the new DDaT pay framework, which is aligned to the external market, to increase pay for staff in the hardest to fill roles, based on objective assessments of skill.

This approach has been designed to motivate talented DDaT staff to stay and develop their skills in their roles. The case for implementing the DDaT pay framework for key roles is supported by the savings departments can make on spend on external IT contractors by being able to better attract and retain the required digital talent.

The DDaT profession has started to introduce the framework in a number of departments and agencies, implementing it in line with individual needs and circumstances of the organisation. The system has only recently been introduced, so it is too early to measure its impact on retention, but initial feedback from departments has been positive.

HR is improving, but most departments still don’t manage their workforces strategically

When he was appointed in 2016, Rupert McNeil, Government Chief People Officer and head of the HR profession, made ‘strengthening HR capability… across the civil service’ one of his top three priorities. Good HR is at the core of successful organisations; ensuring they have the right people in place and that they are motivated and performing well. It will be key to reducing staff turnover in departments, teams and roles where it is currently too high – and establishing a better balance in how staff move around Whitehall. But historically, HR has not been strong enough to play this role effectively and (partly as a result) it has for the most part not been given a prominent role in how Whitehall departments are run (especially when compared with the private sector).

McNeil has so far proved a strong champion for HR and is making good progress, for instance with the introduction of a new recruitment framework and the functions developing career pathways. But the evidence we have seen suggests there is still
some way to go to give HR a strong role in how every department is run. Interviewees from across government told us that HR teams in Whitehall are still often restricted to an operational role rather than a strategic one. Operational HR ensures compliance with labour laws and covers the immediate basic needs of a workforce, including payroll, maintaining staff information, job adverts, background checks, inductions and overseeing employee relations processes. Strategic HR, on the other hand, encompasses the future needs of an organisation, including long-term staffing, retention, succession planning, talent management, company culture, skill levels and employee performance. One interviewee summed up the views we heard saying, "HR in Whitehall typically enforces rules rather than helps to meet needs".

The weak role HR has had historically has partly been because HR teams have lacked the capability to do strategic tasks. A persistent problem we heard about was data. Many HR teams do not collect or have access to basic data, for instance about skills that staff in the department possess; or the scale and nature of turnover. One HR Director described data as the 'Achilles heel' in many departments. More broadly, HR teams in Whitehall have often lacked resources and skills compared with private sector counterparts. This is starting to change though: interviewees told us that in several departments HR teams are growing, supported by efforts to professionalise HR and recruit top HR officials from outside Whitehall.

The limited role of HR in Whitehall stands in contrast to the private sector. HR directors sit on the boards of most private companies, non-profit organisations and public corporations. One Chairman of a large retail company explained that the HR Director and Finance Director were the two people on whom the Chief Executive relied most: "‘Do I have the numbers and do I have the people?’, those are the two questions you always need to have the answer to.” A former HR Director at a big strategy consultancy agreed, telling us that the CEO treated her as their right-hand person and gave her the authority and resources to put managing people at the centre of how the business was run. Jean Tomlin, who came from a background in the private sector to run HR for the Olympic Games, assembling a workforce of 200,000, emphasised this point, arguing that strong HR over the lifecycle of a project was critical to having ‘motivated people’ who perform well.

Within Whitehall departments, HR’s role is also often restricted because permanent secretaries and other senior officials have low expectations of what HR is able to offer them. Interviewees told us that officials often do not go to HR with problems because they do not think they can help. It is not surprising then, that in 2017, HR directors were on the board of only seven out of 17 departments. In their place, executive teams are dominated by policy officials.

If Whitehall is to address high turnover and people moving from role to role too quickly, every department will need to adopt a strategic approach to HR – empowering HR teams to take on a much more significant role and be responsible for long-term staffing needs.
5. What needs to be done?

The civil service should be able to design a career progression system fit for the workforce it needs – one that stops levels of turnover that see the majority of senior officials leaving roles within two years; permanent secretaries staying in post for fewer than three years; crucial policy teams facing 90% turnover in two to three years; and some departments losing a third of staff in a single year. What is required is a system that rewards the right mix of specialist skills, policy knowledge and generalist capabilities; one that encourages some officials to move around gaining wide experience, while ensuring others stay in post longer, build deeper expertise and complete key projects.

“It cannot be beyond the wit of the Civil Service to devise a career progression ladder with appropriate financial rewards and opportunities for promotion that encourages all civil servants to develop expertise and to stay to see jobs through to their conclusion.”
Margaret Hodge MP

This does not mean going back to officials spending most of their careers in one department. Indeed, the experience of the Australian Public Service has highlighted that this has its own problems (see page 10). Instead, staff could easily move through several departments but still spend a reasonable amount of time and develop real expertise in each.

“As the Public Administration and Constitutional Affairs Committee (PACAC) has said, ‘until depth of knowledge or specialism provide a similar prospect of career progression [as rapid movement], churn is likely to remain an issue’.”

The rest of this chapter describes the reforms we believe the civil service needs to make. We propose changes in two areas. First, we argue the Government must bring back pay progression, but linked to capability or performance, depending on the type of role, across the civil service. Second, the civil service must build on functional and HR reforms to improve the way it manages its workforce, creating a culture that really values ‘depth as well as breadth’.

* They should also move between roles within a broadly related area (the civil service has introduced ‘clusters’ in the fast stream this year, but these are not intended to apply beyond the fast stream to policy careers, which look set to remain ‘generalist’).
The Government must bring back pay progression for high performers

The Government must bring back pay progression, but this time properly linked to performance or capability, for the whole civil service. The absence of pay progression in-role is currently the biggest obstacle to a more stable workforce. Civil servants will only stay in post for longer (say, for three or four years, as opposed to one or two) if they have the opportunity to progress in their pay over that time in the same way as they would by moving. Meaningful pay progression means the opportunity for high performers, or those who acquire extra skills or capabilities, to move up within pay bands while staying in role. As described, this has already been re-introduced in several places.

There are two reasons why the Government might hesitate to reinstate pay progression across the civil service: cost and fairness. Both are important considerations, but neither outweighs the benefits.

Continuing with no pay progression is a false economy

The main argument against moving back to pay progression (in some form) is keeping costs low. A small number of civil servants we spoke to expressed concern that re-introducing pay progression would increase the costs of civil service pay.

But this view is misguided. In the short term, it is true that departments may need extra funds to cover the transition to a new system, covering the extra pay of the proportion of staff who qualify for pay increases in the first year or two. However, over the longer term and across the civil service, introducing targeted pay progression would be no more expensive than keeping the current system:

• Staff who performed well or acquired new capabilities would progress through pay spines more steadily, rather than leaving their role prematurely to reach the next pay band.

• Staff who didn’t perform well or acquire new capabilities would remain at the same salary levels, as they do now.

• Pay increases associated with an individual would not be passed on to their replacement, who would be expected to enter at the lowest spine of a pay band.

• Staff who earned a pay rise would keep this when they moved, but if as a result of the pay rise they had stayed in post longer and moved later, this would cost no more than the current system.

Overall, economists agree that pay budgets are determined by an organisation’s overall pay structure – that is, what the pay bands are for each role and how they move over time. Whether staff need to move roles to increase their pay or whether some can increase their pay in post should not affect overall budgets. Indeed, several parts of the civil service that have already introduced targeted pay progression told us it was

* The Senior Salaries Review Body confirmed this.

48 MOVING ON: THE COSTS OF HIGH STAFF TURNOVER IN THE CIVIL SERVICE
perfectly possible within the 1.5% pay cap. And the total budget for pay progression could also be capped for each directorate annually.

The absence of pay progression within roles is also a false economy because, as this report has shown, the current high-turnover system is costly: we estimate departments are spending between £36 million and £74 million every year in excess costs of recruitment, training and lost productivity. Botched major projects and policies waste millions – even billions – more. And that is before factoring in harm to the quality and coherence of crucial civil service work, which is hard to capture in financial costs or productivity estimates, but is evident in examples throughout this report.

The civil service needs to develop rigorous processes for awarding pay increases
To ensure fairness is preserved, pay progression decisions need to be based on transparent and rigorous assessments of performance, capability or whether individuals have hit specific milestones. Different approaches will be better suited to different types of roles. For instance, for digital roles, assessments of capability (such as technical proficiency in data modelling) are a better tool; whereas in other roles, such as policy, it may be better to assess annual performance. We heard scepticism about the quality of current performance reviews in Whitehall. However, performance assessments are normal practice in most private and third sector organisations. The ‘career pathways’ that professional groups have now developed provide a good basis for decisions based on capability or skills – but HR teams will also need to play a greater role to ensure processes are sufficiently rigorous.

- The Government should introduce targeted pay progression throughout the civil service by 2021. The Chief People Officer, Rupert McNeil, should work with the Treasury, heads of function and permanent secretaries to agree models that work for each profession, department and grade.

Permanent secretaries must be accountable for reducing turnover
Over the last 50 years, the civil service has repeatedly said that it needs to reduce turnover and stop people from ‘moving from role to role too fast’. The Cabinet Office recently asserted that senior civil servants should stay longer in post – and at various points cabinet secretaries have articulated expectations about length of time in role. Several departments, including the Treasury, BEIS and DExEU, have promised to explore what is causing high turnover and take measures to reduce it.

Yet these repeated statements of intent have been met with little progress. In fact, staff movement has accelerated in recent years. A key reason for this is that poor workforce data means there is little accountability for workforce management. Departments are not required to publish workforce figures: much of the data that was publicly available prior to the publication of this report was extracted through parliamentary questions. Some departments publish an overall turnover figure in their annual reports, others don’t. None publish detailed information on turnover in key roles, teams or directorates. Several departments and professions we spoke to did not even collect basic data on rates of turnover, while one even told Parliament they held no data centrally on overall levels of turnover. Better workforce data is needed to understand skills and track turnover, tenure and exit causes.
Poor data and a lack of accountability is partly to blame for the failure of senior officials to take damaging levels of staff turnover seriously. There has been little consequence when, for instance, departments like the Treasury repeatedly miss the turnover targets they have set for themselves; even when they have identified that excessive turnover causes serious problems. Too often, senior officials have not taken responsibility for improving workforce management, instead suggesting that rapid personnel change in Whitehall was ever thus. This needs to change.

- **Permanent secretaries should be required to publish key workforce data annually** – including turnover levels for the department, individual directorates, and key roles – and they should be accountable when departments experience excessive levels of personnel change.

**Departments must manage their workforces more strategically**

Offering the opportunity of pay progression in-post will change the financial incentives in Whitehall that currently drive high turnover. Making permanent secretaries accountable will create a stronger incentive to reduce excessive turnover. But to manage its workforce more intelligently, the civil service must also create a culture which values those who stay in post and build experience in one area as well as those who move around. This will rely on a more strategic role for HR which addresses long-term staffing needs, retention, succession planning, talent management, corporate culture, skill levels and employee performance – as opposed to just payroll, job adverts and background checks. As a first step, HR needs to have sufficient capability and influence to do both the operational and strategic tasks.

- **Every department should appoint its HR Director to its board to ensure HR has sufficient capability and a voice at the top table so that it can play a key role in the running of the department.**

Stronger HR in departments, working with functional heads, will be able to do much more to change the culture of the civil service to place more value on experience, and help departments address their future workforce needs. We offer six recommendations below that stronger HR teams in departments, supported by the functions, should put into practice. These will enable the civil service to make good on its aim to ‘value depth as well as breadth’.

- **Identify roles that require longer tenure and those that don’t.** There is a wide range of roles in the civil service: some can be done perfectly well by civil servants who move through them rapidly; others need officials who stay longer, develop experience and see through projects. In 2012, the Civil Service Reform Plan said that departments should identify roles that required longer tenures. We found no evidence that this has happened, except on major projects. Every department and/or function should identify key roles that require longer tenure (such as project management roles or policy roles that depend on deep expertise), including SCS roles. Conversely, departments should also identify roles within teams where more frequent movement in and out is not damaging because of shorter-term cycles of work (such as private office). The Canadian civil service has recently created a small
dedicated group of officials who move around frequently, called Free Agents, which provide a good model.*

- **In roles that require longer tenure, hire people who want to do the job long term and give them specific contracts and opportunities for career development.** In key roles such as being project director on a major project worth millions – or even billions – of pounds, or overseeing policy in an area of major reform, consistent leadership is worth a huge amount to the government. It can be the difference between success and failure. In such roles, the civil service should be able to hire people who take responsibility for results for the duration of the project or programme of work (or at the very least stay until a sensible ‘break point’). This is normal practice in the private sector, but does not happen routinely enough in Whitehall. Departments and professions should be able to design contracts that reward people for hitting specific milestones and ultimately for completing projects. As well as pay progression, people in longer-term roles need to have explicit opportunities to keep building their careers by developing their skills and acquiring extra responsibilities.

- **Create specific roles that meet demands for expertise, including at senior levels.** Where departments do identify the need for greater expertise, they should create new roles or re-badge existing roles. For example, to tackle the problem with policy teams lacking in-depth expertise in policy areas, teams should create ‘policy expert’ roles (where officials are encouraged to stay within an area for longer) alongside generalist roles. MHCLG previously adopted this approach in the form of specialist advisers in its homelessness team; however these were scrapped by the Coalition Government when it entered office in 2010. DfID similarly has an ‘expert cadre’, providing more in-depth expertise in key policy areas. The fast stream has proposed developing ‘clusters’, but it is unclear how this will translate into permanent roles.** Some departments would also benefit from creating more senior expert roles without management responsibilities, which are common in the private sector, in areas such as engineering. Almost every department has a chief scientific adviser, most of whom do not have significant management responsibilities, but this model could be extended, for instance to have high-level experts covering key policy areas.*** Currently, talented experts in the civil service hit a ceiling (often just below the senior civil service) where they must change areas and start managing more people to move up. This is one reason why relatively few teams have senior staff who are subject experts.

- **Use the new recruitment framework to reward those who build experience and expertise.** Interviewees told us that hiring managers value people who have moved

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* The ‘Free Agent’ model enables a small group of officials to move often through six- or 12-month postings in different departments. These officials are hired on the basis of their ability to ‘thrive on change’ and, while they don’t bring expert knowledge in each specific area, they bring expertise in different approaches, such as behavioural economics, data analysis or design thinking. Wasson T, ‘How can government get top talent?’, *apolitical*, 2018, https://apolitical.co/solution_article/how-can-government-get-top-talent-canadas-free-agents-work-where-they-want/


often and gained wide experience, whereas those that stay in a role for several years are often considered unambitious. This needs to change: it is a key part of setting cultural expectations about what the civil service values, and currently encourages unnecessary and unhelpful movement. Hiring managers should use the civil service’s new recruitment framework, which now includes ‘experience’ as a category, to place much more value on those who can demonstrate deep knowledge and expertise in an area where the department needs it.

• **Monitor turnover by team and chain of command, and implement special measures if it exceeds a particular level in a fixed period.** Some of the most damaging examples of high turnover we have highlighted in this report (such as the homelessness team in MHCLG, and the welfare spending team in the Treasury) have been when almost an entire team turns over in the space of two or three years, erasing institutional memory and leaving successors ill-equipped for the tasks they face. Departments must take a more active approach to ensure it is not possible for a team to suffer 80% turnover or higher in three years. They should monitor turnover at team level and if a team suffers especially high turnover one year, it should be given extra resources to ensure retention improves.

• **Establish processes for succession planning and handover.** Senior civil servants – particularly at director-level and above – should play an active role in planning for what happens on a project or work programme after they leave. Former permanent secretaries and senior officials we spoke to told us this happens in a limited way in Whitehall. This should include plans for ensuring new joiners can access key information and be briefed on the history of the project. We were told that one reason that turnover is so damaging is because handovers in the civil service are often limited or non-existent. While it is understandably difficult to arrange for incoming managers to have much time actually working alongside their predecessors, the basics (such as handing over key relationships) should be established.
Conclusion

In 1968, Lord Fulton said in his landmark report on the civil service: 'It cannot make for the efficient despatch of public business when key men rarely stay in one job longer than two or three years before being moved to some other post, often in a very different area of government activity'.¹ Fifty years later, the civil service’s Workforce Plan says it must ‘ensure people do not move too frequently from job to job’.²

In the intervening half century, the pace of personnel change has only accelerated with the opening up of an internal market for jobs with few controls, and the imposition of a pay freeze and pay cap preventing pay progression in-post.

The costs associated with Whitehall’s rapid-turnover staffing model have grown too. Significant sums – we estimate up to £74 million each year – are wasted in recruitment, training and lost productivity. Ministers question whether the advice they receive is based on sufficient knowledge and expertise. Major projects founder, wasting further millions. And the finance ministry is unable to provide effective oversight of spending.

Too often the civil service has deflected criticisms of the excessive turnover with general re-assurances about rates in the civil service versus the private sector, without examining the reality more closely.³ While there is widespread acceptance among civil servants that Whitehall’s workforce model causes problems, too frequently the response from senior management has been apathy.

There are signs that this is changing. Oliver Dowden, Cabinet Office Minister, and Rupert McNeil, Chief People Officer, have both expressed a firm desire to improve HR – as have permanent secretaries in several departments. The creation of strong horizontal functions, with a remit for workforce management, has been a major step forward. The Cabinet Office has published a pay strategy document which addresses senior civil servants leaving their roles too early and has trailed a more detailed strategy next year. And the Chancellor and the Chief Secretary to the Treasury have signalled their intention to use pay to improve staff retention.

The civil service must capitalise on this collective will to reform its pay system and and change the way it manages its workforce. This will be crucial to meeting the significant challenges it faces now and in the future. High turnover in Whitehall is not inevitable: most organisations – and other civil services around the world – manage their workforces better. It is the product of a workforce model that is not working. The time has come to move on.
Appendix 1: Calculating the potential saving of reducing turnover

This appendix sets out the calculations we used to estimate what Whitehall could save by reducing turnover.

As mentioned in the main text, very low turnover can be just as detrimental to an organisation’s performance as very high turnover. Therefore, the potential saving from reducing turnover in the civil service depends on two key variables:

• the optimum level of turnover (above which increases in turnover reduce the overall productivity of an organisation)

• the cost associated (in terms of recruitment, training and lost productivity) with turnover exceeding this level in different roles.

Calculating the costs of excess turnover in an organisation accurately requires significant work, for instance collecting management information on recruitment and training costs, and interviewing managers to understand the time it takes for staff to become fully productive in their roles.

There is a large literature including academic studies, industry reports, government reports and analysis by HR experts and consultants that has developed approaches to estimating turnover costs and produced a range of case studies of different organisations. The majority of these studies have focused on private sector organisations, but there are also a number that have looked at schools, hospitals and other countries’ civil services.

However, there has been no previous work done to estimate staff turnover costs in the UK civil service. There has been little work done in departments or across government to calculate optimum levels of turnover, and there has been no work to estimate the full costs of turnover in different types of role in the UK civil service.

As a result, we produced a range of estimates for what Whitehall could save by reducing turnover, using different assumptions about optimum levels of turnover and the cost of turnover in each role, drawn from the wider literature.

Optimum level of turnover

Private sector companies we spoke to were typically able to give a clear answer when we asked them what their optimum level of turnover was. A former HR Director of a large strategy consultancy, a good comparison to the central part of a civil service department, told us they ensured their organisation’s turnover was always 12–14%, because they knew that was the optimum range where productivity was highest. More

* Interviewees agreed strategy and management consultancies offers a good comparison to Whitehall because the work is knowledge-based and includes providing advice, drafting memos or reports, and synthesising knowledge and expertise.
than that was disruptive; less than that led to a lack of new ideas and poor performance. A survey by LinkedIn put average turnover in professional services firms at 13%. Other interviewees with experience in the private sector had a similarly clear sense of optimum turnover and came up with similar figures.

However, in Whitehall our research suggests there has been little work done to estimate optimum levels of staff turnover, either in departments or at different seniority levels (such as for the senior civil service).

The only statement about a target for turnover in any government department that we are aware of is one produced by the Treasury in 2012. The Treasury is consistently among the departments with highest turnover and has identified high turnover as causing it a range of problems (see Chapter 2). In 2012, following several years of very high turnover, a review of the department carried out by a senior departmental official set the modest target of reducing turnover to 15–20%.

We have therefore used 15% as a conservative upper bound for the optimum turnover rate for departments. We heard no evidence which would suggest a turnover rate of more than 15% would be optimum for any department with a normal staffing model (we made an exception of the Cabinet Office, which relies heavily on secondments, as we describe below).

However, there are good reasons to think 15% is above the optimum level of turnover for departments with normal staffing models. As we showed in Chapter 1, despite eight departments exceeding 15%, the median turnover rate across UK departments last year was 12–13%. In other civil services, such as Australia and New Zealand, turnover in key departments was also considerably lower than 15%. For example, in Australia, turnover in the Treasury, the Finance department and Social Services average 11–13%. It is also above the optimum rate of around 12–14% we heard was common in strategic consultancies. We therefore decided to use 12% as lower bound for optimum turnover rates for departments.

Our analysis in Chapter 1 showed that, in many departments, turnover was highest for senior civil servants, mainly based in London, but much lower among civil service workforces outside London. To capture the costs of excessive turnover, we have therefore looked at the senior civil service (SCS) workforce, and more junior and mid-level staff (known as delegated staff), in each department separately.

Delegated staff make up the overwhelming majority of staff in most departments. For this group, we applied the above target rates (15% and 12%) for optimum turnover.

However, for the SCS, we decided to use a more conservative optimum level of 20% – more conservative in the sense that this assumption leads us to estimate a lower cost of excess turnover among the SCS than we would have had we used the 12–15% figures described above. Our research suggests 20% is a comparatively high turnover rate. In New Zealand, on average, 10% of managers are replaced each year by someone from outside the civil service or another department. Private sector consultancies we spoke to told us they aimed for senior staff to turn over at a similar rate as other staff (12–14%). But, as the data presented in Chapter 1 shows, senior
turnover in the UK is exceptionally high: seven departments had SCS turnover above 30% last year. We therefore decided that 20% would be a reasonable target level given the current position.

There is also an argument that it is important that senior civil servants can be deployed flexibly and that senior leaders should gain experience in several departments on their route to the top. As we set out in Chapter 5, this is a reasonable aim but does not require turnover rates as high as 30%. Other civil services manage to give senior staff a range of career experience while ensuring more continuity in key roles. We heard no evidence which would suggest a senior turnover rate of more than 20% would be optimum for any UK government department.

**Costs of excess turnover in each role**

The cost of turnover in each role varies depending on how difficult it is to find a replacement, the training costs associated with replacing someone, the amount of time it takes a replacement to become fully effective (i.e. to reach the level of their predecessor), and the impact that someone leaving has on the performance of the team. As we say in Chapter 2:

- Administrative or entry-level roles are likely to be less expensive to replace, imposing costs of perhaps 30% of salary.4

- In more complex, ‘knowledge-based’ roles – like most jobs in Whitehall – staff take longer to reach full productivity, suggesting costs of around 100% of salary to replace someone in a mid-level complex role.5

- Senior roles are likely to be more expensive still to replace, particularly because of the effect on wider productivity of the team. Several studies put the costs of senior turnover at over 200% of salary.6

Professor Wayne Cascio and Dr John Boudreau, two of the leading academics working on the cost implications of turnover, summarise the evidence as follows in their textbook on human resources:7

‘Turnover can represent a substantial cost to doing business. Indeed, the fully loaded cost of turnover – not just separation but also the exiting employee’s lost leads and contacts, the new employee’s depressed productivity while he or she is learning, and the time co-workers spend guiding him or her – can easily cost 150 per cent or more of the departing person’s salary.8 Merck & Company, the pharmaceutical giant, found that, depending on the job, turnover costs 1.5 to 2.5 times the annual salary paid for it.9 At Ernst and Young the cost to fill a position vacated by a young auditor averages 150 per cent of the departing employees salary.10 These costs compare quite closely to those reported in the *Journal of Accountancy*, namely, that the cost of turnover per person ranges from 93% to 200% of an exiting employee’s salary, depending on an employee’s skill level and responsibility.11

Given this range, many HR departments and experts around the world use 100% of salary cost across the workforce as a starting point to produce a conservative estimate
of the costs of turnover. This method is widely used by major consultancies, such as PricewaterhouseCoopers, private businesses and public sector organisations, to produce initial estimates when organisations lack more detailed information about the kinds of roles that are turning over and costs associated with them.\footnote{This is widely cited as a ‘conservative estimate’ of turnover costs in the HR sector. See, for instance, PricewaterhouseCoopers’ HR Centre of Excellence and HR.com. We verified this in our own interviews with HR professionals. Blanchard K, The High Cost of Doing Nothing: Quantifying the impact of leadership on the bottom line, 2009, www.blanchard-bg.com/Materials/Blanchard_The_High_Cost_of_Doing_Nothing.pdf; ‘Calculating the High Cost of Employee Turnover’, HR.com, 6 October 2003, retrieved 10 September 2018, www.hr.com/en/communities/staffing_and_recruitment/calculating-the-high-cost-of-employee-turnover_ead07uu2.html}

This approach has been used to assess the costs of turnover in other civil services. For example, the Australian National Audit Office used 100% of salary costs across the workforce to calculate that a conservative estimate was that reducing turnover from 7.7% to 6.7% in 13 Australian Public Service agencies would save at least A$60 million (£34 million).\footnote{This is widely cited as a ‘conservative estimate’ of turnover costs in the HR sector. See, for instance, PricewaterhouseCoopers’ HR Centre of Excellence and HR.com. We verified this in our own interviews with HR professionals. Blanchard K, The High Cost of Doing Nothing: Quantifying the impact of leadership on the bottom line, 2009, www.blanchard-bg.com/Materials/Blanchard_The_High_Cost_of_Doing_Nothing.pdf; ‘Calculating the High Cost of Employee Turnover’, HR.com, 6 October 2003, retrieved 10 September 2018, www.hr.com/en/communities/staffing_and_recruitment/calculating-the-high-cost-of-employee-turnover_ead07uu2.html}

As Tables 2 and 4 show, using this method and the upper end of the range for optimum rates of turnover described above (15% for delegated grades and 20% for SCS) suggests that reducing excessive turnover would save at least £35.9 million each year in recruitment, training and lost productivity costs. This is referred to as scenario 1 in Table 1.

However, this may significantly understate the true cost of turnover. As we have outlined, there is a strong evidence base from the private sector which shows that turnover in senior and complex roles typically costs 150% to 250% of salary.

Tables 2, 5 and 6 show the savings that could be achieved if in fact the cost of excess turnover in senior roles is in line with these higher estimates, and using 12% as target for delegated roles (referred to as scenarios 3 and 4 in Table 1). Under these assumptions, we estimate that reducing excessive turnover in the civil service could save as much as £74.4 million each year.

The costs using different assumptions are shown in Tables 2–6 and are summarised below in Table 1.

Table 1 Summary of costs of excessive turnover using different assumptions

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Cost of replacing each worker (as % of total annual employer cost)</th>
<th>Target turnover rate</th>
<th>Total annual costs (£ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100% across the workforce</td>
<td>15% for junior and mid-level (delegated) staff; 20% for senior staff (SCS)</td>
<td>35.9</td>
</tr>
<tr>
<td>2</td>
<td>100% across the workforce</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>53.6</td>
</tr>
<tr>
<td>3</td>
<td>100% for junior and mid-level staff; 150% for senior staff</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>64</td>
</tr>
<tr>
<td>4</td>
<td>100% for junior and mid-level staff; 200% for senior staff</td>
<td>12% for junior and mid-level staff; 20% for senior staff</td>
<td>74.4</td>
</tr>
</tbody>
</table>

APPENDIX 1: CALCULATING THE POTENTIAL SAVING OF REDUCING TURNOVER 57
Notes on methodology
We used data on departmental headcount and the number of leavers from the Office for National Statistics and the Cabinet Office to calculate how many fewer staff would have turned over if each department reduced their turnover rate to the target rates set out above. We calculated the number of junior and mid-level (i.e. non-SCS) staff and their rates of turnover using figures for average departmental headcounts in 2016/17 and SCS headcounts for March 2017. The number of staff fewer leaving each department have been rounded to the nearest one.

For the Cabinet Office, we capped the reduction in turnover rate for delegated staff to five percentage points because of their unusual staffing model.

To estimate the average employer costs of replacing junior and senior staff in each department, we used median salary figures from the Office for National Statistics (ONS). We were able to obtain figures for the median salary of all staff and of just SCS staff from the ONS. Unfortunately, the ONS do not publish separate figures for the median salary paid to non-SCS staff. However, because the SCS make up only a small proportion of staff employed in each department, we were advised that there would be no significant difference between the median salary for each department as a whole and the median salary just for junior roles.

To estimate the total employer cost, we included not only employees’ headline salary but also an estimate of the average costs of employers’ national insurance (NI) and pension contributions. Based on advice from the Cabinet Office, we estimated these costs amounted to 30% of salary. The percentage is higher for more senior roles, but lower for more junior or part-time roles, but we used 30% across our estimates.

We were unable to include some departments in our calculations. For instance, SCS turnover figures were not available for BEIS, DexEU and the DIT so they are excluded from our calculations for senior turnover.

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* Average SCS figures for 2016/17 were not available, however, given they are a small proportion of the population, this makes negligible difference to the overall calculations.


*** For example, in the Cabinet Office, which is among the departments with the highest proportion of SCS, SCS only account for around 6% of the workforce. Office for National Statistics, Annual Civil Service Statistics, 2018, retrieved 13 September 2018, www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/civilservicestatistics/previousReleases
### Calculations

Table 2 **Costs of excessive turnover of junior and mid-level staff (scenario 1) – 100% salary costs and 15% turnover target**

<table>
<thead>
<tr>
<th>Department</th>
<th>Delegated turnover rate (%) (2018)</th>
<th>Headcount (2017)</th>
<th>Median salary (2018)</th>
<th>+ 30% (NI and pension)</th>
<th>Target reduction in turnover rate (%)</th>
<th>Number of staff fewer leaving dept</th>
<th>Saving (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>23.6</td>
<td>2,990</td>
<td>32,000</td>
<td>41,600</td>
<td>5.0</td>
<td>150</td>
<td>6,219,200</td>
</tr>
<tr>
<td>MHCLG</td>
<td>23.1</td>
<td>1,459</td>
<td>37,630</td>
<td>48,919</td>
<td>8.1</td>
<td>118</td>
<td>5,754,342</td>
</tr>
<tr>
<td>HMT</td>
<td>19.1</td>
<td>1,233</td>
<td>32,280</td>
<td>41,964</td>
<td>4.1</td>
<td>50</td>
<td>2,100,298</td>
</tr>
<tr>
<td>DIT</td>
<td>15.2</td>
<td>1,181</td>
<td>37,060</td>
<td>48,178</td>
<td>0.2</td>
<td>2</td>
<td>89,129</td>
</tr>
<tr>
<td>DExEU</td>
<td>16.6</td>
<td>385</td>
<td>37,850</td>
<td>49,205</td>
<td>1.6</td>
<td>6</td>
<td>307,531</td>
</tr>
<tr>
<td>DCMS</td>
<td>15.2</td>
<td>659</td>
<td>40,080</td>
<td>52,104</td>
<td>0.2</td>
<td>1</td>
<td>51,583</td>
</tr>
<tr>
<td>BEIS</td>
<td>15.3</td>
<td>2,798</td>
<td>43,430</td>
<td>56,459</td>
<td>0.3</td>
<td>8</td>
<td>468,610</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>14,990,693</strong></td>
</tr>
</tbody>
</table>

*We have excluded fast streamers from our calculation of Cabinet Office turnover and headcount. We set out the rationale for this in Chapter 1, page 10.*

Table 3 **Costs of excessive turnover of junior and mid-level staff (scenario 2) – 100% salary costs and 12% turnover target**

<table>
<thead>
<tr>
<th>Department</th>
<th>Delegated turnover rate (%) (2018)</th>
<th>Headcount (2017)</th>
<th>Median salary (2018)</th>
<th>+ 30% (NI and pension)</th>
<th>Target reduction in turnover rate (%)</th>
<th>Number of staff fewer leaving dept</th>
<th>Saving (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>23.6</td>
<td>2,990</td>
<td>32,000</td>
<td>41,600</td>
<td>5.0</td>
<td>150</td>
<td>6,219,200</td>
</tr>
<tr>
<td>MHCLG</td>
<td>23.1</td>
<td>1,459</td>
<td>37,630</td>
<td>48,919</td>
<td>11.1</td>
<td>161</td>
<td>7,895,527</td>
</tr>
<tr>
<td>HMT</td>
<td>19.1</td>
<td>1,233</td>
<td>32,280</td>
<td>41,964</td>
<td>7.1</td>
<td>87</td>
<td>3,652,547</td>
</tr>
<tr>
<td>DIT</td>
<td>15.2</td>
<td>1,181</td>
<td>37,060</td>
<td>48,178</td>
<td>3.2</td>
<td>37</td>
<td>1,796,076</td>
</tr>
<tr>
<td>DExEU</td>
<td>16.6</td>
<td>385</td>
<td>37,850</td>
<td>49,205</td>
<td>4.6</td>
<td>18</td>
<td>875,849</td>
</tr>
<tr>
<td>DHSC</td>
<td>15.0</td>
<td>1,315</td>
<td>38,790</td>
<td>50,427</td>
<td>3.0</td>
<td>39</td>
<td>1,969,174</td>
</tr>
<tr>
<td>DCMS</td>
<td>15.2</td>
<td>659</td>
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### Table 4 Costs of excessive turnover of senior staff (scenarios 1 and 2) – 100% salary costs and 20% turnover target

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<th>Saving (£)</th>
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### Table 5 Costs of excess turnover of senior staff (scenario 3) – 150% salary costs and 20% turnover target

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<th>+150% salary costs</th>
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<th>Saving (£)</th>
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**Total £20.8m**
Table 6 *Costs of excess turnover of senior staff (scenario 4) – 200% salary costs and 20% target turnover*

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<th>+ 30% (NI and pension)</th>
<th>+ 200% costs</th>
<th>Target reduction in turnover</th>
<th>Number of staff fewer leaving dept</th>
<th>Saving (£)</th>
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41,668,035

Total £41.7m
Appendix 2: Generalism and specialism in the civil service

Historically, ‘generalism’ in Whitehall means two things. First, the idea that the work of government should be done by ‘all-rounders’ rather than people with specialist or disciplinary knowledge. And second, following from this, the idea that staff should be able to move quickly from one role to another. It is deeply rooted, and has long been criticised. Fifty years ago, Lord Fulton said that Whitehall suffered from a ‘cult of generalism’, which considered the ideal administrator to be a ‘gifted layman who, moving frequently from job to job, can take a practical view of any problem, irrespective of its subject-matter’. ¹

Whitehall has become much more specialised since then. It has developed professions which include HR and tax, and more recently functions, which include analysis, commercial and digital. There is a healthy criticism of these, ² but it is no longer the case that a generalist administrator, or policy official, is expected to spend some time running the department’s finances.

But the ‘cult of generalism’ still persists with regard to policy areas, and in the policy profession (and also arguably for some analysts who work closely with ministers and policy officials). ² Officials are expected to be able to move quickly between very different policy areas, for instance from ‘education to housing; domestic violence to primary teaching; industry productivity to police budgets’. ³ While some parts of a policy official’s role – such as dealing with ministers – are generic and transferable, others are not. There is little value placed on developing expertise.

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¹  Professions are groups of officials who apply similar skills. While there are some overlaps, functions are a more recent innovation that are marked out by having a strong central office, based in the Cabinet Office, which co-ordinates training, development and career progression across the function.

Appendix 3: The Government’s proposals to the Senior Salaries Review Body for reforming senior civil service pay

Each year, the Cabinet Office presents evidence to the Senior Salaries Review Body (SSRB). The SSRB then makes recommendations which the government responds to in Parliament. This year’s evidence\(^1\) sets out an ambition to reform pay strategy to better reward high performers and those who develop capability by remaining in role.

The Cabinet Office says it will develop a full strategy in 2018/19, but it offers several initial proposals, including:

- **Increasing departments’ ability to give out bonuses** by giving them greater flexibility to give in-year performance awards, and introducing a new ‘Corporate Recognition Scheme’ with awards of around £1,000.

- **Reducing the incentive for senior civil servants (SCS) to move** by restricting pay increases for moves on level transfer (except when staff are taking on extra responsibilities), and restricting pay increases on promotion to 10% or the minimum for the new grade.

- **An ambition to ‘move to a consistent set of pay ranges by professional grouping’** and ‘provide clearer rules and control on how people move around the SCS pay system’.

In response, the SSRB says the Cabinet Office’s proposals are ‘welcome efforts to start developing a pay strategy for the SCS, although significant further progress is required to produce and articulate a coherent strategic plan’\(^2\).

The SSRB suggested an overall pay increase of 2.5%. The Government has rejected this and will instead stay within a 1.5% increase, arguing it would be unfair to increase SCS pay by more than the Treasury’s guidance recommends for delegated (non-SCS) pay.\(^3\)

However, the Government will implement a 1% consolidated pay increase for all SCS and increase the pay band minima.\(^4\)

The SSRB also expressed ‘doubts’ over the Government’s proposal to restrict pay increases for lateral moves or promotions, which they say would be likely to increase the number of external appointments and increase the number of SCS leaving for higher salaries elsewhere. However, the Government appears to be going ahead with this change, referring in its statement to Parliament to ‘efficiencies found from controlling movement around the system’.\(^5\)
## List of abbreviations

<table>
<thead>
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<th>Abbreviation</th>
<th>Organisation name</th>
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<td>Civil Service Learning</td>
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<td>Department for Environment, Food and Rural Affairs</td>
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<td>DExEU</td>
<td>Department for Exiting the European Union</td>
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<td>Abbreviation</td>
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1. What do we know about turnover in the civil service?


2. Why does this matter?


14. Ibid.


28 Ibid.


31 Ibid.


39 Ibid.
44 Ibid.
46 Ibid.
54 Helm D, ’Britain’s farmers get £3bn a year from the inefficient CAP. That has to change’, LSE Blogs, [no date], retrieved 10 September 2018, http://blogs.lse.ac.uk/brexit/2017/05/26/britains-farmers-get-3bn-a-year-from-the-inefficient-cap-that-has-to-change/
56 Ibid.
59 Ibid.
60 Cooper R and Trotman A, 'Cancelled FirstGroup West Coast contract ’will cost £40m’", The Telegraph, 3 October 2012, www.telegraph.co.uk/finance/newsbysector/transport/9583316/Cancelled-FirstGroup-West-Coast-contract-will-cost-40m.html
61 Ibid.
63 Ibid.
3. What causes staff to move around too quickly?


4. What has been done already?


4. Ibid.


7. Ibid.


14. Ibid.


5. What needs to be done?

4. Ibid.

Conclusion


Appendix 1: Calculating the potential saving of reducing turnover


Appendix 2: Generalism and specialism in the civil service


Ibid.

Straw E, The Dead Generalist: Reforming the civil service and public services, Demos, 2004, www.demos.co.uk/files/TheDeadGeneralist.pdf

Appendix 3: The Government’s proposals to the Senior Salaries Review Body for reforming senior civil service pay


Ibid.


Ibid.

About the authors

Tom Sasse is a Senior Researcher at the Institute for Government. He works on policy making in Whitehall, with a focus on how government uses evidence, and outsourcing. He also helps deliver the Institute’s training programme for academics. Previously he worked at the Open Data Institute where he advised governments and businesses on data policy.

Emma Norris is Director of Research at the Institute for Government. She joined the Institute in July 2012 and has led work on effective policy making and implementation, and ministerial development. Prior to joining the Institute, Emma was an Associate Director in the RSA’s public policy team, working on a range of issues including public service reform, social exclusion and governance.

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