



National Audit Office



REPORT

# Civil service workforce: Recruitment, pay and performance management

Cross-government

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# Civil service workforce: Recruitment, pay and performance management

**Cross-government**

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## **Report by the Comptroller and Auditor General**

Ordered by the House of Commons  
to be printed on 27 November 2023

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of Commons in accordance with Section 9 of the Act

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**Gareth Davies**  
**Comptroller and Auditor General**  
**National Audit Office**

**20 November 2023**

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## Key facts

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**£16.6bn**

total civil service salary costs in 2022

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**£1,538**

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

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**3 of 16**

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

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

**171 calendar days** average time reported by departments for completing Developed Vetting (DV) security clearance for new recruits, the highest clearance level

**£6,100** difference between lowest and highest departmental median salaries for all staff at senior executive officer grade, as at March 2022

**£13,100** difference between lowest and highest departmental median salaries for digital staff at Grade 6 level, as at March 2022

**10** departments that do not monitor outcomes for staff after they have been identified as underperforming

**£13** lowest amount of per-head annual spending on performance-related pay across departments in 2021-22, compared with the highest amount of £1,366

# Summary

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

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

## Scope

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

- Recruitment: How do departments vary in the speed and cost of their recruitment activity?
- Pay: Does pay differ by department for civil servants at the same grade, particularly for staff in the same local area or with specialist skills?
- Performance management: How do departments' performance management approaches vary?

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

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

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

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

## **Key findings**

### Civil service costs and trends

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



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

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

## Recruitment

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

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

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

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

**14 The Government Recruitment Service's staffing was cut by 40% in 2022, but the cuts had to be reversed a year later to avoid the significant risk of service failure.**

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

**15 The Cabinet Office is looking to strengthen its role in overseeing recruitment performance across departments, particularly through setting consistent recruitment metrics.**

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

## Pay

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

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

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

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

## Performance management

**20 Departments set their own performance management approaches, with many shifting the focus from performance ratings to people development.**

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

**21 Departments vary in their approaches to performance-related pay and how much they spend on it: in 2021-22, per-head departmental spending on performance-related pay for staff below SCS level ranged from £13 to £1,366 per employee.**

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

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

### **Concluding remarks**

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

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

## Recommendations

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

### Recruitment

- a** **By June 2024, the Cabinet Office should require departments to report fully and regularly against the recruitment metrics it has developed, particularly those on recruitment costs,** so that both departments and the Cabinet Office can monitor and benchmark recruitment performance.
- b** **By the end of 2025, the Cabinet Office should review how recruitment is delivered across the civil service to assess the efficiency of different approaches, including services delivered by the Government Recruitment Service.** This should include benchmarking performance both within the civil service and against external comparators, and identifying the full costs and benefits of different delivery options.

### Pay

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

### Performance management

- d** **The Cabinet Office should work with departments to help them assess the effectiveness of their own performance management systems, including line manager/employee ratios and approaches to performance-related pay.** These assessments should consider the requirements of the civil service performance management framework, as well as data on performance outcomes for staff and employee feedback (such as Civil Service People Survey scores).
- e** **Each department's HR director should report regularly to the department's executive committee on the number and grade breakdown of staff identified as underperforming.** This should include reporting on what happens after staff have been identified as underperforming, to help departments understand the effectiveness of their systems for managing underperforming staff.

# **CORRECTION SLIP**

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## **Correction one:**

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

100 calendar days

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

Text should read:

99 calendar days

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

**BACK**

## **Correction two:**

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

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

Text should read:

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

**BACK**



**Correction three:**

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

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

Text should read:

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

**BACK**