

Why is civil service reform so hard?

Sir John Kingman in conversation with
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[Check against delivery]

Just two months ago, the *FT* devoted pages of breathless analysis to the government's plan to "smash the British state". A month ago, *The Economist* splashed its cover on the same subject.

Yet how times change.

Whether the revolution is still on, at the time of writing, is frankly anyone's guess.

Dominic Cummings has departed – who knows, possibly taking his "hard rain" with him.

It is not clear whether this topic much interests the prime minister himself. Confusingly for the narrative, he has just gone and appointed a tough and savvy former Treasury civil servant as his new chief of staff.

And yet.

As and when the Covid reckoning comes, there will, no doubt, be plenty of blame to go round, some of it inevitably attaching to the civil service – some of it will probably be fair.

And we haven't got to Brexit implementation, if that's the right word, yet.

The traditional simile of the British civil service as a purring Rolls Royce isn't much heard nowadays.

Moreover, Michael Gove remains very much around.

In July, mid-pandemic, Mr Gove went to the trouble of giving a long lecture on civil service reform.

He called for the civil service to change:

- Less flitting from job to job
- More build-up of real knowledge and experience

- More expertise, particularly in mathematics, statistics, probability – and data
- More commercial experience; and
- Just more experience and exposure to the world outside Westminster and Whitehall.

This is, indisputably, a serious and fair critique.

If anything – as many have pointed out – Gove echoes, surprisingly directly, the Fulton report, commissioned more than 50 years ago by Harold Wilson. All Gove's points were central points of Fulton, too.

Yet two such parallel diagnoses, half a century apart in time, rather suggest that changing the civil service is a lot easier to advocate than to achieve. Lucid diagnosis is all very well, but the trickier part is finding and administering effective cure.

What cure the current government might have in mind, the Gove speech doesn't tell us. He sets out the problems – but nothing about what a reform programme might look like, nor how it could be achieved in practice.

So far, we have had quite a lot of colourful briefing – and of course a few acts of violence.

But dispensing with the services of the cabinet secretary and a few permanent secretaries does not constitute a systemic reform – especially when replacing one clutch of Whitehall establishment lifers with another clutch of Whitehall establishment lifers.

Nor is moving some civil servants out of London – a good reheated 1980s policy – in itself going to get to the heart of any of the problems Gove articulates.

Mr Gove has asked Lord Maude, a veteran mandarin-baiter, for ideas.

So, we wait.

While we do, it seems timely to explore why reform seems so perennially difficult – and the challenges Mr Gove and Lord Maude, if they are serious, will have to overcome.

1. The political demand side

First of all, we are obviously talking about changing a very large and complex system, with a strong embedded culture.

That is clearly a long job. It's also, for most of the public, deeply boring, obscure and irrelevant. It is not susceptible to headlines or sugar-rush announcements. And it won't yield any political return on any meaningful timetable.

So, it's a big ask to expect senior ministers to take any sustained interest. There is a fundamental mismatch in timescales. It was always a bit odd that Dominic Cummings said he thought his job would be done in a year.

But there may also be a further political demand problem: are the characteristics Gove calls for even what ministers actually want? The answer is not immediately obvious.

He calls, for instance, for civil servants who are "more rigorous and fearless". But as he quite rightly acknowledges, rigour and fearlessness will only flourish if there is ministerial demand for it.

Gove devotes a whole page of his speech, for example, to the importance of good cost-benefit analysis. But this is actually a very odd observation. As an experienced minister, Gove will know that Whitehall is already awash with cost-benefit analysis. Everything of any significance is subjected to a multi-stage business case process governed by the revered Green Book, which bends over backwards to try to value non-financial and societal benefits of every kind.

The question is not whether Whitehall is capable of good, tough analysis. It already is. The question is whether ministers want to hear, and act on, the results.

Here, frankly, there is room for doubt. I suspect in their private moments my former Treasury colleagues might point wearily to some of the current government's moonshots – \$500m of public money invested in a bankrupt satellite firm, say, or the dreamed-of bridge from Northern Ireland to a not-very-populated edge of Scotland across 20 miles of very deep, bomb-strewn water – and question whether the government's hunger for rigorous cost-benefit analysis is quite as intense as Mr Gove's speech hopes.

To be fair, as I say, he does square up to this problem.

"Reforming how government works", he plainly says, "requires ministers who can reform themselves".

But he does not tell us how this part of the reform programme will be achieved.

2. The one-dimensional civil servant

Still, let's be clear: it is much too easy to say that everything is the fault of the politicians. That won't wash, either.

The fact is that most of the items on the reformers' shopping-list – more expertise; less manic turnover of officials in jobs; more competence in execution and delivery; stronger commercial, IT and project capability; more interchange with the outside world; better management of underperformance – are wholly in the mandarins' gift to make happen.

If they want to.

The civil service machine has every freedom (within pay constraints, to which I shall return) to choose who it recruits and promotes; what kind of jobs exist; what kind of people get them; and who is removed from them.

So, what's the problem?

I'd like to illustrate this with a short story.

About five years ago, I and Bill Crothers (then government chief commercial officer) were asked by the late Jeremy Heywood to lead a programme of commercial capability reviews of government departments, looking mainly at procurement. We did these studies in some depth.

The picture was pretty consistent across government. Departments' procurement functions were not under-resourced. In fact, the data showed they were well-staffed, by other organisations' standards. But they were staffed (we thought) with, to put it bluntly, too many of the wrong people: too many junior process administrators, usually with generalist civil service backgrounds; too few serious, experienced commercial people to handle difficult negotiations with suppliers.

So, we went to the permanent secretaries. You need to reshape, we said: bring in more senior, better-paid people; pay for this by getting them to shrink and restructure the ranks working for them.

I don't think any permanent secretary thought their procurement operations were brilliant. A few embraced our ideas quite warmly. But a larger number clearly found our suggestions unwelcome, and these were quite difficult conversations.

The main problem we hit, I think, was the one-dimensional nature of the civil service hierarchy. Highly paid jobs (by civil service standards) are, it is thought, necessarily senior in the pyramid. By definition, in a hierarchical, pyramidal view of the world, there cannot be too many senior people. Very senior people must, it is assumed, necessarily manage large numbers of people. And the senior people generally are assumed to spend a lot of time with ministers. But why would ministers want to talk to people about procurement? And even if they did, would these commercial types have the necessary courtier skills?

I thought all these assumptions could and should be questioned. There is absolutely no intrinsic reason why salary, place in a hierarchy, numbers of people managed and proximity to ministers must all be rigidly aligned in an inflexible way. It's really not difficult. Not all jobs need to be the same. Just change the shape and nature of the pyramid.

But there was also I think a deeper problem, generally unspoken. Not to put too fine a point on it, some permanent secretaries clearly saw procurement as a bit like plumbing – necessary, but not intrinsically very challenging or important.

We have surely all learned by now that good procurement is actually both very hard and very important.

And of course, very similar things can be said about IT, about HR, about property and so on – not to mention great swathes of operational delivery.

The Next Steps model of the 1990s was a serious attempt to address some of these problems – to create delivery structures in which operational, not policy skills would predominate even in senior

roles. Ministers would set the direction; officials would have both more freedom and more accountability for delivering it. Yet this model has rather atrophied, for no obviously good reason, and it is perhaps a missed opportunity that Mr Gove shows no sign of interest in re-energising it.

Now, I want to emphasise that my procurement story was five years ago. I believe that some real progress has been made since then, with the development of clearer structures of so-called functional leadership in procurement and other areas, under the leadership of John Manzoni and others.

But I am also sure that we have quite a lot further to go.

There remains an excessively one-dimensional notion of the qualities needed in any successful senior civil servant.

What are those qualities? Intellect, of course. Ability to work well with any and all ministers – which necessarily requires pragmatism and deftness turning on a dime. Ingenuity in finding solutions to tricky problems, if only elegantly drafting over the cracks. Ability to engage skilfully with stakeholders, without putting a foot in it. Increasingly over the years, the ability to manage people competently has rightly become much more important.

There's nothing much wrong with this list, in itself. What's wrong is what's missing.

I would argue that a track record of ever having made anything happen, as opposed to successfully keeping the plates spinning, is still – at most – seen as a “nice to have”.

And perhaps most oddly of all, substantial or deep domain knowledge and experience is still not really particularly valued – at any rate in the higher reaches of the policymaking civil service.

I am not sure where this disdain for knowledge and expertise comes from, but it is deep-rooted.

An even older story. In 2003, I was asked by Gus O'Donnell to lead a review of the Treasury. Again, I tried to break down the one-dimensional model a bit. I suggested there might be certain topics – corporate tax, say, or pensions, or the energy market – which were core Treasury business but which were also ferociously complex and technical, and perhaps not ideally suited to being left entirely to even brilliant 24-year-old generalists.

Why not, I naively suggested, create some new roles – outside the conventional hierarchy – these need not manage anyone; they might or might not spend lots of time with ministers; they could and should be reasonably well-paid (at least by the Treasury's modest standards); they might (I thought) be rather attractive to people, inside or outside the civil service, who are steeped in an area and interested in applying their knowledge at the heart of government.

Gus accepted this recommendation. But it hit bemusement more generally – and proved just too weird and counter-cultural. It died a quiet death.

This indifference to knowledge and experience is of course then directly linked to what Gove rightly calls the “civil service whirligig”. Officials can and do hop from area to area, without in any way damaging their career. There is very little incentive to develop expertise and experience in a

particular area – or for that matter to build and sustain real relationships with external stakeholders, which inevitably take time.

And all this is linked too to the almost comic lack of serious attention to training.

Of course, the higher reaches of the civil service have always had strong generalist tendencies. But I have an unresearched hunch that the problem may, if anything, have got worse over the years.

Take for instance, a small but important sample, the current crop of permanent secretary heads of department. Tom Scholar at the Treasury and Philip Barton at the Foreign Office have deep knowledge and experience of their territory, as do Jim Harra at HMRC, the spies – and Susan Acland-Hood, a refreshing appointment last week at education. But I think it is true to say that literally none of the other current permanent secretary heads of department, when they were appointed, had more than a year or two's previous experience of working in their department.

This fact is quite spectacular. My guess is that if one did a similar survey 30 or 50 years ago, the picture would not have been so stark.

Look then at the same group through a different lens. What external experience do they have? Of the current crop, I think only Stephen Lovegrove (banking) and Sarah Munby (McKinsey) have serious experience of life outside government. Alex Chisholm had some business experience early in his career, as did Antonia Romeo who was briefly a management consultant. A couple of others have done short secondments. Otherwise, that's it.

This is a true lack of diversity, and again really quite extreme.

Now all these we people are phenomenally talented. We are lucky to have them in the public service.

Still: the reformers are – just like the reformers of 50 years ago – asking these same individuals to upend and rethink fundamental aspects of the system in which they flourished and which got them to the top.

There is absolutely no reason why they could not do this.

But how likely, really, is it?

I put this question to a former permanent secretary who ruefully responded that I was missing a further inherent problem: "there is", he said, "a civil service temperament: a willingness to tolerate and relish the complexity and variety of being part of a big system but being sufficiently dispassionate – and resigned – to accept and adapt to the changing whims of successive ministers".

His point, I think, is that this is just not a personality type which is ever likely to include many hard-driving reformers or drivers of systemic change.

If so, this is a pity. Because it would clearly be much better for the civil service itself to embrace and drive its own reform, than to have ministers try to find ways to impose it from the centre.

That way, to use a phrase I've gratuitously stolen from the great Peter Hennessy, the civil service might end up with a refreshing shower, not hard rain.

3. Pay: the problem no-one wants to talk about

The final issue I want to touch on is fundamental, if we want a high-performing civil service. But absolutely no-one wants to talk about it. This is civil service pay.

Here are some facts:

- The starting salary of a fast-stream graduate civil service recruit is £28,000. In management consultancy, which is recruiting for very similar skills, the figure is at least £45–50k – more in the high-end firms. In investment banking, again looking for similar skills, the going rate for a first-year graduate – including bonus - is more like £80–85k.
- These differentials then become yawningly wide over time, especially at the point people start thinking about houses and families. At age 30, a successful fast-track civil servant might have just made it into the senior civil service and be earning something like £75k. But in consulting, they would be earning between twice and four times that. I asked an investment bank what they would pay a reasonably successful 30 year old – they told me £450k, all-in. That's six times our civil servant.
- Moreover, we expect all these people to be living in the same excruciatingly expensive city. This problem has become extreme. In 1970, the average London house price was 1.2 times the median Grade 6/7 pay. That ratio is now 8.4 times.

In the 1980s, the then Review Body on Top Salaries used to get terribly exercised that captains of industry could earn a few times what a permanent secretary might earn. Now, the average FT-SE100 CEO earns more than £4m a year, more like 25 times the permanent secretary rate.

This all reflects a huge societal shift.

Of course, it would be unrealistic and wrong to expect there to be no gap between the public and private sectors. It will never be practical, or for that matter necessary, to try to match the investment banks £ for £. Working for the government is a privilege. It can be hugely interesting and rewarding. It is reasonable that there should be, and there clearly can be, some significant differential.

The point is there is only so far you can stretch the elastic.

This is perhaps particularly true of critical operational roles, in procurement, in IT and so on. Policy roles close to ministers will always have a powerful attraction for a certain kind of talented person. It is less immediately obvious that fixing IT in HMRC, say, has quite the same compensations for a massive pay discount. Yet the operational and commercial challenges can, if anything, be greater – and certainly more important for the country – than in most private sector roles.

Even policy officials have real choices. Look, for instance, at the pull – even within the public sector – of organisations which can pay a lot more. Some of the very best civil servants have trodden this

path – including Sam Woods at the PRA (£280k), Nikhil Rathi at the FCA (£435k) and Sharon White and Melanie Dawes at OFCOM (£315k). All way above permanent secretary rates.

Meanwhile Dominic Cummings bemoans, like Fulton before him, the prevalence of arts and humanities graduates, and the relative shortage of hard scientists, in the civil service entry.

He is right about that. But fiddle as much as you like with the civil service entry requirements, you will not solve the fundamental problem. High-quality STEM graduates are simply a lot more employable in higher-paying jobs in the rest of the economy. Is it any surprise that the civil service is left with the less high-earning humanities graduates, whose skills (conveniently) happen to be quite well-suited to a career which is mainly about skilful use of words?

I expect the government to have no truck with any of these arguments. The case for higher pay for bureaucrats in the midst of a savage recession is, to put it mildly, politically awkward.

Fair enough. But if so, we should be clear-sighted that we will have the civil service we are willing to pay for. There will only be so much that can be done magically to attract and retain the most brilliant data scientists, or commercial negotiators, or IT whizzes, into public service.

Yes, there will always be some – there always have been – who have made their money, or who happen to have no interest in it, or who have private means, and want to do public service, and/or just find government incredibly interesting.

There just aren't enough of them to run the British state, especially in the less glamorous mid-level engine-room jobs which really matter.

Conclusion

One last quick point. Talk to anyone who has led a major private sector change programme – they will tell you that, however tough you need to be, it is also vital to offer a credible vision to those people you want to retain, which will motivate them to come with you on the journey. Otherwise, the big risk is that the wrong people leave.

In the midst of Covid and Brexit, some civil servants may already feel, as Denis Healey put it, that “you don't conduct an appendix operation on a man while he is moving a grand piano up the stairs”.

So far, the government has stuck some heads on pikes and briefed some tough talk.

Civil servants are generally pretty acute. They will not be keen to be made scapegoats.

So if the government does want to undertake a major reform programme, I would say there is some work to do to articulate the positive side of the vision – one that the best talent, and the best potential talent, will choose to buy into.

Since these are, by definition, the people who have most choices about where they want to work.

Thank you very much.