

Agency and Agility: Incentivising people in a new era

A review of UK Armed Forces
incentivisation
by Rick Haythornthwaite

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Foreword by the Review Chair

Dear Secretary of State,



When you asked me last year to review the incentivisation of UK Armed Forces personnel, it was quickly clear to me that a systemic examination of this issue was long overdue. I've had the privilege of meeting sailors, soldiers and aviators working across the UK and the globe. Their commitment to delivering for this country, often in challenging conditions, shone out every time. But their frustrations were also clear.

Instead of having the freedom to give their best for the people working with and for them, they feel disempowered by a system that swamps them with rules and process rather than embracing their ideas and initiative. Many feel that promises made are not being kept. In short, people's expectations and ability, shaped by a world that is changing with unprecedented pace, has moved on. But the way Service personnel are incentivised and managed has not.

The world has continued to change even in the fifteen months I have worked on this review. The evident problems in recruiting and retaining people with high-demand skills have worsened. Developments in Ukraine have demonstrated how people – responding with agility and flexibility – are a critical part of military capability, even in an increasingly technical future. Without action to build agency and agility, I am not entirely confident that our Armed Forces will be able to respond when similarly tested.

But I am positive for the future. Talking to the Chiefs of Staff and other senior leaders, I know each of them is committed to the change set out in this report. Your ambition should be for the UK's Armed Forces to become a world-leader in incentivising and managing people. Not just getting better, not just catching up, but becoming a global beacon. I believe this can be done if you free people to think big and address this question systemically. The greatest challenge will be to implement everything, without cherry-picking the easy parts.

This is central to winning the next fight – people are a pivotal military capability just as much as any new submarine or fast jet. In becoming a world leader of people management, the Armed Forces will play an even greater role in developing the national capital of the entire United Kingdom, not just its defence. I urge you to grasp this opportunity, and would be honoured to support your efforts in the years to come, in whatever way you wish.

Yours,

A handwritten signature in black ink, appearing to read 'R. L. L.', with a long horizontal flourish underneath.

Rick Haythornthwaite

A. Introduction and executive summary

The problem

A.i. We were asked to start our review of the incentivisation of Armed Forces personnel in January 2022. Less than a month later, Russia's invasion of Ukraine raised a slew of new geostrategic problems. But as we look back now, the key story for us is one that reinforces the importance of people to military capability.

A.ii. The Ukrainian Armed Forces have amply demonstrated the power of putting large numbers of motivated, incentivised people in the field. The agile and targeted use of new technology, with skilled operators trained and deployed quickly, has also clearly shown its worth. These are two sides of the same coin. You must be able to incentivise and deploy both a mass of generalists and targeted specialists. In other words, both 'technology-enabled people' and 'people-enabled technology' are needed. By contrast, billions of pounds worth of Russian equipment has fallen well short of the capability needed, and their people have often been the weak link.

A.iii. The UK Armed Forces are not immune to these dilemmas. There are revolutionary changes underway that cut across many aspects of people's personal and working lives, in the Services and beyond. These are changes of a scale that previously took decades to play out. Now we are seeing paradigm shifts in a matter of years that the Armed Forces' current approach is simply not capable of dealing with.

- What the Armed Forces expect of those who join is becoming more demanding and more technical. As the Ministry of Defence's (MOD) Integrated Operating Concept recognises, the pervasiveness of information and the pace of technological change are transforming the character of warfare. This means more skills, that change more quickly, are needed. But the Armed Forces' current base-fed, closed-loop model is designed for a world where the skills needed could be predicted years out.
- The Armed Forces' competitors for skills in the broader labour market are facing similar challenges. They are chasing the same, rapidly developing skills – and they often have more money to throw at the problem. While the Armed Forces may never be able to out-spend private sector competitors, the other powerful and even unique rewards that service can give are not fully appreciated or exploited.
- The ask of Servicepeople is also becoming more varied. Uncertainty in the threat means uncertainty in how frequent, long or rigorous deployments will be. Technology will increase risk of injury or death for some and decrease it for others. Some will be overseas or stand ready to deploy at short notice, more often; others will have more stability. The demands on those leading in complex environments will increase. The impact on families will be equally uncertain, but remain central to people's continued willingness to serve. The current all-of-one-company approach to incentivisation in the Armed Forces increasingly feels like one-size-fits-nobody.
- Looking at broader society, technology is shifting the balance of power between individuals and organisations in fundamental ways. Complex webs of services and the gig economy are subverting the employer-employee relationship. 24-hour social media scrutiny demands radical transparency, and a globally-networked perspective has heralded a newly demanding and individualistic ethos. The people the Armed

Forces need, with the leadership, communication and technical skills that will be critical to winning the next war, must be convinced that joining the Armed Forces is right for them. A take-it-or-leave-it approach will no longer work.

- Those who have grown up in this revolution see the world differently. They will expect flexible, remote and hybrid working and to operate in a digital-first world that makes the most of automation and artificial intelligence. They will have more, and more varied, careers, and will focus on how their employers' goals and values align with their own. They will see a meaningful offer as one that works for them – allowing them to develop their skills, to address important challenges and change the world, while providing an environment that recognises their wellbeing and mental health. Today, the Armed Forces too often expect people to assimilate into their old culture, rather than going some way to adapt to the society they defend. The traditional pool of recruits that attracts is shrinking.

A.iv. These challenges can look daunting. What is worse, as we have talked to people over the last year, it has become clear that the current approach isn't working for too many of today's personnel, let alone tomorrow's. An ever-increasing set of complex rules tries to control for every outcome, but is rigid and cannot keep up with reality, leaving people feeling untrusted and disempowered.

A.v. Half of personnel believe their Service has not fulfilled the promises they were made. You can see the impact of this in hard numbers. Last year, over 4500 more personnel left than joined with voluntary outflow rates continuing to increase. Over the last 10 years, the forces' proportion of untrained personnel has significantly increased. The rising demand for skills is already not being met in some key areas, including cyber, engineering, nuclear, digital, logistics, aviation and medical.

A.vi. This situation has come about despite the best efforts of leaders across the Armed Forces, all of whom care deeply about their people. In our view, it is a miracle that they are delivering the consistently high-quality outputs they are today, given the toolkit their leaders have at their disposal to manage their people.

A.vii. But we believe the Armed Forces are uniquely placed not just to solve today's problems, but to meet the future head-on and become a world leader in people management. What is needed is a clear philosophical shift away from the hard-wired, organisation-centric, planned-economy approach. The Armed Forces demonstrate time and time again that they know how to deal with uncertainty and change. On operations, the answer is to be agile, responding to reality as it emerges. The same principles apply here. A new toolkit is needed now to deal with today's challenges and prepare for those of tomorrow.

A.viii. As the Russians have found, it is easy to ignore problems and avoid difficult decisions in peacetime, but you will be shown up when the next fight comes. There is no doubting the individual courage and commitment of those in the UK Armed Forces, but will the people-system at the heart of our military capability work when tested? Will it still have the strength, agility, skill, adaptability and resolve we have seen from the Ukrainian Armed Forces, or will that core prove hollow? Will the service ethos that has stood for centuries continue to hold or is the future one of reliance on conscripted or mercenary forces? If action is not taken, we are not optimistic. But the need for action has been fully recognised by the Secretary of State, Service Chiefs and senior leaders. Our aim in this review is to help them plot that path.

How to read this report

Our approach

A.ix. This was the first opportunity for a holistic, independent examination of how the Armed Forces manage, reward and incentivise their people since Michael Bett was asked to do so in 1994. We were therefore determined to make the most of this opportunity. We began with the following principles in mind.

- Our analysis had to put people first. We wanted to hear experiences and ideas directly from sailors, soldiers and aviators, and from leaders across all levels of the Armed Forces.
- We had to think about the entire system to really understand what was happening. As we were to learn, there are many leaders with good ideas trying to change things, but too often in isolation, fighting against the inertia of the system. Taking a holistic view has led us to a broad interpretation of our remit.
- We had to ensure that our recommendations recognised the unique demands of service, but equally recognised that, in some important ways, the Armed Forces are not so different from many other organisations. We therefore wanted to ensure we drew on best practice not just from our key allies but also from academia, think tanks and the private sector.

A.x. We are fortunate to have brought together a diverse and talented team to carry out this review – not only regular, reserve and civilian experts from within Defence, but also a range of specialists from think tanks, research organisations and the private sector. The senior team had more than 150 engagements with the full range of personnel from junior ranks to senior officers in the UK and overseas. We met senior allied representatives, notably from the US, Australian and Norwegian Armed Forces. We are grateful to the many others who supported us from the third sector (notably the Royal British Legion, the Confederation of Service Charities, the Families Federations, and the Forces Pension Society); industry (including BAE Systems and Babcock); and the vast range of military and civilian officials leading on policy work across Defence.

A.xi. We also wanted to take an evidence-led approach. We analysed nearly a thousand research papers and reports, both from within the military establishment and beyond. We commissioned our own primary research to fill some of the significant gaps in data, notably a survey of more than 9000 personnel and a range of structured focus groups. We also brought together a range of data from across the Armed Forces that had not previously been systematically analysed. Finally, we sought direct challenge to our conclusions, running 'red team' sessions with the full range of junior and senior personnel and with senior figures from politics, academia and industry.

A.xii. We have divided our report into nine chapters with 67 detailed recommendations. However, they cannot be mechanically implemented in isolation. Readers will quickly notice the connections between them, reflecting the systemic nature of the problem. An eye must always be kept on the overall experience for personnel, as that is where this will succeed or fail. At the end of the report, we have used illustrations from the perspective of future Service personnel to show what this system can achieve if everything is aligned.

A.xiii. The first five chapters cover the five central pillars that will support an approach that is fit for the future. They may take some time to achieve, but action is needed now to set out on the right path and demonstrate the intent to change.

Chapter 1: Make people feel valued

Listen to what matters to people and then focus time and money on getting that right. Accommodation and food are two obvious places to start. Dismantle the culture of excessive process and bureaucratised, sometimes inconsiderate, decision-making. This is deeply embedded, but start with the allowances system (both at home and overseas).

Chapter 2: Develop agile new tools to reward personnel

Develop two key new tools that will allow personnel and their leaders to be more agile and responsive. The first is to pass new legislation to create a fluid 'spectrum of service', allowing everybody to serve in a much wider range of ways, recognising that personnel want differing levels of control over their lives at different times. The second is to create a 'total reward approach' which will provide leaders at all levels with the tools to tailor different reward packages to match the reality of what they ask their people to do. These can and must be trialled quickly, even if it will take longer to achieve for the whole force.

Chapter 3: Digitalise

Move to a universally digitalised approach that gives personnel the same level of service and ease of access in their Service life as they would expect outside of the Service. The centrepiece of this should be to expand and improve the one-stop-shop apps, MyNavy, MyArmy and MyRAF. The organisation must also learn to collect and use data to really understand what people want and use that to inform wider decision-making.

Chapter 4: Upskill, diversify and gain access to wider pools of willing talent

Engage more of society to bring untapped pools of talent into the Armed Forces. Do more to use the talent and potential of all those in uniform to develop new skills as they're needed. Engage with more of those who leave so they can bring old and new skills back in.

Chapter 5: Empower leaders throughout the organisation

Create a more dynamic and delegated approach to managing personnel that gives agility to the Services and immediate line managers so they can get on with day-to-day tasks in the way that works best for them. Reframe the way Head Office thinks about people as a capability so that there is no need for another review of this kind.

Chapters 6 to 8 of the report focus on developing core parts of the system that will be vital enablers to achieving this future vision. Effective management of the workforce must bring together career management and strategic workforce planning. Both need to encompass regulars and reserves and shift to thinking about skills as well as rank. They need to fundamentally change, embracing their role in making people feel valued and in shaping an agile organisation. They will need to adapt to a world in which a spectrum of service and total reward approach are central to all personnel. The final enabler chapter reinforces the importance of creating an inclusive culture. Leaders at all levels must take responsibility for this, but this cannot be done by instruction from the top. They must be trained and supported more actively.

Ensuring action

A.xiv. In the final chapter (9) we wanted to offer our views on how our recommendations should be implemented. They are the result of bringing together many good ideas from across the organisation and melding them with good practice and lessons learned elsewhere. Looked at individually, many of these are not revolutionary. They may already be being considered, or plans may already be in place or being implemented, even if only in part. But if there is one single lesson to learn from our analysis, it is that a siloed approach that cherry-picks the easy parts does not work. This is a complex system that requires system-level interventions. What would be revolutionary would be to deliver everything that is promised. If that is to happen, a new approach must be taken.

Three key stages to implementation

1. The first is to build early momentum. Leadership, from top to bottom and across organisational boundaries, will be critical. There must be discussion and engagement with personnel, not broadcasts of information. Personnel must be involved in shaping and delivering the agenda to fight against cynicism. And the bureaucracy must be simplified, removing approval layers and governance to allow the approach to be think big, start small and scale fast.
2. The second stage is to prioritise and sequence the detailed changes to maintain momentum. These must realise quick wins and address the hygiene factors that make a difference to people's lives. But there must also be trials that apply and evaluate the more fundamental changes needed, particularly around a spectrum of service and total reward approach. This cannot be done using the old programmatic approach. Elements must be led independently by people who feel empowered to take managed risk.
3. The third stage is to embed the change that will transform the lived experience for personnel. This is not, at its core, about new policies. This will come down to the behaviours and culture of leaders throughout the Armed Forces and the conversations that they have with people at moments that matter. Work should start now to bring this about, keeping an eye on that real prize and avoiding getting bogged down in complex policy design.

A.xv. Moving to this new world will also take time and money. In our view, even estimated in the most conservative terms, the costs of implementing our recommendations will be quickly recouped. But this must be about more than simply whether the figures add up. The mantra that 'people are our strongest asset' is often repeated. If it really is true, investment is needed now, otherwise they may not be there to win the next fight.

B. History and context

B.i. Over the next few pages, we cover some of the basic history, facts and statistics about the people of the Armed Forces. The organisation is highly complex, far more so than almost any other private sector organisation. Its leaders, now and in the past, have seen the problems and, in good faith, sought to change. And we think we know at least some of what is coming in future. It is important to understand this context before considering how the future incentivisation system might work.

How has the people component of military capability changed in recent years?

B.ii. The MOD has been no stranger to formal reviews. The first major wholesale defence review after World War 2 was the Sandys Review in 1957, and there has been at least one major review in every decade since. The coalition government in 2010 committed to hold a strategic review every five years, arguing that there was a clear need more frequently to reassess capabilities against a changing strategic environment. There have also been many separate formal reviews of defence procurement policy, some 13 over the last 35 years.

B.iii. However, reviews of how the Armed Forces manage their people have been far less frequent. A number have addressed the topic in part¹, but this review is the first to take a systemic look at the problem since Michael Bett's report in 1995. He was asked to provide an independent review of the Armed Forces' Manpower, Career, and Remuneration Structures ('Managing people in tomorrow's Armed Forces'). Bett made some 150 recommendations, covering the whole field of rank and career structures, pay and allowance structures, pensions, housing and accommodation policies, and wider conditions of service. His intention was to ensure that the Armed Forces continued to hold their own against civilian competitors in recruiting and retaining high quality people.

B.iv. Bett argued that the MOD should implement his recommendations in full. Their response was rather measured, as Hansard that April indicates:

"Mr Bett has undertaken an independent review; we now need to consider his recommendations. Our initial examination is likely to take several weeks, and will include a consideration of the amount of further study and development required to validate Mr Bett's proposals. We shall make a further statement about our general approach at the end of that period. Thereafter there will need to be a further, more lengthy development period before a final definitive response to the report can be made"²

B.v. In fact, the MOD did not respond formally to Bett until 1997, nearly two years after the report was published. And some of his recommendations were still being implemented twenty years later. But there has been no shortage of initiatives to reform the way the Armed Forces manage their people in that time. The table below shows a selection of the programmes launched.

¹ Future Reserves 2020 – The Independent Commission to Review the United Kingdom's Reserve Forces (2011); The Veterans' Transition Review by Lord Ashcroft (2014); Filling the Ranks – Report on the State of Recruiting into the UK Armed Forces by Rt Hon Mark Francois MP (2017); Report on Inappropriate Behaviours by Air Chief Marshal Wigston (2019); and, Protecting those who protect us: Women in the Armed Forces from Recruitment to Civilian Life by House of Commons Defence Committee (2021).

² HL Deb 5 April 1995, vol 563, col WA 21

Table 1 - Change programmes and other initiatives targeting people management within Defence

Attract/recruit	2012	Recruiting Partnership Programme signed with Capita to deliver Army recruits
	2017	Capita Defence Recruiting System (Capita IT system) switched on
	2020	Recruitment Partnership Programme re-let tender issued for tri-Service recruitment system
	2022	Bids down selected
Retain	1998	Get You Home Allowance implemented
		Longer Separated Service Allowance (LSSA) implemented
		Major review of additional pay
	2001	Pay 2000
		Incremental pay progression
		Army rejoiner bounty 2001
	2004	Pay As You Dine trial-to-full-roll-out over the next decade
	2005	Armed Force Pension Scheme (AFPS 2005)
		Reserve Forces Pension Scheme (RFPS 2005)
	2014	Forces Help to Buy
	2015	New Employment Model
	2016	Armed Forces Pay Reform 'Pay 16'
		New Joiner Offer development begins
		Future Accommodation Model development begins
2019	Future Accommodation Model pilot	
	Flexible Service for regulars	
2022	Wraparound childcare	
Career management	1996	Reform of job evaluation
	2001	Open Appraisal Reporting System
Transition/veterans/reservists	1998	Career Transition Partnership
	2011	Armed Forces Covenant published
	2013	Defence Relationship Management created
		Employer Recognition Scheme created
	2019	Office of Veterans Affairs created
		Defence Transition Service created
2021	Reserve Forces Review 2030	

B.vi. These programmes have been implemented in the context of significantly declining personnel numbers since the Cold War, with regular personnel reducing by 20% since 2012 alone. Many programmes were aimed at the key planks of financial reward, namely pay and pensions, and most had cost-cutting as one of their objectives. Growth in military salaries has been lower than average earnings growth in every year since 2016/17, with a real-terms decrease against inflation in 2021/22 of 3.7%. Yet despite both reducing numbers and cost-cutting measures, the total overall cost of personnel has not significantly decreased.

B.vii. The inflating cost of people is not a phenomenon unique to the Armed Forces, but it does nonetheless backup the view (which we have heard repeatedly) that taking painful decisions has been challenging for the MOD. It is also notable how long change has taken to deliver: ten years to implement 'Pay As You Dine', and eight and counting since the first approval of the Future Accommodation Model.

B.viii. The lack of reform at the systemic level also stands out. The New Employment Model and New Joiner Offer programmes attempted to take a more systemic approach. The former delivered a range of changes, though some were diluted from their original intent, and the latter essentially failed. We will try to apply some of the lessons from this history when it comes to our thoughts on implementing our own recommendations (chapter 9).



Where are the Armed Forces today?

In the following infographics OF is shorthand for 'Officers' and OR is shorthand for 'Other Ranks', defined as any rank that is not an officer. The number refers to the grade, with 1 being lowest.

Inflow and outflow

2010 Strategic Defence and Security Review resulted in

20%

reduction in the number of trained regular personnel from 2012



Between October 2021 and September 2022 there was a

35%

decrease in numbers joining the reserves



Voluntary outflow is increasing

4.3%

6%

Year to Jan 2022

Year to Jan 2023



Between October 2021 and September 2022 there was a

30%

reduction in the number of people joining the regular forces



17%

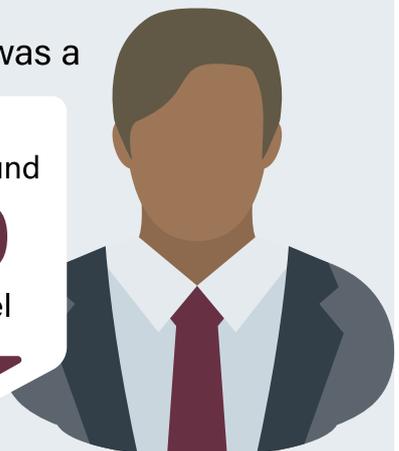
increase in outflow



resulting in a reduction of around

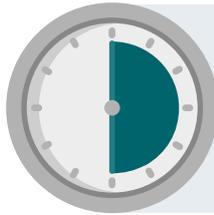
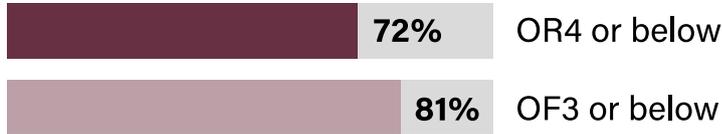
4,250

regular personnel

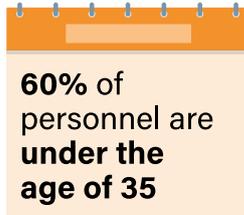


Workforce demographic

Our staff



50% of personnel have served for less than 8 years



60% of personnel are under the age of 35

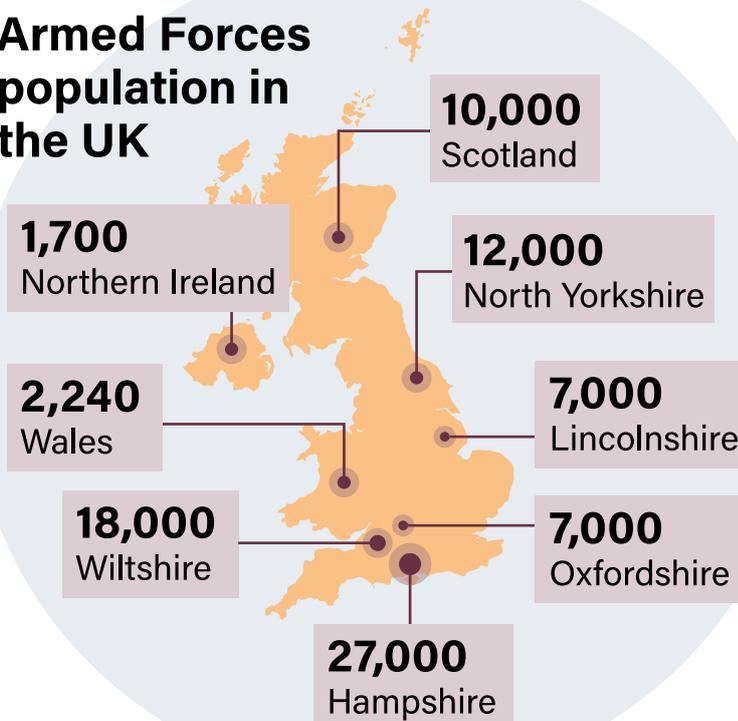
Marital status

53% of trained regulars are neither married nor in a civil partnership but of those, 47% are in long-term relationships

96% of those between the ages of 20-24 are single

20% of those between the ages of 45-49 are single

Armed Forces population in the UK



Median length of service

Royal Air Force
12.5 years

Royal Navy
9.5 years

British Army
9.5 years

Armed Forces overseas

6000

personnel permanently assigned (March 2022)

2,300

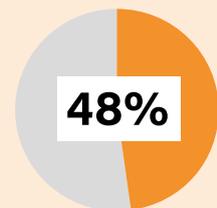
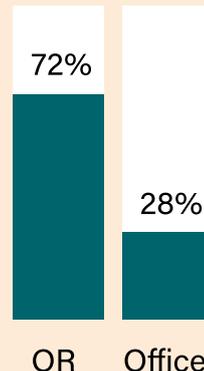
Cyprus

800

Brunei

900

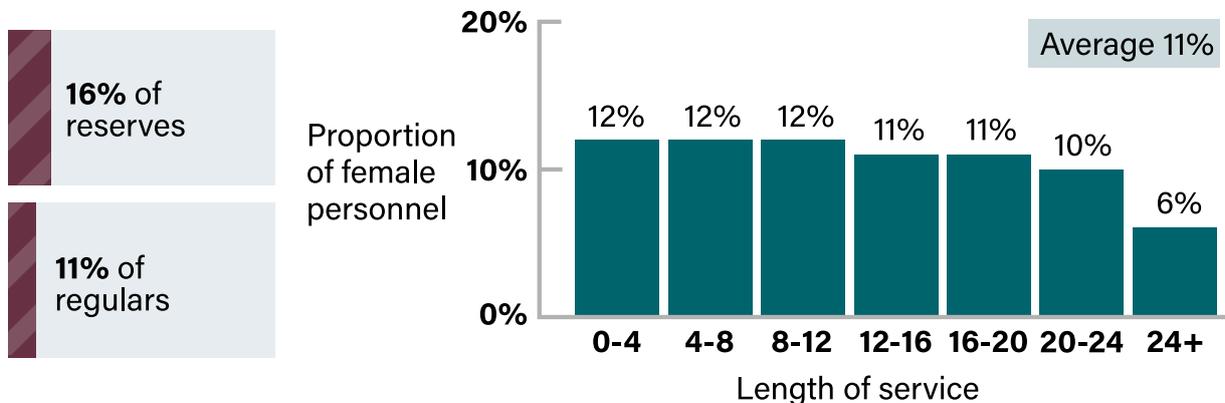
North America



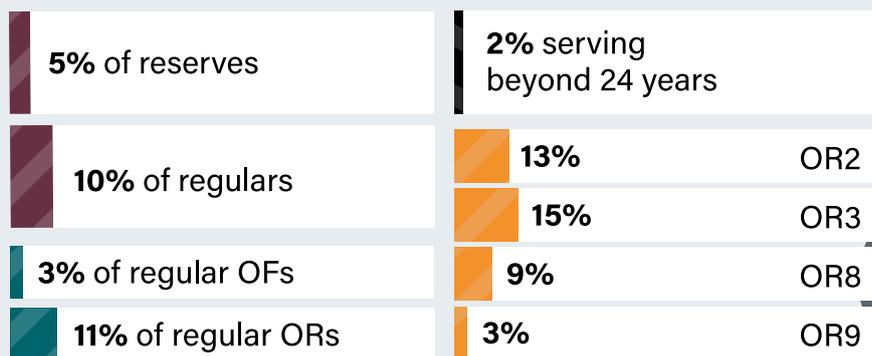
of the overall population being OR2-4

Diversity

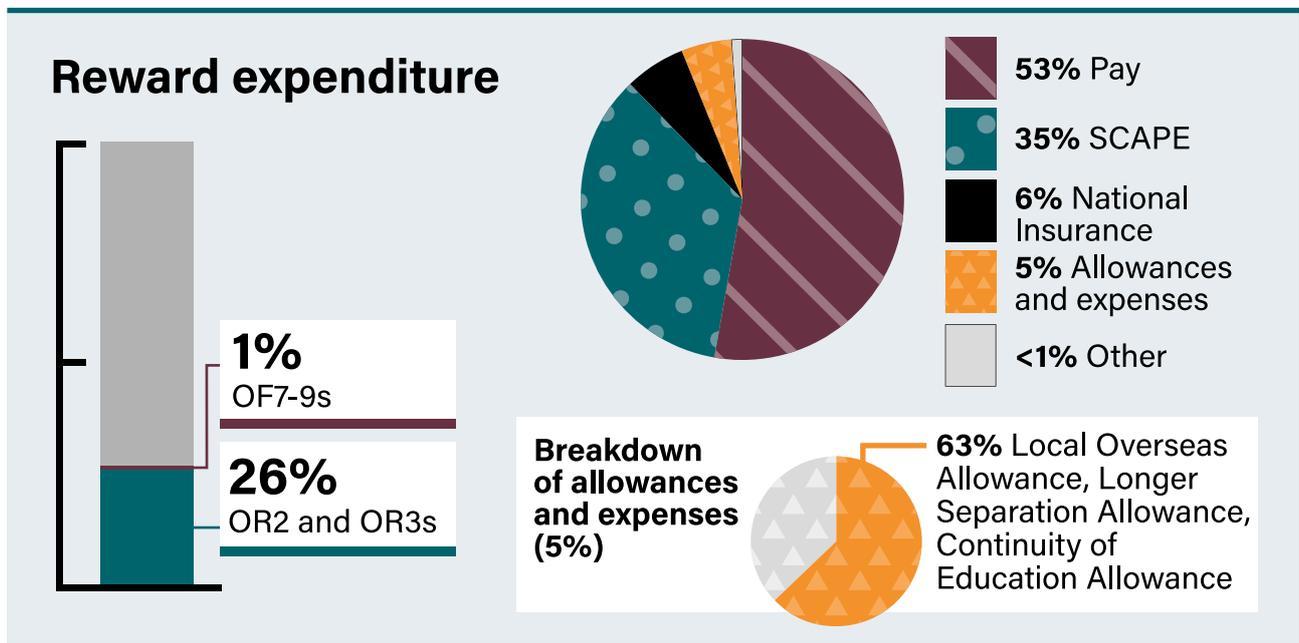
Women in the Armed Forces



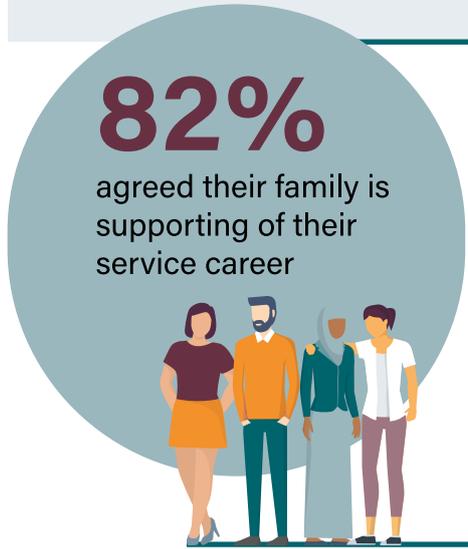
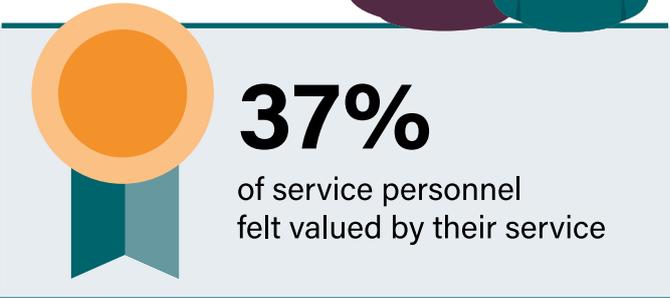
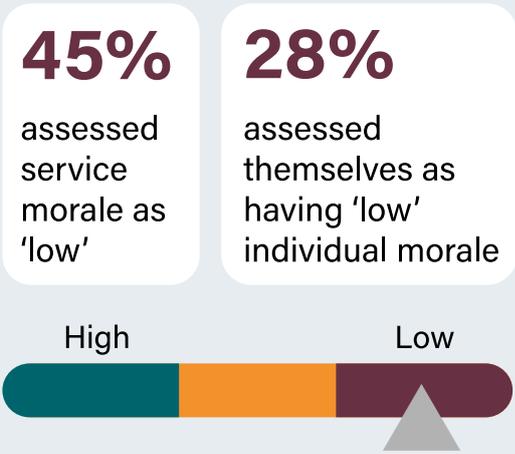
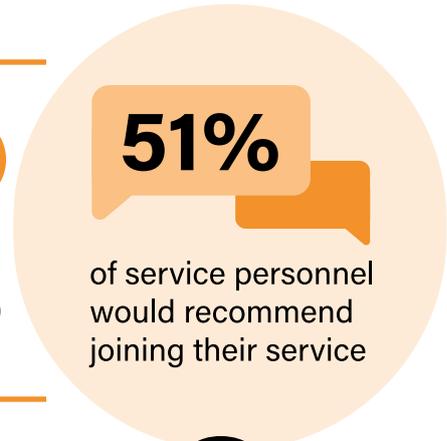
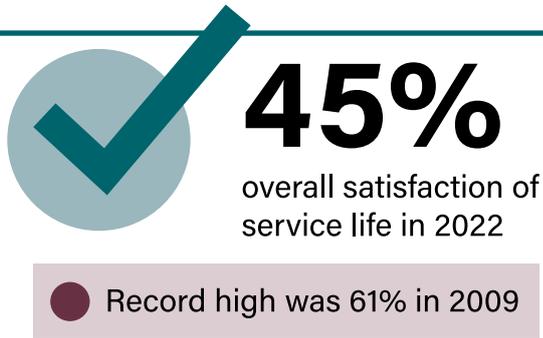
Ethnic minorities in the Armed Forces



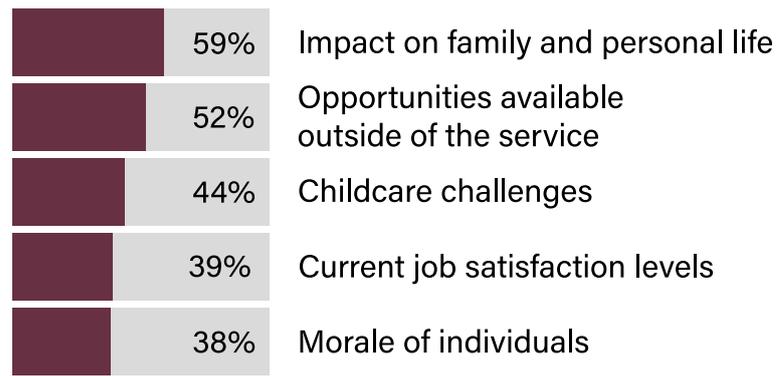
Workforce costs



Workforce satisfaction



Reasons for leaving



Overall numbers

B.ix. The Armed Forces today are struggling to fully meet even the significantly reduced force size now approved by Parliament. In 2022, there was a net outflow from regular Armed Forces of 4,660, with the overall voluntary outflow rate increasing to 6.0%, up 1.7% from the previous year. Given the highly competitive market, niche skills such as cyber, engineering and medical in particular will be exacerbated by ‘black-holes’ moving through the Services’ base-fed structures over the next two decades.

	1 January 2022	1 January 2023	Percentage Change
UK Forces Service Personnel	197,140	190,170	-3.5%
Of which, UK Regular Forces	148,220	143,560	-3.1%

Skills

B.x. That deteriorating macro-level position hides even bigger challenges for a range of critical skills cohorts. There are significant risks to overall capability arising from skills shortages in cyber and digital, intelligence, engineering (including nuclear), logistics and health/medical professions. The factors behind each differ by cohort and by Service. But whatever the reasons, these shortfalls have endured for years in some cases, despite multiple attempts to address the recruitment, motivation and retention challenges. The primary tool used has been targeted increases in pay, such as the Financial Retention Initiative or Recruitment and Retention Pay. The evidence for their efficacy is mixed at best, certainly in the longer-term. The complex technical demands of the Integrated Operating Concept, as well as the advent of strategic global partnerships such as AUKUS and the Global Combat Air Programme, make addressing these challenges particularly critical.



Age profile

B.xi. As base-fed organisations, over 70% of other ranks are OR-4 (Leading Rate or Corporal) or below and over 80% of officers are OF-3 (Lieutenant Commander, Major or Squadron Leader) or below. This is true for both regulars and reserves, with the other ranks figure being slightly higher for reserves. Around half of personnel have served for less than 8 years. As a fundamentally young organisation, with the majority of Service personnel under the age of 35, the offer therefore must remain aligned to their changing expectations and motivations. If it doesn't, not only will the Armed Forces not be able to deliver the military effect they need today, they also won't be able to retain the best talent to fill senior command, leadership, or deep specialist roles in future. A failure to keep up with expectations has the potential to quickly become highly inefficient, given the amount of resource and training invested in young people coming through.

Gender

B.xii. Female representation in the Armed Forces is higher in the reserves than the regulars (16% vs 11%), but still well below the general population. Women are found more in caring and support professions, broadly mirroring occupational segregation in the civilian sector. There are much smaller female populations within the combat and STEM-based professions, which are likely to endure for a significant period of time given current inflow rates. The visibility of women at senior ranks will continue to stall, given those positions continue to be preferentially filled by traditional combat and combat support functions. This will not easily be addressed if, as expected, these roles make up a greater proportion of the future force.

Ethnic minority representation

B.xiii. The proportion of personnel from ethnic minorities is higher in the regulars at 10%, twice that of the reserves. Representation is significantly higher in the other ranks compared to officers, to a significant extent due to recruitment from Nepal and the Commonwealth. Compared to the rest of the force, individuals from ethnic minorities are overrepresented in logistics, medical, dental, and personnel support, but have lower representation at the most senior ranks (3% of OR9s and 1% of OF5s and above). There is a noticeable reduction in personnel from ethnic minorities and women serving beyond 24 years, which further undermines representation in areas of deep specialisation or senior leadership roles. The scale of change demanded will never be achieved by tactical interventions, and even action across the whole workforce will take time.

Families

B.xiv. Around half of regular personnel are estimated to be married or in a civil partnership, with a further 25% reporting they are in a long-term relationship. Until recently, the Armed Forces only recognised the latter for the purposes of financial reward and support. This is anecdotally reported to be a major reason why Service personnel are more likely to be married than the general population, especially those under 30, given it gives access to heavily subsidised service families accommodation. Female personnel and those under 30 are more likely to be divorced than the general population, but Service personnel overall are not. 51% of families report owning their own home (76% for officers, 44% for other ranks).

Overseas service

B.xv. 96% of UK regular personnel are currently officially stationed in the UK, with 90% of those in England. Of the 6,000 personnel permanently stationed overseas on 1 April 2022, two-thirds were in Europe, mostly in Cyprus (2,300 personnel), and 15% were in North America. However, this excludes personnel deployed on operations and temporary assignments. In a 2019 survey, 25% of British Army and Royal Air Force families reported having moved for Service reasons in the last 12 months, compared to 13% of Naval Service families. 12% of British Army or Royal Air Force spouses had accompanied their partner overseas in the previous 12 months (though this has dropped from 20% in 2014) and one-third of them were unable to find employment while overseas.

Costs

B.xvi. The MOD's understanding of the cost of its workforce is poor, and mostly focused on the financial elements of the offer. Those total over £10 billion and volume is the key driver here. 26% of the total reward costs are attributable to the most junior personnel (OR2 and OR3) compared to 1% for the most senior officers (OF7-9). Overall, pay (that's the basic pay amount plus, for almost all, a 14.5% additional 'X-factor' payment designed to compensate for the exigencies of Service life) accounts for just over half of financial reward costs. A fixed formula based on pay then drives an additional cost to the MOD to cover pension liabilities, which accounts for a further one-third. Allowances account for only a small fraction of reward costs (5%). Targeted incentive pay accounts for only around 1% of the total bill (the majority of which goes to pilots and submariners). There is very little systematic data in other areas, like the cost of training.

Satisfaction

B.xvii. In last year's Armed Forces continuous attitudes survey, overall satisfaction with Service life was 45%, down from a high of 61% in 2009. Service morale was assessed as 'low' by 45% of personnel respondents. The impact of service life on family and personal life was again highlighted as the key factor increasing a Service personnel's intentions to leave. Last year's families continuous attitude survey shows around a third of spouses saying they would feel happier if their partner chose to leave the Service. Analysis undertaken by the review highlighted that the youngest age group tend to be the least satisfied with the financial elements of the offer (pay, X-factor, pension, benefits) but were most satisfied with sport, fitness and adventure training opportunities, and with opportunities for promotion.

A changing future workforce

B.xviii. One of the fundamental tenets of our review is that trying to predict the future is not likely to be a productive exercise. Given the pace at which the world is moving, trying to say specifically which skills will be needed, what people will want, or where military demands will arise is not going to be successful. Worse, it distracts from the real objective, which is to be ready for whatever the answer to those questions is. Nonetheless, it is helpful to consider the broad shape of things to come, as a frame against which to test our logic, if nothing else.

B.xix. The makeup and expectations of the general workforce are changing fast. Technology will continue to transform the workplace. The impact of artificial intelligence developments like large language models is already being seen today, and the pace is only likely to increase. This will drive automation of decision-making and transform organisational structures. The skills needed to exploit this technology will change rapidly. Younger workers will expect technological enablement in the workplace and more flexible approaches to work. They will seek out employers that can deliver that. They will also place a high emphasis on purpose, sustainability and societal impact.

B.xx. Equality, diversity and inclusion are increasingly important factors, combined with increasing levels of activism. The Armed Forces will likely need to accept a greater challenge to cultural norms. These might manifest in anything from how orders are given and received to changing perceptions about their histories and traditions. They will likely need to be more proactive in making changes to structures, workspaces, processes and culture to meet the expectations of their future workforce.

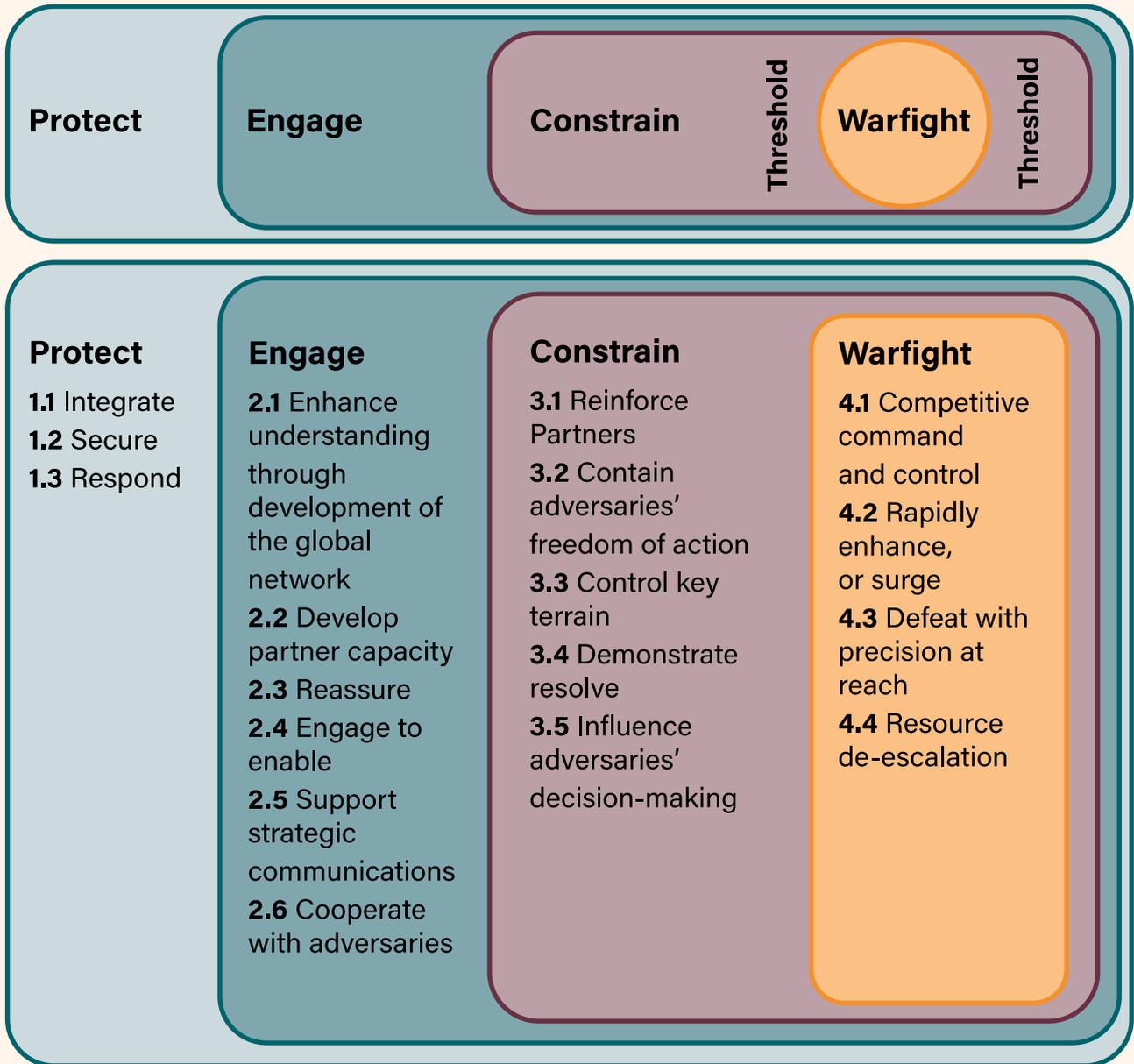
B.xxi. The breadth of changes forecast within the UK population to 2040 will require the Armed Forces to reconsider entry criteria, such as that related to fitness standards, neurodiversity, nationality and residency. They will need to attract and maximise opportunities for a more highly educated workforce. And they will need to build an inclusive workplace that meets the needs and expectations of an increasingly diverse workforce, including giving the flexibility that increasing caring demands and a less healthy population will drive.

A changing operational ask will have a fundamental impact on personnel

B.xxii. The environment in which the Armed Forces need to operate is changing fast. The strategic context is increasingly complex, dynamic and competitive. Threats are becoming more diverse, intense and persistent and this will transform the character of conflict. Old distinctions between peace and war, between public and private, between foreign and domestic, and between state and non-state are increasingly out of date, driven by the pervasiveness of information and the pace of technological change.

B.xxiii. The Integrated Operating Concept is the current definitive statement of intent as to how the Armed Forces will respond to these changes. It envisages the following functions for the Armed Forces.

Figure 1 - The Integrated Operating Concept



B.xxiv. Under this concept, the Armed Forces will plan to be operating under constant competition in ways that often falls short of warfighting. These other activities, classified under the protect, engage and constrain labels, may mean that personnel are less likely to be deployed on classic combat operations. But they will be increasingly likely to be persistently employed on demanding, high risk-to-mission and risk-to-reputation activities. And the Armed Forces must of course still be ready to warfight, probably simultaneously with protect, engage and constrain activity.

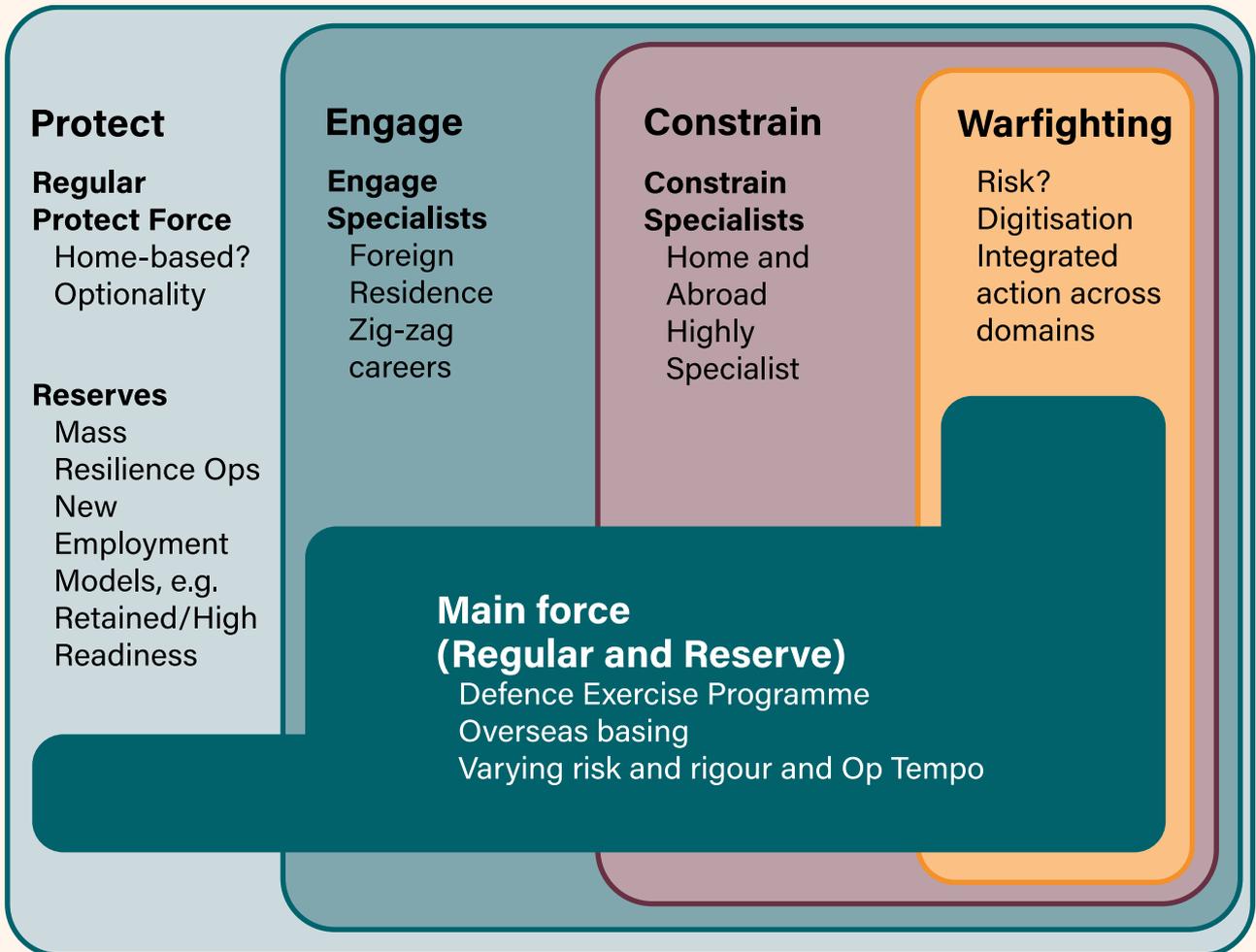
B.xxv. The implications for personnel are likely to be significant and often diverse, depending on who is considered and their role in conflict. The risk of injury or death could be reduced by increased use of remotely operated or autonomous systems and new technologies which enhance force protection. Risk may be increased, however, by a higher operational tempo and new climates and operating areas. Such risks could include novel health challenge or an increased risk of psychological injury.

B.xxvi. The increased complexity of conflict and competition will require personnel to take on new functions and move more rapidly between functions and missions. The frequency, duration and risk of operations will be increasingly uncertain, increasing stress on personnel and their families, including a likely increase in the requirement for overseas service generally and changes to patterns of separation for certain cohorts.

B.xxvii. More complex battlefield dynamics, interacting with changing social expectations, will challenge established military structures, cultures and ways of working. This will increase the training burden and the mental and psychological demands of service, particularly for those in leadership positions. It will change the way the force is designed and therefore also the pattern of service for many personnel.



Figure 2 - How human capability supports the Integrated Operating Concept



B.xxviii. Most members of the Armed Forces will be employed across all functions. Constant competition will create varying and unpredictable levels of risk, rigour and operational tempo. What previously might have just been thought of as a training exercise may now become a protect, engage or even constrain activity. Deployment locations will be chosen for their military-strategic effect and may expose the force to more extreme climates and novel health risks.

Protect

The Protect function consists of defensive activities, defined as defence of MOD, security of the nation, and resilience at regional and local levels. It also extends beyond the homeland to Overseas Territories, including Sovereign Base Areas, Crown Dependencies, and other national interests abroad.

The requirement to operate and warfight concurrently will require dedicated forces for the Protect function. This has implications across the spectrum of regular and reserve service. The Integrated Operating Concept considers the Protect function as a standing commitment with permanently allocated dedicated forces and resources to it, including restructured reserve forces.

Protect operations are generally likely to involve low risk of injury or death, but response forces will need to be held at high readiness. Specialist functions providing effect from home base locations such as cyber, as well as higher-end military roles such as maritime security and integrated air defence, will also contribute significantly to the Protect function.

Engage

The Defence Command Paper stated an intention to increase Defence's global network by one-third, expanding the defence attaché network and British Defence Staff to create a larger, more professionalised cadre of permanently deployed personnel. These specialists may be drawn from mid-career personnel and follow a career path similar to diplomats. Specialists will need to have the aptitude, inclination and skills to deliver diplomatic, cultural and socially sensitive activity. Such soft skills are not routinely tracked by Defence and will be in high demand as qualities such as communication, emotional intelligence, interpersonal skills and collaboration are increasingly sought by industry. Engage activity will also cover cooperative activities such as training teams, loan and exchange service, and more personnel in NATO posts as part of a renewed commitment to the alliance.

Constrain

Although a key function of the whole force, some specialist constrain forces may be required. As well as high-end operations up to and including combat, there may also be a requirement for activities such as offensive cyber, information manoeuvre and space activity etc. These latter activities could be largely provided from the home base and could create an ask that involves significant operational commitment but does not fit within the current perception of operational service.

B.xxix. Of course, this vision of the future is based on our current expectations and ways of thinking. What will military operations look like when quantum systems can defeat any stealth technology? Or if the fight is entirely in cyberspace for control of algorithms? Or if artificial intelligence can operate in thousands of different iterations across the battlefield in ways that humans can't possibly keep up with? The fact is that we do not and cannot know. What is still likely in these scenarios is that there will be yet more fracturing of what is asked of Service personnel. The need for flexibility and agility will almost certainly be the one constant.

What does this all mean for incentivisation within the Armed Forces?

B.xxx. There will need to be a broader and more diverse view of the nature of service and the demands on Armed Forces personnel. The agility and agency of both the organisation and of Servicepeople will need to increase. There will need to be a comprehensive, persistent and evolving understanding of workforce motivations, behaviours, skills and costs if the Armed Forces are to keep up with this complexity.

B.xxxi. For the individual, a greater range of tasks will demand, or offer, significant flexibility as their life and career evolves. At different times, the same individual may value adventure and the opportunity to travel over stability, or may wish to stay in one place for a period. There will be more opportunities and, in some cases more requirement, to move between different elements of the force, for instance into a dedicated protect role.

B.xxxii. The key conclusion is that the system must recognise, reward and incentivise this movement. Doing so will require a change from what is essentially a uniform offer for a standard level of commitment to one where the system can provide bespoke reward packages. This offers the opportunity to tailor the offer to the individual's priorities, improving engagement and retention. Operations will require significant use of reservists, which may offer opportunities to attract recruits from communities that would not normally consider a military career. With the future workforce more interested in 'meaningful' work as well as social and environmental responsibility, protect operations may be viewed as more politically neutral, for example as part of the nation's response to climate change.

B.xxxiii. For the Armed Forces, this more agile approach will demand a more active management of the whole force to better match requirements. Through proactive adjustment to rewards, the Armed Forces can drive desired behaviours such as mobility, readiness, and delivery of operational effect both from home base and when deployed. They can also drive the acquisition of new skills, whether by training people already serving or recruiting specifically against emerging requirements.

B.xxxiv. Reward can be focused on driving the most valued behaviours in specific cohorts. In a resource-constrained environment, this has the potential to reduce the cost of ownership of the force as the Armed Forces will not need everyone to be trained and ready to deploy in all ways at all times. However, a larger contingent capability can be retained, giving the ability in times of crisis to draw on personnel who would otherwise be on temporarily reduced liability.

B.xxxv. Agility will therefore be a key feature of future incentivisation. It will not be possible to predict the required composition of the force and the mix of skills required for the future environment, so a clear and continuously updated understanding of the operational requirement, desired behaviours and reward mechanisms will be vital.



Chapter 1

Making people feel
valued through a
people-led approach

- 1.1.** People are paramount. While technology and automation will play an increasing role in Defence across all domains, people will remain the keystone capability. In the same way that technology is constantly changing and advancing, so are the people, both current and future, who deliver and use it. The Armed Forces need to radically change the way in which it negotiates and maintains the engagement and commitment of their people. This can only be done comprehensively through what is currently recognised as 'the offer'. In order to keep pace with the current needs and future expectations of the workforce, there must be a comprehensive approach with communication, agency and agility at its heart.
- 1.2.** The landscape for reward and incentivisation in all its forms in the Armed Forces is always going to be complex, given the vast range of things they have to deliver. But the current approach is over-complicated, a result of attempts to write rules for every situation, sometimes literally running to thousands of pages. So many rules inevitably mean it can at times appear contradictory and geared towards the needs of the organisation rather than the individual. This anecdote illustrates how this feels from the perspective of a Warrant Officer:

"I was asked at short notice to move to Andover to backfill for someone deploying on operations. While I'm always happy to do what is needed, I was left spending days filling out paperwork to make my case to contractors that I deserved new Service families accommodation. While they then took weeks to make a decision, my wife and kids were left with no idea where we were going to go or what school they would be moving to. It's frustrating when this was all at the Army's request in the first place."
- 1.3.** We have heard numerous examples of this sort of problem, the result of many different parts of the system failing to talk to each other. This fractured approach means the model often fails to meet the expectations of Servicepeople and their families. Rigidity and complexity have resulted in an opaque offer which has a direct, negative effect on the lived experience.
- 1.4.** Our conversations with Service personnel throughout this review have suggested that the package is poorly understood, difficult to access, disempowering and perceived to be of a poor standard at the point of delivery. Survey results, drawn from continuous attitude surveys and our own perceived value research, suggests that this sub-optimal lived experience across service delivery and wider elements of the offer directly affects employee engagement and morale. People feel that the psychological contract is in effect broken (or at least weakened) – half of Servicepeople surveyed feel their Service has not fulfilled the promises made to them. Every leader we have talked to cares about their people and wants to give them the best support they can, but the system all too often frustrates them.
- 1.5.** There is no silver bullet. We have picked out the following strands, which must all be addressed to change perceptions among personnel. We deal with each in turn in the remainder of this chapter.

Actions to make people feel valued

- The policy that surrounds the entire offer needs to be simplified, communicated clearly and made more accessible so personnel can better understand what is available, what options/choices they have, and how they can access the elements specific to their needs. The deal must be explicit so that expectations are clearly set and it is evident when they are not being met.
- Provision models for core areas of service delivery must be improved and modernised if the Armed Forces are to be an employer of choice in an increasingly competitive labour market. The expectations of Servicepeople and their families must be honestly set and met.
- To fully exploit the potential of a modern, flexible reward package, there needs to be much more choice, allowing people to better align their changing needs with the requirements of the organisation.
- There needs to be a focus from leaders at the top and throughout the organisation on changing a culture that disempowers, blocks innovation and imposes inconsiderate decisions that appear capricious and disrespectful. Personnel are given agency and responsibility when lives are at risk in the field, not swamped with rules – surely the same can be done when it comes to personal admin.
- Given the significant impact of service life on families, and the fact this is the most cited reason for considering leaving the Service, there should be more explicit consideration of the family unit within the overall offer.

Define a clear value proposition that each Service and its personnel clearly understand

- 1.6.** The first step must be clarity over what is really being offered. Personnel need a clearer understanding of the offerings, values and culture of the Armed Forces, but so does the organisation. This will be best achieved by moving away from using the phrase 'the offer' entirely. It is poorly defined and means different things to different people. The Armed Forces should instead move to a specifically defined 'people-value-proposition' (PVP), applying best practice from the well-established practice of employee value propositions in the private sector.
- 1.7.** A PVP is not just a change of terminology, but a different approach. It defines all elements across compensation, benefits, training, career and culture, from the perspective of the individual employee – what they will be given, in what circumstances and why, and where they have choice. It describes the total value that the Armed Forces offer to their people in return for their Service and work. It makes a clear promise so that expectations are mutually agreed, and against which each side can be held to account. It is an opportunity to move away from terms like 'entitlement' which are outdated and give a sense of dependency that does not seem to us to be in line with the Services' values.
- 1.8.** The PVP is not a rulebook or an amalgamation of Service publications. It must be a statement of how the service of the individual connects to the values held and reward offered by their Service. These must be honest, and need to go further than platitudes.

- 1.9.** Don't say: "we recognise the importance of a healthy work-life balance"
- 1.10.** Do say: "serving in the Armed Forces is a 24/7 commitment, and at times you will be asked to deliver on that at short notice. When you do, we will recognise that in the reward package you are given (by doing x, y, z). But we also recognise that there must be a balance with your home and family life. We will usually keep the number of nights you are away from your normal accommodation to fewer than X over a year, except when you are deployed. Later in your career, we will regularly discuss with you what working pattern would work best for you and how those choices might impact your overall package"
- 1.11.** The clarity of a specific PVP is a critical foundation for modernising many aspects of the policy framework. Clearer, simpler information means people will better understand what is available to them, under what circumstances, and how it will be provided. It must be used to communicate to future recruits and be benchmarked against other organisations competing for them (and so it must be in plain English and easily understood). It is the starting point for better aligning and targeting today's offer with the culture and values of each individual Service, without becoming mired in bureaucratic debate about every step away from the current model.
- 1.12.** What that PVP looks like in detail must be set and owned by each Service's leaders. But over subsequent chapters we present our findings as to how we think this should develop. Direct financial reward is of course important, but is often a hygiene factor: it must be 'right', but is far from the whole answer. We cover this topic in chapter 2. We start in this chapter with examining broader incentivisation issues from the perspective of the individual and the things that matter most to them now and in the future.

Recommendation 1

Create a new PVP, taking the opportunity to review and redefine the elements to create a unique, relevant and compelling offering. The PVP should contain the full span of elements including (as an example) compensation, benefits, career, work environment and culture. Within these elements will be a description of, for example, the total reward model we propose in chapter 2, connected to the values and outcomes people are expected to deliver. We have completed work to describe the current elements, but this will require further work and expansion. Defence should define the framework PVP, allowing single-Services/Military Commands to vary the offerings and values accordingly. This PVP should also make explicit how each Service will support the family of Servicepeople, in whatever form that takes, whether at home or away.

Recommendation 2

The new PVP must be developed hand-in-hand with personnel – it must be something they tell you they recognise. When it is finalised, there should be a properly resourced effort to communicate this and ensure everyone is part of a conversation about it. It must be much more than just another publication on the intranet. It must be in plain English and honestly explain expectations, not operate in platitudes.

Service delivery – set clear expectations for the Services that personnel and their families will receive, then commit to match them

- 1.13. A key element of the Armed Forces' PVP is the provision of core support services like accommodation and food. Whenever personnel receive a service from the Armed Forces at whatever level (unit, organisation or Defence-wide) it should be a consumer-grade experience. Just as the way in which society consumes products and services evolves, so personnel should expect the same. It must be a consistent, seamless and value-adding experience. This should be the ambition across all aspects of the PVP, but it is particularly important for service delivery. This will likely always be provided through a mix of in-house and outsourced solutions, but personnel and their families should have clear expectations set and met, whatever the solution.
- 1.14. There has been much focus on the recent, headline-grabbing examples of poor performance across housing and food service. These are fundamental needs for personnel and their families. Once the Armed Forces has decided it will step in to meet those needs – and in many circumstances it must – a failure to meet their expectations is, not unreasonably, seen as a breach of trust. The nation asks and expects unique, challenging things of them, and it is only fair that, as the employer, their Service meets these basic needs to a good standard. Many of the current challenges are as a direct result of chronic under-investment, exacerbated by narrow, siloed decision-making that ignores their critical role in the overall people system and has disempowered local commanders.
- 1.15. Today's leadership has recognised that these services must be funded commensurate with their evident and significant impact on morale and commitment. The majority of personnel live in single living accommodation. It is particularly important in the early years of a career, the point at which many skilled people decide to stay or leave. They are the future leaders and deep specialists, and investment at that point is likely to bring a valuable return for the organisation. The current stock of service families accommodation requires an estimated £2 billion additional investment over the next 10 years. Where this stock is to be retained, investment must bring it to a modern standard, focused on condition rather than age, including WiFi and 4G/5G connectivity (see chapter 3).

Recommendation 3

The nascent plans to invest in single living and service families accommodation to replace and upgrade the current stock should be prioritised. This includes Service plans for £1.5 billion of investment in the former, and the Defence Infrastructure Organisation's plan for £2 billion additional investment in the latter. Levels of ambition should be stated more explicitly and publicly confirmed. A properly resourced monitoring programme should identify and track the benefits of this to ensure personnel see meaningful change.

- 1.16.** Similarly, in food service the lesson appears to have been learned that efficiencies in the contract cannot indefinitely make up for funding below a minimum viable level. The new 'Army Eats' approach appears to be a positive first step to improve the current model that should be rapidly built upon. But in the longer-term, people will want something more flexible that gives a service more like the real world. There are good reasons why a mess is important in service culture, but there is also a place for more modern concepts, like a military Deliveroo, alongside it. The so-called 'Delivering Defence Dining Quality' recommendations should be part of a trial to explore the bounds of what is possible.
- 1.17.** There are clear complementary benefits to be had by modernising the food offer alongside single living accommodation provision. In later chapters we set out the importance of producing hard data on all aspects of people's needs and behaviours – these data should amply demonstrate the net benefit to the Armed Forces of properly investing in these areas.

Recommendation 4

Using Army Eats as a blueprint, widen trials to other units and Services. Specific focus should be given to enhancing choice, improving quality and developing a more modern customer interface. A properly resourced monitoring programme should identify and track the benefits of this to ensure personnel see meaningful change.

Recommendation 5

Alongside Recommendation 4, test bolder changes on a smaller scale. Identify a site (or sites) where more imaginative service delivery and provision models can be trialled in support of the modern PVP framework. Select somewhere where there is freedom to trial the recommendations contained in the Delivering Defence Dining Quality review and other more innovative ideas, enabled in part by an increase to daily messing rate, to provide a more flexible, user-focused catering offer. The 'think big, start small, scale fast' mantra (see chapter 9) is particularly applicable here.

- 1.18.** A holistic approach is not simply about spending more money, but about focusing on delivering on what people value and empowering those who know best to act. The commercial approach in recent years appears to have seen this as far less important than delivering direct financial efficiencies. There is, however, one positive example we heard about. The current Future Defence Infrastructure Services contract for accommodation maintenance has provisions built in which allow local commanders to spend up to £25,000 to target local issues without the need to seek prior approval ('trust with consequences'). They understand and are accountable to their people. The ability for them to act and directly demonstrate they can make a difference to the things people care about would be massively incentivising for everyone.
- 1.19.** Unfortunately, despite making far more financially consequential decisions elsewhere, financial process controls prevent them using this full delegation. These must be removed, and the delegation ceiling increased to at least £100,000 across all areas. Similar opportunities should be identified and holistically built into all core services that are part of the PVP, wherever that goes in future, with resources allocated accordingly.
- 1.20.** The way in which services are delivered is also important. A modern digital experience that is people-focused and matches what we all experience elsewhere is critical for success. Research is clear that this will be an increasingly fundamental expectation for the next generation. A digital solution is not just about back-office efficiency, though that is also important. People should have increased agency, and be able to make informed decisions using information provided to them which is accurate, simple and up to date – doing so at a place and time of their choosing. This will give them services which are more accessible, help them understand what is on offer, and allow them more bounded choice and agency. This will in turn demonstrate value to personnel and remove key friction points for them and their families which increasingly arise from a complex, process-heavy analogue approach and a default culture of saying no. Simpler digital processes would have prevented the damage done in the Warrant Officer's anecdote we cited previously. As any element of the PVP is reviewed and developed, a fully digital approach must be foremost in its design and delivery. We will consider the overall digital ecosystem in chapter 3.

Recommendation 6

Reintroduce a focus on empowerment and adding value into commercial service delivery. Start in accommodation. Uplift the new contractual 'trust with consequence' limit to £100,000 within all Top Level Budgets and remove all bureaucratic barriers to its use. Set a target that every authorised commander should use this mechanism this financial year.

Recommendation 7

Develop an improved approach to service delivery by bringing empowerment and adding value to the forefront of the commercial approach. Begin a commercial discussion in principle with a range of Defence suppliers to develop imaginative new mechanisms to identify value, delegate control and incentivise digitalisation within service contracts. Use this to inform the approach within the upcoming Defence feeding review. Ensure it is built into all future Service contracts. Change commercial processes to ensure that procurement and statements of requirement should explicitly include the evaluation of the impact on people by suppliers' solutions, with additional consideration of the aggregate impact on cohorts and regions.

- 1.21. The other side of this coin, however, is about there being clear, mutually agreed expectations about when, how and at what cost such services will be delivered. Part of that lies at the organisational level. There must be clarity and honesty in the PVP about culture, values and how elements of the PVP will support those. For example, there are clear differences in the way the Royal Navy and the British Army use accommodation. The former favour family stability in one location with personnel moving around in single living accommodation, and the latter favour families accompanying personnel and moving around service families accommodation. Everyone in the Services and Head Office understands those differences, both of which are long-standing and right for them, and yet the system insists on a single model that satisfies neither and constrains both.
- 1.22. This cognitive dissonance between stated policies and actual behaviours undermines trust, diminishes value for money and leads to confused decisions. The real expectations should be honestly communicated and dealt with, without fudges where there are differences. We cover the need for a delegated approach in chapter 5.
- 1.23. The PVP must set a framework that provides greater choice and freedom to each organisation to deliver the elements in a way that best meet the outputs it needs to deliver. Where this involves differences in cost, these must be funded or reinvested at Service level. Where different operational models, organisational design or targeting of the offer would, for example, allow the disposal of accommodation, the financial savings of doing so should be able to be reinvested elsewhere in the PVP.
- 1.24. As we cover in chapter 7, an approach to workforce planning must be found to make the 'workforce cost envelope' include as many cost/benefit elements of the PVP as possible. There will always be a need for a high-level framework for choice to ensure that decisions at Service level do not drive cost elsewhere or create significant inefficiencies. But the default approach should be flexibility and agility, enabling significant divergence between the Services. This could well mean personnel from different Services being on different packages while serving in joint units. A clear PVP will allow leaders to explain why that is the case. Just because a small minority of cases provide a leadership challenge, this shouldn't prevent the right solution for the majority.

Recommendation 8

Empower single Services to vary core services, including accommodation and feeding, as part of the delegated approach to the PVP.

The principles of agency and agility must be embedded throughout the PVP

- 1.25. Work is already underway to deliver more agency and agility for individuals in some parts of the offer. The Future Accommodation Model, which will provide support to personnel to live in service accommodation, their own home or the private rental sector, is an excellent vehicle to provide choice both to the organisation and the individual. It should be fully rolled out as one of the tools delegated to at least a single Service level so that trade-offs can be made about the model for providing accommodation (as per Recommendation 8 above).
- 1.26. We also endorse work to consider the opening of entitlement rules to long-term unmarried partners across the PVP. The moral case to do so is clear. The current system will only become even more out of line with future recruits' expectations over time, becoming a significant drag on the attractiveness of joining or staying in the Armed Forces. An agile and flexible approach to the PVP will allow the financial consequences to be managed more effectively.

Recommendation 9

Continue to roll out the Future Accommodation Model approach, but put it within a framework that gives Military Commands freedom to adjust their approach and to fund or reinvest the financial consequences of doing so.

Recommendation 10

Expand the PVP to recognise long-term partners ('personnel with a substantial mutual commitment', in line with the findings from the Armed Forces family strategy review) as part of a balanced total reward approach.

- 1.27. As the Future Accommodation Model rolls out, there will be an opportunity to shift the way in which personnel are charged to a more transparent footing. Rather than the (often very small) charges to personnel for accommodation, we believe it would be better to shift to a subsidy system. Personnel should explicitly see the subsidy they receive if they live in service accommodation. They will then be able to understand more transparently how that offer stacks up against either the subsidy offered in the private rental market or what would happen when they leave Service. It also provides a fair basis by which to give more choice to personnel and the organisation over the offer.

- 1.28.** There are also other models for providing working and living accommodation which should be considered. The small hybrid working accommodation trial has already tested an arrangement to provide meals and accommodation for one day a week at the Serviceperson's place of work. This should also be rolled out further, and would be enhanced by a further delegation model, potentially along the lines of the Future Defence Infrastructure Services' 'trust with consequences' approach whereby individual sites or regions have greater leeway without recourse to higher authority, provided their actions can be justified later.
- 1.29.** Providing the single Services and Top Level Budget holders with fused, accurate HR insight data would give the ability to decide where certain elements of service delivery (across accommodation, feeding, etc) can be traded off against others to target areas of incentivisation. In chapter 3 we revisit the importance of building a far greater analysis-led understanding of Servicepeople.

Recommendation 11

Update the charging mechanism for accommodation to be calculated in terms of a subsidy against a market rate. This should not in itself change the amount charged to personnel, but should provide both the individual and the organisation with a clear understanding of the value of this element of the offer. It should be routinely communicated to everyone, for example on payslips. Any disparities this reveals should be explicitly justified within the PVP as part of a more transparent approach.

Recommendation 12

Roll out the hybrid working accommodation trial nationally to identify regional issues and stress-test availability nationwide.

- 1.30.** Choice around how personnel live and work more broadly will also be a key part of the PVP. In chapter 2 we will set out two fundamental new tools that will be the foundation of a more flexible approach to incentivisation – a spectrum of service and a total reward approach. A spectrum of service is a key tool for the Armed Forces to be able to use their people more effectively. But there are also individual incentivisation aspects to this. Providing people with greater (bounded) control over the way in which they live their lives will strengthen the feeling of engagement with their Service.
- 1.31.** The PVP and an individual's place on the spectrum of service would work in harmony. A Serviceperson should be able to make an informed choice on their place on the spectrum, in agreement with their Service, based on a variable suite of reward elements. A Serviceperson who is expecting a child, for example, could select a different category on the spectrum where they are given more control over callout or separation, while opening up a different, variable package across total reward and PVP (accommodation, childcare, travel etc, within a framework of bounded choice). This will again require a robust analytics function, fusing perceived value insights, cost data and outcome information to inform the levels of bounded choice offered, as we will cover in chapter 3.

Creating a broader culture of empowerment, innovation and people-focused decision making

- 1.32.** We have focused a lot of attention on accommodation and food provision. We do so consciously, as it is clearly a topic that is extremely important to most personnel. But the basic set of principles we have applied here – empowerment, innovation and people-focused decision-making that looks to maximise value – are ones that need applied to the entire PVP. We cannot review every aspect of this in detail, but we know from talking to personnel that the shortcomings in this area are significant. A large part of the solution will come simply through the rapid and radical simplification of policy that gives decision-makers and personnel a sensible level of responsibility. We revisit this in the context of digitisation and leadership later in this report (chapters 3, 5 and 9). It is critical that the Armed Forces demonstrate quickly that they mean to take a different approach.
- 1.33.** The implications of this shift should be wide-reaching in time. We welcome the approach in the Royal Air Force's Astra programme that is explicitly looking to empower Servicepeople to take on and deliver their ideas to make things simpler and more effective. This is an approach we think has a broader application. But, to give some momentum to this, we want to highlight two areas in which there is an opportunity to change things quickly. The first is in the overseas offer, the second is in allowances.

The overseas offer

- 1.34.** There are a variety of types of overseas assignment and locations which place different demands on people. However, we have heard widely and repeatedly that, in many types of assignment, personnel can be out of pocket owing to relocation costs or the loss of spousal income, that they and their families feel unsupported, and that those sacrifices are not recognised in their careers. This unattractive combination unsurprisingly deters them from seeking opportunities overseas. This approach cannot deliver the explicit ambition in the Integrated Operating Concept for personnel to be deployed more often in work overseas that is outside the 'firm base'. Work is underway (via project SENSUS) to examine the situation for defence attachés and is considering alignment to other cross-government allowances. However, this focuses on one narrow part of the problem for one small population. What would a more empowering and people-focused approach look like?
- 1.35.** A more radical, zero-base reconsideration is required. The rest of government has a well-established single system to deploy, support and determine reward overseas that works for thousands of people every year (the One HMG platform). It supports families, understands cost-of-living and hardship, enables home and rest-period travel, and finds housing even for people doing sensitive roles in difficult parts of countries that are hard to operate in. And it does so in a relatively straightforward way, using block allowances that give choice to the individual to deliver an outcome in a way that works for them.

- 1.36.** This should be the baseline. This should allow Defence to significantly cut, if not eliminate, its bespoke back office that replicates the same functions. There may then be cases to deviate from this reward package – either an increase because the specific ask of some people demands additional reward, or a decrease because some of the compensation is covered elsewhere in the total reward package (we revisit this in Chapter 2) – but each should be clearly justified. We also recognise that bilateral Memoranda of Understanding and NATO Status of Forces Agreements can cause difficulties. But, at the very least, our proposal will define an ideal approach that can be used to renegotiate or challenge those.
- 1.37.** Defence will still need to be clear on some other aspects of its own PVP overseas. The difficulty for partners to find employment when accompanying personnel is a key demotivator. Funding for personal professional training should be offered to spouses. Make it easier for them to take up Civil Service employment (including doing UK roles remotely) and work with global companies, particularly those signed up to the Armed Forces Covenant, to identify how they might offer employment to spouses. Also enable more flexibility in allowances to make permanent or temporary unaccompanied service a realistic option. The broader proposition to create an ‘engage cadre’ should also assist with the removal of the perception of ‘career fouling’ with regard to career management and progression. However, this issue needs to be considered beyond just defence attaché-type roles to all those who deploy overseas.

Recommendation 13

Conduct a zero-based review of the overseas package. The baseline position should be a move onto the One HMG platform for back office and the real-life support package and allowances. The PVP should clearly justify the basis of this and define expectations (e.g. in our view it does not, as it does now, need to be a replication of UK provision). Close consideration should be given within the wider PVP to opening training packages to partners (and bearing the tax consequences if necessary); creating additional employment flexibilities for both Serviceperson and partners; and considering other elements of total reward and career management approaches.

Allowances

- 1.38.** Allowances are a key part of the PVP for almost all personnel, but they are currently a prime example of the over-complex, paperwork heavy and rigid approach. The entire approach must be simplified. This will require further review. We are not in a position to judge how each Service would prioritise the value of different elements, and the data does not exist to understand the detailed implications of changes. However, there are some key principles to apply.

Recommendation 14

Urgently review the number, scope and scale of allowances. This should not be about reducing cost – they are a comparatively small part of the PVP. Instead the focus should be on merging and realigning them with specific activities, such as relocation or UK duty. The aiming point should be fewer than 10 allowances to cover different activities, with no more than 20 pages of rules.

Implementation should apply the four principles below:

- Across all allowances, simplification will be achieved by a radical review of process and policy. This needs to be carried out from a clear philosophical standpoint that assumes trust and simplicity unless there is very clear justification that stands up against the resource burden and incentivisation impact. The most obvious example is around prior authorisation, which creates work and disempowers the individual. This should be scrapped, except for things like advances of pay. Selective auditing after claiming should not result in any less control over expenditure. As things move online auditing will become even easier and could even be automated.
- For more complex areas, more agency means giving bounded freedom. This enables agency and transparency, increasing their incentivising effect. For example, when relocating, give a sum of money that would cover expected cost for certain elements, but don't require a specific audit – this enables personnel to find the best way for them to carry out the activity at no additional cost to Defence. The cut in time spent (by personnel themselves and all the associated administration) will be significant. Expect your leaders to provide guidance and direction to those who need it, such as travel routes and timelines to overseas postings, rather than telling the entire workforce they are not trusted. This is the right approach when funding overseas moves (this is the One HMG system overseas), but also seems appropriate for UK relocations.
- Aim to minimise or remove all incentivisation from allowances. Offers like 'Home to Duty' and 'Subsistence Allowance' are currently called allowances, which are designed to compensate for specific costs incurred in the course of duties. This brings with it a lot of complexity and rules, since they must be directly and specifically justified every time against ever more varied circumstances. In reality, these are only offers that have historically been considered because individuals in theory have no choice about where they live. Any other organisation, even one that asks its people to move regularly, would not give specific commuting and food allowances. They would give a holistic incentivisation of mobility. That would be a much clearer approach which gives more agency and transparency, while reducing administration.
- Given the lack of data, attempting to implement universal change quickly is highly unlikely to be successful. Applying the 'think big, start small, scale quickly' mantra will be critical. Start a small trial of the big ideas with real personnel. Guarantee that they won't be out of pocket compared to today, to give the freedom to take risk and test ideas. There may need to be temporary systems or analysis to understand behaviours if trials happen before a fully mature people analytics capability comes online.

Explicitly recognise that individuals will often need to be thought of as part of a family unit

- 1.39.** Much effort has been made at all leadership levels to recognise the impact of service on families, and rightly so. We believe that this should be made explicit as part of designing the PVP, not least since there are significant difference in approach between Services.
- 1.40.** The impact of service on families is one of the factors, often the most important, influencing intentions to leave, especially where they are subject to the compound effect of capricious deployments, inconsiderate actions by a distant employer, and a lack of agency in their lives. We will make a number of recommendations throughout this report that will improve the support given to families. Given the importance of this, it is helpful to emphasise these in one place. They are picked up individually in this and subsequent chapters.

Putting families first

- Significant investment in families accommodation and expanded choice for all families beyond traditional models.
 - A delegated approach to accommodation maintenance that enables a 'listen and act' approach for family occupants.
 - Reviewing opportunities to expand Forces Help to Buy provisions (within the spectrum of service) to support home ownership as an alternative to subsidised service accommodation.
 - Expanding models that allow proper flexible working (e.g. one day a week at work location) to give support to families who live away from the Serviceperson's place of work, enabled by digital infrastructure and functionality.
 - More support for partners accompanying personnel overseas.
 - More choice in allowances, for example, to allow more flexibility around UK moves.
 - A spectrum of service to enable individuals, families and the Service to have more control over their lives, whether through incentivising stability or enabling different working patterns.
 - Creating a system for 'conversations that matter' that would see more concerted investment and action around key family moments.
 - Compensating for the compound impact of being held on readiness to personnel and their families.
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Chapter 2

Creating flexible
incentivisation tools
for the organisation

Why do leaders need flexible tools to incentivise their people?

- 2.1.** Having a flexible toolset is crucial for both the organisation and individual. The changing nature of the future operating environment is inherently uncertain. What the Armed Forces ask of their people will continue to change in unpredictable and unforeseen ways. There will be a requirement to recruit and retain different types of skills and capabilities, often at pace. And the future workforce will look different and be motivated by and value different things. So leaders must be able to respond to these uncertainties and changes proactively by flexing the tools at their disposal. This will enable them to adapt what is offered to that changing workforce, while also better delivering the workforce needed to achieve the organisation's objectives. Incentives can be tailored according to specific individual and group needs, in the most effective and efficient way for both organisation and individual.

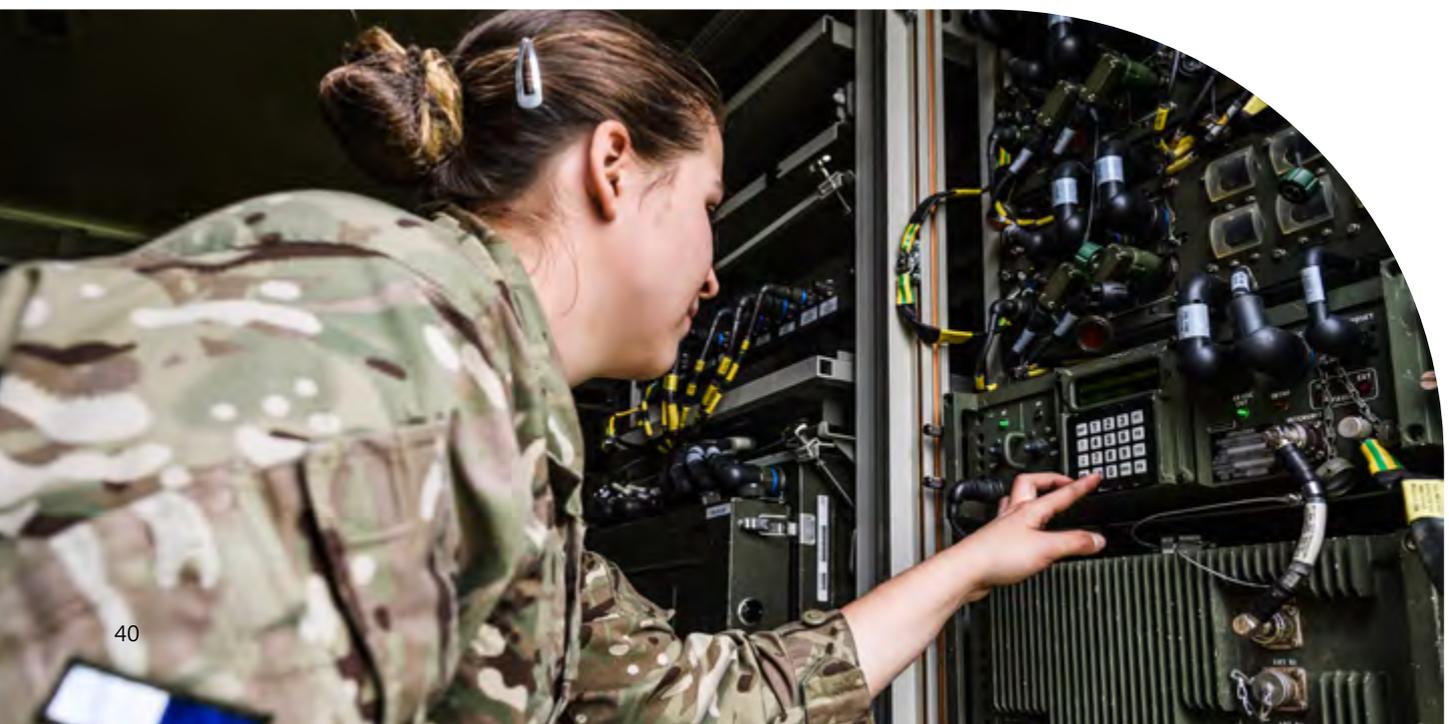
Today's incentivisation tools are too rigid and complex

- 2.2.** The toolkit available to leaders today is inadequate. It is rigid, outmoded and overly complex. Parts of the current offer have been subject to review and reform in recent years, but these have generally been applied in isolation and not systemically, contributing to an increasingly complex, incoherent and rigid approach to people management. The traditional one-size-fits-all model principally values personnel by quantity rather than quality and output. It has not coped, and probably cannot cope, with the increasing demand for skills. It also builds cost into the system, since (almost) everyone must get everything, making it increasingly difficult to sustain.
- 2.3.** The Armed Forces have a limited understanding of how different elements of the workforce value different parts of the offer, what behaviours they drive, and what the various components cost. The result is that conditions of service – a loosely defined term broadly relating to the major elements of reward, both financial (e.g. pay and allowances) and non-financial (e.g. accommodation) – have evolved in an ad hoc and reactive way as problems arise, or are directed by Service complaints.
- 2.4.** There are no means to set a strategy for the use of even the limited flexibility in today's tools to match what people want, let alone find the most efficient answer. The regularly used mechanism is Financial Retention Incentives, which are generally small bonuses to annual pay. These probably do have some effect in some circumstances, but they are so difficult to create and remove that their use is severely limited. It also reflects outdated thinking that defaults to pay as the answer, when we know that the reasons people leave service are concerns like unrewarding careers or impact on family, as much as, or more than, pay.
- 2.5.** Similarly, 'Terms of Service' – a second loosely defined term broadly relating to requirements for length of service and working patterns – across the uniformed force have evolved into an increasingly complex array of different definitions. Moving between those categories is difficult, and they are tied to very specific 'Conditions of Service' which makes the whole system extremely rigid.

- 2.6.** One vignette illustrates the problem. The reward package in existing part-time work categories wasn't attracting people as it was missing key elements. Rather than change it, it was decided to create yet another category, the tautologically-referred to 'Part Time Full Time Reserve Service'. This will have taken years of policy design and legislative work by the time it goes live in late 2023.
- 2.7.** This puts the Armed Forces significantly out of step with how the broader labour market and economy operate. It costs more, while simultaneously causing dissatisfaction and demotivation. It prevents organisational interventions being proactive rather than reactive. It also fails to make the most of what the volunteer and regular reserves have to offer, as well as making it more difficult to facilitate entry at senior levels or zig-zag careers for anything more than a handful of individuals. Evidence points to this approach leading to increasing challenge, to the point of critical capability failure.

What would the provision of flexible tools look like in the future?

- 2.8.** If the current approach is to create more rules that are more complex, what is needed is the opposite – new, radically simpler and more flexible tools. We believe two major shifts in approach are needed. First, the Armed Forces must adopt a spectrum of service approach to replace the current terms of service rules. This would create a simpler, fluid spectrum of categories that capture all the ways in which personnel might serve. This ranges from those giving 24/7 whatever their Service asks of them, to increasing levels of control over working patterns or geographical stability, through to occasional weekends or short-term projects.
- 2.9.** Second, the Armed Forces should take a total reward approach, replacing the existing conditions of service rules. This would set a clear strategy as to how each of the many elements of reward should be used in different circumstances. It would create many different offers for personnel according to their role and activity and allow them to be varied much more quickly and easily by leaders throughout the Armed Forces. Both of these tools are complementary to each other and will impact broadly across many of the things the Services do. We first focus on the spectrum of service.



Part one: A spectrum of service

Today's efforts to make things more flexible will fall short of what is needed

2.10. The Armed Forces broadly recognise the problems set out earlier in this chapter. Significant work has been undertaken to try to create more comprehensive terms of service and to reduce the barriers to movement between them for individuals. Initiatives like alternative working arrangements, flexible service, and Part Time Full Time Reserve Service are all positive steps. Each Service's key change programmes (HECATE, CASTLE and ASTRA) include elements to enable greater movement between engagement categories. But there remain some key problems.

Key issues

- The current approach does not break the concrete link between terms and conditions of service.
 - There is too great a focus on allowing particular cohorts of regular personnel to 'dial down' in certain circumstances, rather than a systemic sight on the benefits of full flexibility across the workforce and the organisation.
 - Even at that individual level, complex policy and lack of transparent decision-making will still require individual personnel, their line management and career managers to go out of their way to make flexibilities happen.
 - There is no strategy or training for using these flexibilities in workforce planning and career management. We have heard how their use is case-by-case, through sometimes unhelpful gatekeepers, with little ability to systematically meet organisational needs (particularly for other Top-Level Budget holders like UK Strategic Command who don't have Full Command of people).
 - Cultural barriers around the status of reserves or part-time service (both among peers and the organisation as a whole) appear to remain significant.
 - There is no mechanism to tie different terms of service to value for money, agile organisation design and operational output. This doesn't mean that cost should drive individual decisions, but it does prevent the organisation understanding how it could unlock significant efficiencies in a particular area by greater use of flexibilities.
 - Some direct legislative constraints on movement cause significant delays and, in some cases, direct financial loss. The need to formally leave the regulars to join the reserves is a small but psychologically real burden. This burden of the decision rests on the individual with no guarantees about the impact on their future career, and the perception is that there will be a negative impact.
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- 2.11.** We are concerned that the current approach, while tackling many of the right things, will not be successful in delivering clear benefits to the organisation or meeting the expectations of future personnel. There is no clear end state, certainly not one that approaches the level of systemic change we believe is necessary. Initiatives are selected from a range of approaches and implemented in different ways and at different paces by each service. The lack of a clear end goal will make it difficult for the many different people across the system to understand, let alone drive, the change needed. Service personnel will not understand what is being aimed at, instead seeing this as people getting special treatment and not pulling their weight.
- 2.12.** Finally, and perhaps most critically, it is not clear to us that the hugely complex current system can be effectively integrated into workforce planning and career management. Until that is done, these flexibilities will only ever be ad hoc measures driven by individuals whose circumstances overwhelmingly demand them. This does not unlock the huge potential for the organisation to efficiently and effectively exploit the skills of reservists or veterans, to enable more people to have zig-zag careers, or prepare for the agility demanded under the Integrated Operating Concept. It will not embrace the many more individuals who would benefit from a much more flexible approach that considers all aspects of the level of control that they have over their lives. Nor will it allow the Armed Forces to move from a cost-centric model to one that is focused on people-centric value.

What should a spectrum of service look like?

- 2.13.** The spectrum of service should be an approach to terms of service for the holistic recruitment, management, retention and transition of all regular, volunteer and regular reserve Armed Forces personnel within a simple, transparent and flexible framework. This framework should:
- be reflective of broader societal and labour market trends, while continuing to nurture the volunteer ethos.
 - give people greater agency over the trade-offs between control over their lives, the roles they fill for their service and the reward they receive.
 - give leaders a tool to construct a more varied workforce (within an overall workforce cost envelope) using different people and operating in diverse ways to best deliver what is asked of them.
 - allow the organisation the freedom to use total reward levers to incentivise desired behaviours, such as skills acquisition or deployment, being mindful of, but not constrained by, an individual's terms of service.
- 2.14.** The framework should cover the different dimensions seen in modern terms of employment relevant to the Armed Forces (see table 2). Within each of these dimensions, there are characteristics that both the individual and organisation might choose. In other words, the dimensions might be seen as 'dials' and the characteristics as 'settings' on those dials. In fact, the dimensions in table 2 are already part of Service life today. However they are variously formally or informally agreed or simply implicitly stated, and the ability to move these dials is constrained by complex written and unwritten rules. The purpose of the spectrum of service is to bring them all into the open as options to be managed and agreed.

Table 2 - Primary dimensions and characteristics of service

Dimension of service	Characteristic of service
Engagement type	Full-time, part-time, spare-time, contingent
Engagement length	Permanent, fixed-term, temporary, retained
Compulsion (i.e. the Armed Forces' ability to compel individuals and subject them to service law and discipline)	Full control by Armed Forces, partial control by Armed Forces, conditional control by Armed Forces, volunteer/no compulsion
Mobility	Full mobility, partial mobility, stand-by, stable/static
Military training	Advanced military training, basic military training, conditional military training (only if deployed), no military training

2.15. In addition to this framework that describes a person's employment status, there should also be a framework of secondary dimensions which reflect the knowledge, skills and experience required to perform specific roles. This enables a richer and more granular approach, linked to the skills framework and comprehensive role analysis, to ensure the employment status is appropriate to the role. These illustrative secondary dimensions can be seen in table 3. They are particularly important in integrating the spectrum of service approach into broader career management and workforce planning.

Table 3 - Secondary dimensions and characteristics of service

Secondary dimension of service	Characteristic of service
Professional military knowledge	Expert level military knowledge, practitioner level military knowledge, awareness level military knowledge, no military knowledge
Professional skills, linked to Pan-Defence Skills Framework, and experience	Determined by relevant Pan-Defence Skills Framework competency

- 2.16.** A framework implemented in this way should provide a structure to enable a discussion between every single Serviceperson and their Service about how they want to work and the level of control that they want over their lives. This must be a negotiation. Clearly, not everyone can always have free choice. Indeed, particularly in the early years of full-time permanent service, there may be no choice. But the organisation must enter that discussion in good faith seeking to find the solution that best meets both their needs and the individual.
- 2.17.** It is critical that the spectrum of service is not seen as simply a minor add-on to the system to deal with a small number of cases. Enabling parents to work part-time for a while, for example, is important. But the real power of this tool comes when it is a central part of everybody's service and of every leader that is constructing a workforce. It is also critical that it is a two-way negotiation. The Service does not need everyone to be full-time, fully deployable and fully mobile. Using the spectrum of service to meet organisational needs is as important as meeting individual needs.

Recommendation 15

Create a spectrum of service framework that enables each Service to negotiate terms of service with every one of their people. The framework should create a new set of categories that consider engagement type, engagement length, compulsion, mobility and military training factors.

- 2.18.** Our indicative proposal above draws heavily on the approach and lessons learned in the Australian Defence Force's Total Workforce System, considered in light of our extensive engagements with UK stakeholders. Clearly, the detail of this must be designed and owned by the Armed Forces and their people. But there are six critical principles that we specifically recommend.

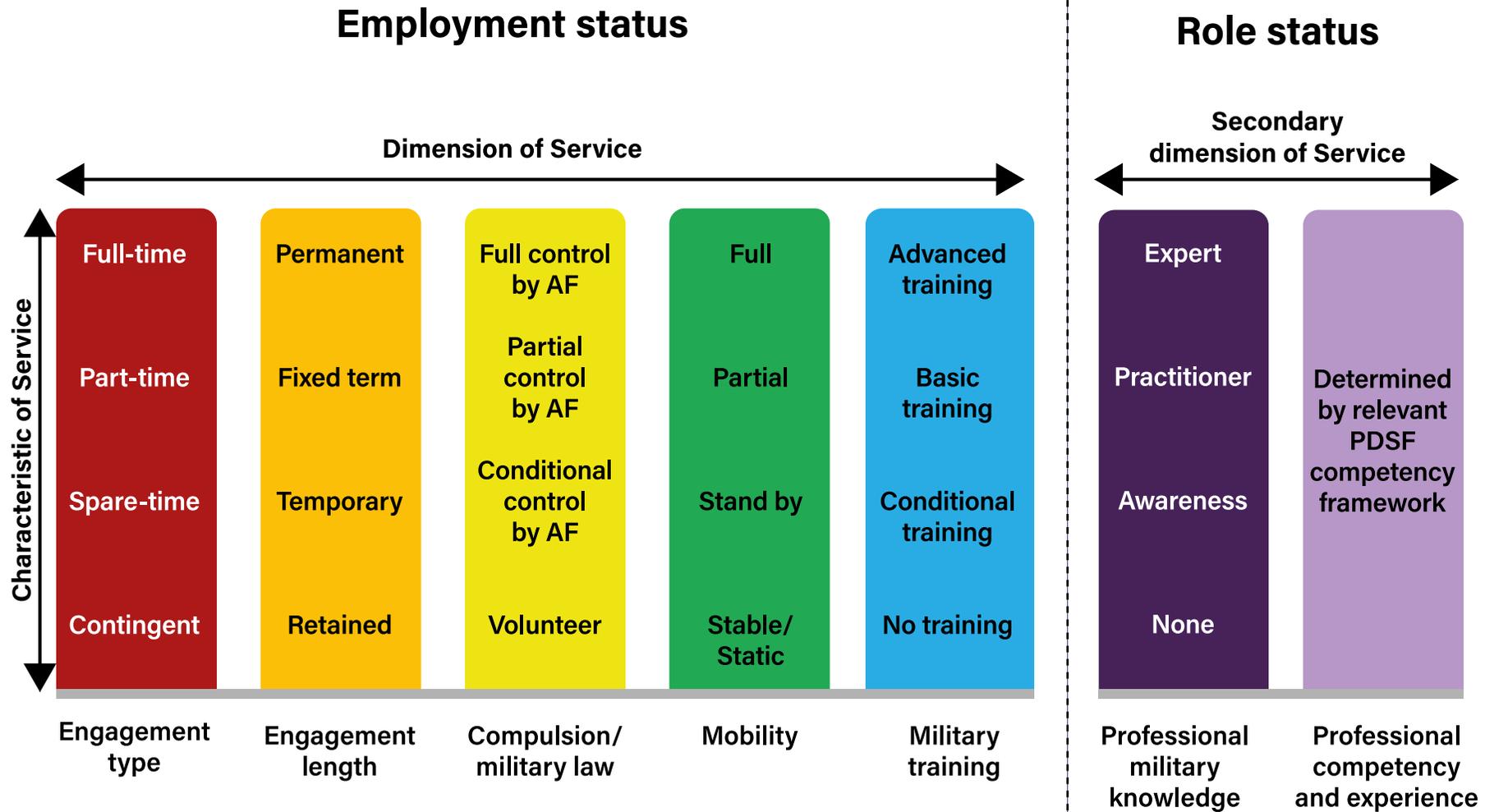


Figure 3 - Primary and secondary dimensions and characteristics of service

The six principles

- 1** There should be a fundamental break in the link between what are currently referred to as terms and conditions of service. The former should reflect dimensions of service (or an appropriate terminology) that ideally have no constraints on how they are matched with reward. As we cover in the next section, there will be a total reward strategy which will clearly want to take into account where someone sits on the spectrum of service. But the key aspect is that this can be changed by empowered decision-makers at those levels of the organisation directly responsible for making decisions on incentivisation, rather than requiring years of policy development and even legislative change.
- 2** This spectrum must overcome the perception that anything less than full-time regular service is a lesser commitment. The language to describe the different terms of service matters. The individual terms used should be sufficiently distinct to be meaningful, while comprehensive enough to cover all forms of the characteristics being managed. The different employment types should be comparable and identifiable with the broader labour market and offer clear transition points to better support lateral entry, portfolio or zig-zag careers, and movement into the Civil Service. It must also be able to dock with the Whole Force construct and allow the better use of the regular reserve, particularly as a contingent workforce.
- 3** The design must not simply move all of today's regulars into one category and then rename different categories of reservists. Significant benefits can be unlocked from a fundamental modernisation and reconsideration of service. While many people early in their careers in a regular cycle of operational roles might well remain in one category, the principle should be that the significant majority of people who have a long career in the Armed Forces would change category. This is not necessarily to do anything other than work full-time, but to reflect the changing expectations around geographic mobility or deployment that is natural today and will become more common in future as the ask diverges further. This should enable the organisation to think carefully about which people it really needs to be on a 24/7 fully mobile footing. It may be that in order to preserve the external employer relationship for today's reservists there are some specific constraints on what categories they can serve in. However, no category should be reservist or regular only.
- 4** Communication of the strategic goals and benefits of this approach are critical, both to prevent perceptions of inequity amongst personnel and to ensure decision-makers throughout the organisation understand the strategic intent.

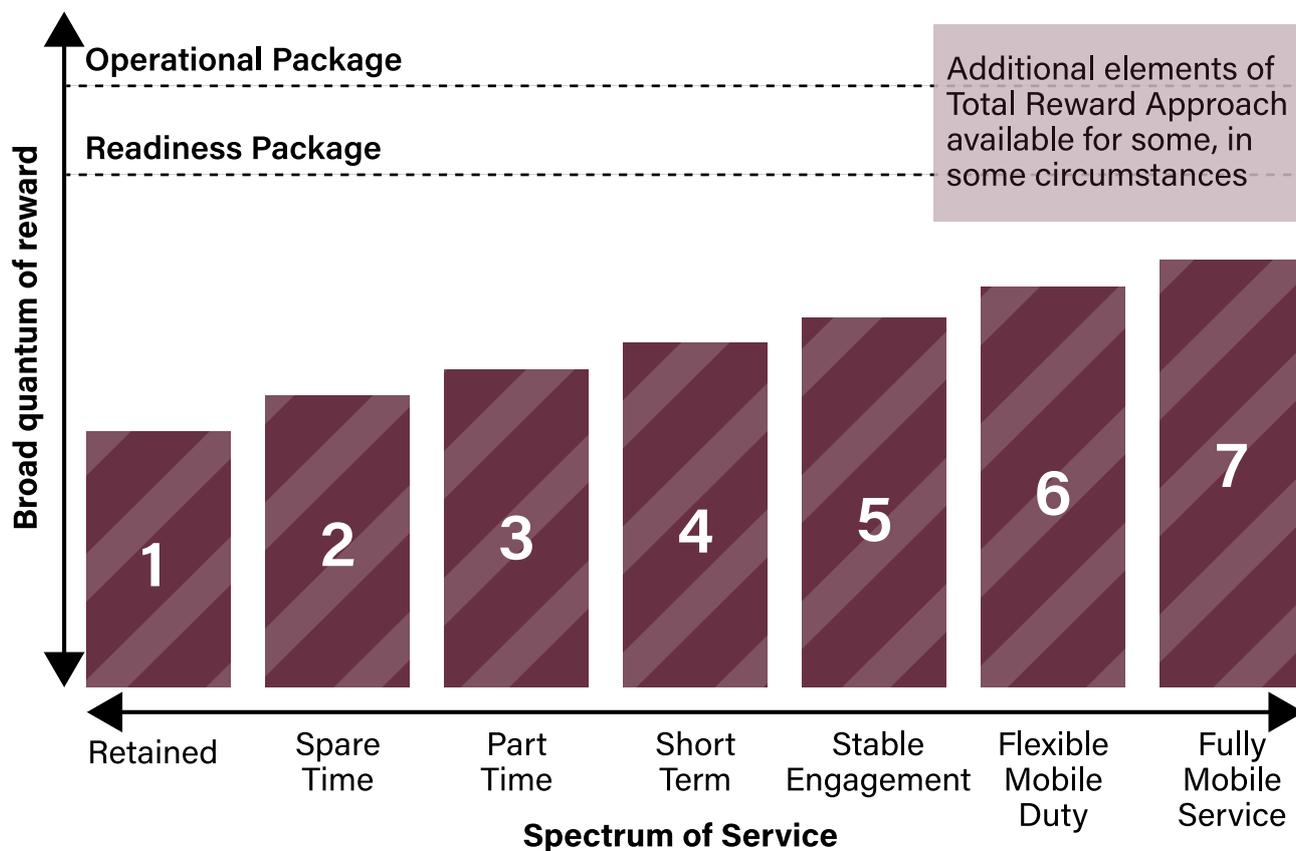
- 5 The system should have an explicit requirement on agility – e.g. that movement between categories should take no more than 30 days. This will drive organisational flexibility and create a particular necessity for simple processes (for example, simpler allowances packages that does not require multiple form filling).
- 6 Integration with workforce planning and career management is fundamental to making this work. Workforce planning must become more agile to allow the organisation to properly exploit all the opportunities a spectrum of service creates. Career management must entirely reconceptualise what a career looks like when many or most people are moving between different categories. Today's perceptions of 'career fouling' when moving to different working patterns must be eliminated. We revisit this in chapters 6 and 7.

Recommendation 16

The spectrum of service categories should be carefully framed and communicated to ensure they reflect, and are understood in terms of, the positive outcomes they are looking to achieve. For example, they should avoid any suggestion of less commitment or reduced capability. They should not come with any specific constraints on reward package or membership. Today's regular and reserve populations should naturally fall across multiple categories and rapid movement between categories must be obligatory (e.g. no more than 30 days). This mixed, flexible categorisation should be reflected in a new systemic approach to workforce planning and career management.

- 2.19.** We are not suggesting that all of these dimensions and characteristics are simply translated into a live employment model with over 20 different categories. The system that is built must aim for simplicity for the front-end user, even if digitalisation enables the 'back-end' to be quite complex. We fully endorse the conclusions of the Reserve Forces Review 2030 by Brigadier the Lord Lancaster, particularly around the need to simplify structures. We propose building on that to simplify not just reserve employment types, but the entire approach. Further work will be needed to understand how, in practical terms, they should be used. It may be that they are embedded within a simpler framework of categories that represent particular 'settings' on the 'dials' (particularly where certain combinations tend to go together). This could, for example, look something like the overall model below – though the key principle of flexibility to change to any dial settings should still be retained.

Figure 4 - Indicative spectrum of service categories and interaction with reward



How should a spectrum of service be delivered?

- 2.20.** The Armed Forces have considered implementation of some form of spectrum of service several times in recent years. When planning how to achieve this, a dichotomy has emerged between a policy-only approach, the so-called 'single Act effect', and legislative approach via a 'single Act'. We do not believe this is the correct framing.
- 2.21.** The key commitment needed in accepting our recommendations is that there should be a fundamental, almost zero-based reconsideration of terms of service, rather than the current evolutionary approach, for the reasons we set out above. Any solution that meets our recommended principles will require much more ambitious policy redesign, change to subordinate regulations and, most likely, secondary legislation. We believe there could be significant benefit in changing primary legislation as well, though that probably does not mean a genuine single Act. This could be, for example, a new piece of primary legislation that brings together regular and reserve terms of service from the Reserves Forces Act 1996 and the Armed Forces Act 2006, but leaves Service discipline in the Armed Forces Act 2006, and reservist employment protection in the Safeguard of Employment Act 1985 untouched. We did not have the time and expertise to fully explore this, and we recognise there are political trade-offs to be made, particularly with regards the volunteer reserve ethos. Revolutionary policy change is better than cautious legislative change that could be unpicked.
- 2.22.** Following other examples of implementing a flexible trial of these concepts, the spectrum of service should be trialled alongside appropriate workforce planning, delegation and accountability in a suitably sized organisation, formation or unit. The tri-Service Joint Helicopter Command, which has units at different levels of readiness and many units located in areas (such as Wiltshire and Hampshire) with ready access to the regular, reservist and civilian workforce, may be a good example.
- 2.23.** Finally, it is important to emphasise the importance of a digital approach to delivering this new spectrum of service, as we cover in chapter 3.

Recommendation 17

Create a new legislative footing for the radically simpler and more flexible spectrum of service approach. This should unite regular and reserve terms of service, minimising the fixed framework and driving flexible and empowered decision-making. Quickly conduct a trial of the spectrum of service in a suitable organisation, formation or unit to inform this legislative approach, learning lessons from elsewhere

Part two: A total reward approach

- 2.24.** Having addressed the terms of service, we turn to creating a more flexible toolset for what is currently described as 'conditions of service.' As we explored above, there is a clear need to be able to give different reward packages to different personnel. This is already recognised today for small cohorts like medics where the market is particularly demanding. But the same pressures are mounting across many different cohorts of personnel and will only get larger, creating more pressure from both supply and demand sides. The key here is to move to a system that allows a strategy to be set to get ahead of the problem, rather than wait for issues and then try to solve them retrospectively.
- 2.25.** A total reward approach finds the optimal point where personnel are best supported across all elements of reward, both financial and non-financial, to achieve organisational objectives in a sustainable manner. For the first time, this approach would directly link organisational objectives with specific personnel goals and decide how reward levers should be used. This might be skills-based. For example, Defence needs to increase its nuclear submarine fleet, therefore it needs more nuclear engineers, therefore there should be a dedicated skills-based pay framework, a simplified training offer and a dedicated mechanism to incentivise those with skills to serve at particular levels of the spectrum of service. But it might be based around operational outcomes such as those set in the Integrated Operating Concept. There is a need to deploy more people overseas in below-the-threshold contexts, therefore there should be a framework for financial reward connected to risk and rigour, with dedicated career paths.
- 2.26.** The need for this approach is clear. The examples given above have already been identified by Service leaders, but there are no tools to enable these conclusions to be implemented (at least easily). We recommend implementing a total reward approach to create this toolset.
- 2.27.** This will encompass two things. First, a **reward framework** that defines the incentivisation levers needed as primary tools and how, in general terms, they can be used. And second, a **reward strategy** that sets out how those tools are best used to achieve specific objectives for specific cohorts of personnel. This balances the organisation's needs with individual motivations, offering flexibility and agency in their choices to both.
- 2.28.** Decision-making for these choices should be clearly framed and defined, with choices given in a delegated framework. A thorough and ongoing understanding of reward costs, employee motivations and outcomes will help determine the best mix of incentives to offer. By anticipating objectives and thinking through their consequences for the workforce, these incentives can be proactively used to incentivise the right people with the skills needed for those evolving demands in a cost-effective way.

Defining the reward framework

- 2.29.** Defining the reward framework is the key first step. This is not just about describing the current arrangement but considering how existing tools could be used differently or where there are tools which should be created in order to address the Armed Forces' strategic challenges.
- 2.30.** This should start by identifying the organisational behaviours that will need to be incentivised. The elements of the reward framework should then be reviewed to ensure each element is aligned with and supportive of these objectives. This could lead to amalgamation, simplification and/or the creation of elements within the total reward package which are better targeted.
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Example 1

Our understanding of the Integrated Operating Concept and other research suggests that the future operating environment will likely ask more of some personnel, such as greater mobility and frequent periods being held at readiness. However, others may be more stable and deploy less often. This suggests that the reward framework needs levers that will recognise mobility and notice-to-move.

Mobility is currently implicitly incentivised through a complex series of allowances, ranging from significant expenditure for a small number of people (e.g. Continuity of Education Allowance) to a small expenditure for a large number of people (e.g. Subsistence Allowance and Home to Duty, as well as some subsidy of single living accommodation). The policy by which these are given out is based on quite complex rules around personal circumstance. While not unreasonable, this does not tie the organisation's investment to the delivery of the objectives it seeks to achieve.

A clearer approach would be to identify those who are needed to be mobile in order to deliver specific organisational objectives and provide them with a much simpler package of reward for doing so. Ideally, a single reward element could be associated with the mobility characteristic within the spectrum of service.

Example 2

The Integrated Operating Concept suggests that personnel will deliver operational effect both at home and overseas 'below the threshold' of traditional warfare. This suggests that the reward framework needs to recognise service in all environments which involve significant risk and rigour – whether that is the physical challenge of operating for long periods away from significant support, or the mental challenges of piloting uncrewed vehicles – rather than just focus on traditional named operations.

Elements of X-Factor (which in total amounts to 14.5% of pay for most regulars) are meant to recognise the risk and rigour incurred by personnel in performing their duties, but are given to almost everyone at the same level. This worked when almost everyone saw, on average, similar exposure to risk and rigour across their career. However, that is clearly no longer the case today, and our research suggests will be even less true in future. The obvious conclusion is that these elements should be broken out of the generic X-Factor and paid according to the different impacts actually experienced.

We have heard that medallic recognition can be a mechanism of reward that is a significant motivator and that it is perceived to be underused, despite its near-zero cost. This suggests that more use of this lever to reward a greater range of deployments involving risk and rigour would be sensible. This is not about diluting the UK's traditionally high threshold for awarding medals, but recognising that this threshold needs to be reinterpreted for a new era of operations.

Example 3

Even today it is clear that there are certain skills cohorts that are critically needed by the Armed Forces but for whom, due to competition in the external market, the current reward framework is insufficient. The likelihood of shortages in engineering and digital skills, for example, appears to be significant. The reward framework therefore needs levers to incentivise the recruitment and development of these skills.

Designing specific total reward approaches around particular skills cohorts will help address acute pinch-points. A phased introduction of a pay model that rewards for individual knowledge, skills, experience, rank and time, and is sufficiently flexible to adjust to market conditions and remain competitive, will be better able to target key skills required. This will ensure the Armed Forces realises maximum value from its high investment in pay. However, changes to pay must be balanced with an overall consideration of all elements of the reward approach.

Recommendation 18

Define a reward framework that considers whether each of the elements of financial and non-financial reward is optimally aligned to achieve Defence objectives. This should reflect desired organisational behaviours in the future operating environment, such as mobility, readiness and delivery of operational effect both home and away, through financial and non-financial incentivisation provision (total reward). Consideration should be given to the varied ask being made on individuals at any given time. These should be appropriately integrated with the spectrum of service categories to ensure that the full range of these factors across today's regulars and reserves is properly captured.

Recommendation 19

Start with establishing a flexible pay model incorporating an individual skills-based pay element to reward individual knowledge, skills, experience and behaviours. This would be in addition to command, leadership and management through existing rank and seniority to provide greater recognition of individual value and pay efficiency through more efficient pay targeting. Development of a skill-based pay model should be phased and dependent on implementation of the Pan-Defence Skills Framework. As we cover in chapter 6, this will work best when career models are developed to allow reward for skills to be delinked from rank. The model should be developed to include all professions, including application to bespoke pay spines and recruitment and retention payments. Full roll out and implementation across all Service personnel should aim for Pay 16's quinquennial review in 2031.

Recommendation 20

As part of the reward framework, consider also at least the following two steps.

- a. Reward mobility by making the package simpler and more explicit.
- b. Reward those engaged in risky, rigorous activity outside operational theatres by varying elements of X-Factor and expanding medallic recognition.



Defining the reward strategy

- 2.31.** The next step in defining the reward strategy is to set out the specifics of how those levers should be used. This must be based on an understanding of how different parts of the workforce value its constituent parts, how these values change through career and life stages, and the impact they have on behaviours. Better behavioural and cost data will allow the total reward components to be aligned with short, medium and long-term workforce requirements, driven by the Integrated Operating Concept. It will also enable the Armed Forces to develop evidence-based balance of investment or policy decisions to get best 'bang for buck' from its people-spend. At present, the Armed Forces do not have the data and understanding needed, and addressing this should be a priority.
- 2.32.** The Armed Forces have no information as to which elements of the current package are valued over others. We conducted a survey of over 9000 regular and reserve personnel to understand which of 11 elements of the current offer they valued most. The aim of this was not to find a definitive answer – far more thorough research will be needed. But it does demonstrate how different elements of the offer are valued across different demographic groups in the Armed Forces.
- 2.33.** For example, older cohorts value pension benefits while younger cohorts prefer obtaining useful qualifications and annual leave entitlement. Women were three times more likely to select flexible working and twice as likely to choose less frequent moving of work location as their most preferred option than men. Ethnic minority regulars were more than twice as likely as white regular respondents to value the opportunity to gain qualifications most highly. More detailed analysis providing greater granularity over time and across different cohorts could help develop targeted cost-effective strategies and more clearly justified balance of investment cases.

Recommendation 21

Establish longitudinal research to better understand the value Service personnel place on all elements of the reward package. This should allow analysis of how this may change between cohorts and over careers, enabling the determination of causal relationships between reward and desired behaviours. This should be part of a broader analysis of the behavioural outcomes when reward levers are changed using a model such as COM-B (Capability Opportunity Motivation – Behaviour). This can start with historical impacts, but should also include regular surveys, assessments of targeted cohorts, and the whole Service population. Note the connection here to the data recommendations in chapter 3.

Recommendation 22

Establish a sustainable costing methodology/system for the reward framework to understand the cost and value of each and all elements of total reward (financial and non-financial) to enable the (re)distribution and (re)alignment of resources to support a targeted and value-for-money focused reward strategy. This would include: defining the total reward package; conducting a scoping phase to determine the many systems used for costing; conducting a pilot phase including design, test and implementation of costing across a selection of smaller non-financial reward elements.

The costing methodology design must determine all activities required to deliver the specific reward, identification of cost drivers of each activity, an approach for allocating and assigning cost to relevant cost centres, and the exploration of current systems to capture the cost and the link to the measurable impacts that will determine value. All cost data should be stored and collected within one system to allow effective system-wide analysis.

- 2.34.** Even our proof-of-concept analysis suggests places to start. The Armed Forces' pension offer makes up 35% of the total reward expenditure. While we acknowledge it is not as flexible as other elements of the reward package, much more can be done to improve value for money and to move to a system that better incentivises at the individual and organisational level.
- 2.35.** Given the comparatively little value placed on the pension by younger cohorts, there must be significant motivational impact and value for money to be gained by improving their understanding of what they really get. A personal pension value statement, along the lines of that produced for civil servants, would allow personnel to see the continually increasing value of their pension.
- 2.36.** There would also be value in developing a model that allows more choice around pensions for junior cohorts. OR2 and OR3s account for 26% of Armed Forces' reward costs. If, as our analysis suggests, they would prefer more pay to pension, there could be a win-win improvement in value for money. This should not be a cover to leave personnel without a good pension, but the current scheme is so generous that there seems to be scope for trade-off. A 'pay in lieu of pension' scheme has already been developed elsewhere in government and should be carefully considered here.
- 2.37.** The Early Departure Payment is a payment made to personnel leaving service prior to their retirement if they have served for a certain period (usually 18 to 20 years). This was designed for an era when military skills and experience were ill-suited to civilian life and more support was needed. With almost all personnel now transitioning to second or third careers, the money spent on this mechanism can be more efficiently used to reward personnel while they are still serving. We recognise there are some legislative barriers to using the same scheme to do this, but funding should be redirected.

2.38. The size of the pension component is driven by the formula used to calculate Superannuation Contributions Adjusted for Past Experience (SCAPE). This means that the pension costs of large numbers of veterans, a result of a time when the Armed Forces had many more personnel, are being attached to a much smaller number of young recruits, many of whom will only stay for a few years. The per capita cost of a new recruit is therefore not a fair representation of their real cost. While we recognise the need for HM Treasury to account for future pension costs, this arrangement distorts efficient decision-making, purely to allow recirculation of funds from HM Treasury to Defence and back again. The MOD should engage with HM Treasury to review the impact of this and to seek an alternative that would better enable value-based decision making.

Recommendation 23

Take a number of steps to increase the value and efficacy of the Armed Forces pension. Create a pension value statement, revive previous work on allowing payments of the Early Departure Payment to be replaced by an alternative in-service payment scheme that will deliver better incentivisation effect, examine a pay in lieu of pension scheme and pension recycling, and examine options to reform SCAPE.

2.39. New data and analysis across other elements of the package will allow similar actions and trade-offs to be identified in formulating the reward strategy.



Delivering the total reward approach

- 2.40.** The primary reason for adopting a total reward approach is to significantly improve the impact and efficiency of the over £10 billion spent each year on the reward package. It will enable the Armed Forces to focus on incentivising those elements that are truly unique and compensate particularly for constraints on pay. It will also help identify aspects which are common to other employers, allowing them to be benchmarked and delivered to a common standard. This will feed into the ability to engage and attract a broader cross-section of society (chapter 4).
- 2.41.** The scale of potential returns appears to be significant. Only a 1% increase in efficiency is required to return £100 million per year. Given how untargeted the current approach is, and that our preliminary analysis suggests significant variation in the value gained from different elements by different cohorts of personnel, a 1% increase in efficiency would seem an extremely cautious target.
- 2.42.** However, moving to a total reward approach will require investment. Particularly given today's base-fed model of recruitment, it must be done in an evidence-led manner. Developing that evidence will take time and money. It must also be delivered digitally. This level of complexity can be managed with the appropriate systems and be made simple at the point of engagement for Service personnel if delivered through properly designed digital systems.
- 2.43.** Finally, it is important to start now. We recommend a sprint approach to allow implementation of a total reward approach with engineering cohorts for next financial year. This cohort has many of the key pre-requisites in place, including good skills data. They are a prime candidate for the application of a skills-based pay approach. The cohort are already planned for review within the pay round process in 2024. However, it is important that this is not simply a skills-based pay trial but examines all elements of the total reward package, particularly targeted training, skills-based career pathways (see chapters 4 and 6) and so on.

Recommendation 24

Start a trial of the total reward approach with an engineering cohort. This should bring together elements we have identified in this section and others. Skills-based pay must be accompanied by targeted consideration of all elements of the total reward package. A skills-based career path must also be part of this (see chapter 6). Apply the 'think big, start small, scale fast' approach (see chapter 9).



Chapter 3

Digitalisation of the people system

Bringing the right tools to bear

- 3.1.** Digitalisation is the embrace of new digital technologies to transform processes and experience. The Armed Forces have gone some way to digitise – that is, to copy analogue information and processes onto IT. But as the MOD publicly acknowledges, most recently to the Public Accounts Committee and also in each Service's digital strategies, the current level of digitalisation is well short of where it needs to be.
- 3.2.** Data is hard to access, technology is ageing, and processes and culture are not suited to the information age. A fractured ecosystem has created the need for manual workarounds and interventions across the force, which is compounded by a complex and rigid policy framework. Jerry-rigged approaches, whether standalone Excel spreadsheets or paper-based systems, lead to inefficient deployment of resources. With many systems in play that either speak different data languages or are unable to communicate at all, there is no single view of data across the Armed Forces.
- 3.3.** All of this is well known, but correcting it is often thought of as a question of efficiencies, freeing back-office resources to focus on other things. Of course that is both true and important. But it is also an essential enabler of incentivisation. It allows people to have agency and ownership over their professional and personal lives, leading to increased job satisfaction, higher engagement, improved productivity, and better overall performance.
- 3.4.** People already expect a digital approach, and this will only become more critical for future generations. Digitalisation of the system for managing people in today's Armed Forces is therefore an essential aspect of improving incentivisation, allowing better understanding and communication of policy and procedures, streamlining processes, personalising and tailoring the offer, engaging people effectively, and distributing collective intelligence across the organisation.
- 3.5.** It is important to understand the direct and concrete impact on personnel of the current position. Research by King's College London directly connects the Serviceperson's mental health and their family development to meaningful digital face time while deployed. More mundanely, we have heard about the manual processes leading to delays or errors in pay and allowances; time spent clearing paper forms in advance via three or four people for duty travel; having to repeatedly re-verify the same information like home address or next of kin details; and complex rules making it "not worth my time" claiming allowances to which they are entitled.
- 3.6.** This is a 'death of a thousand cuts'. Minor inconveniences add up to huge drags on people's effectiveness and leaves them feeling undervalued, distrusted and disempowered. The demands in some circumstances, particularly overseas deployment, can entirely break the motivation to serve. And it will quickly discourage the future recruit who expects to operate as a digital native and will compare this to the experience of their peers.

- 3.7.** Travelex's HR modernisation can be used as an example of what is possible. A 30-year-old system had 26 legacy platforms running 2,000 processes for 8,000 people – per head complexity on par with Defence. They cut this to 180 processes, all accessible on mobile and smartphone. This drastically reduced costs, but also dramatically improved the experience and retention of their staff. Digitisation to cut the back-office out of the loop is only half the story – it must unlock far greater simplification of policy that is focused on the user experience and actively seeks to empower them. While positive in many ways, the rapid rollout of the MyApp series – the Services' new front-end portals created during the pandemic – showed that user confidence can be lost when digital processes simply replicate existing policy complexity.

Recommendation 25

Define and deliver a commercial-grade experience for the user. Personnel will expect to see analytics and artificial intelligence, better interfaces, easy navigation, simpler process steps, auto-population of forms, reduced data errors and process fulfilment times. The Government Digital Service sets a standard for providing digital services to the public. Service personnel should expect the same. Every digital programme should publish on the intranet a clear statement of how it will use these tools to improve the user experience across the five areas the Government Digital Service identify and benchmark metrics with others across government.

Recommendation 26

Deliver a single front end, single sign-on portal. Access needs to be broad and broadly-enabled, i.e. available on personnel's own devices, the MOD intranet, and 'approach and use' terminals when deployed. It should operate in low bandwidth environments and on low-definition display screens. The logical place for this single front-end appears to be the MyApp portals, into which functions like the future Joint Personnel Administration system should be docked.

Recommendation 27

Aim, in time, for the digital capability to encompass all service delivery functions to all personnel. The more central a function is to a Serviceperson's lived experience, the more important it is to integrate it into this single front end. The accommodation and feeding offers are high value candidates. Ensure this integrated digital requirement is part of future commercial approaches. It should also provide access to all personnel wherever they are on the spectrum of service, ultimately also including veterans.

- 3.8.** This is not just about fixing today's problems, but about ensuring the Armed Forces are in position to exploit future opportunities. As the capabilities of technology increase exponentially (witness the recent introduction of large language models like GPT4 and their potential to drive revolutionary change) the Armed Forces will fall further and further behind. The Armed Forces' ambition should be to be at the cutting edge of exploiting the huge potential of artificial intelligence, as just one example. An integrated digital ecosystem that is agile and interoperable will unlock investment and capability. Bespoke tools for fragments of the organisation, however, will be increasingly unachievable.

Recommendation 28

Head Office should deliver an agreed set of core capabilities that are then consistent and unified across the organisation. In the short-term, this should include core modules within whichever solution is chosen as a replacement for the 'system of record' functions. Processes should, by default, be matched to those of the product being used. A specific business case should be raised for any example where a bespoke change is required, and a high bar set to justify it.

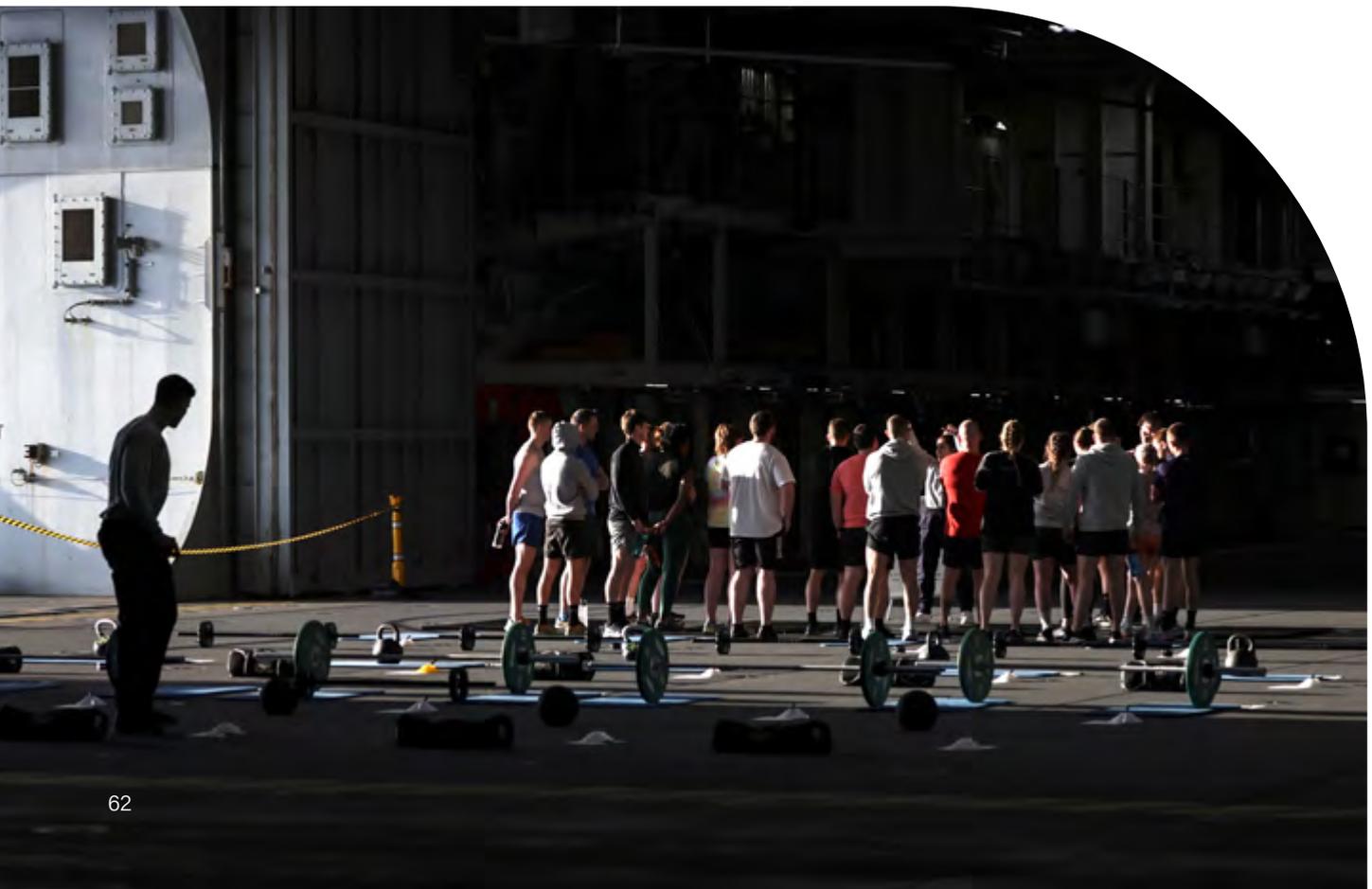
Recommendation 29

There should be a clear and ambitious path toward policy simplification before the digital solution is fixed. Policy and process simplification are related, but they are not the same thing. It is critical that policy simplification should go as far as it can. At the same time, it must stop short of constraining genuine operational need for divergence at lower levels, as we have explored elsewhere in this review. Simplification must still happen, it might just happen in different ways in certain situations. Simplification and unification are not synonymous. In some cases, Head Office may need to remove policy constraints to allow more simplification and divergence at a lower level (for example, giving clear direction about what the expected level of assurance really is, and explicit direction not to exceed it).

Recommendation 30

Single Services should continue to deliver other capabilities, but Head Office must ensure interoperability. There are many benefits to delegated delivery of digital capabilities, but currently this leads to siloed and incompatible coding. Once a single Service platform has gone down a siloed development route, it will be increasingly difficult to retrospectively create unified capabilities which will hamstring future incentivisation technologies. The new data fabric approach should set data governance, definitions, ownership, standards and quality. Frameworks should define the rules necessary for coding to be compatible to future unified tools.

- 3.9.** It is not just about digital platforms. The Armed Forces must also unlock the power of the data it holds. This power is considerable. Future capabilities will place analytical power in the hands of decision-makers throughout the organisation in a way that is hard to imagine today. On operations, the answer to increasing complexity is better analysis and intelligence, distributed to the lowest level decision-makers. The same principles apply in the people environment.
- 3.10.** But this is impossible without a coherent analytical capability. The Armed Forces face challenges on several fronts. There are problems of quality, consistency and completeness for the data itself. Multiple systems give different, or at least differently coded, versions of the same facts. Data cannot be connected between platforms and sources because there are no enforced standards. And there is a lack of skills and tools to analyse the data, distribute the analysis and understand the insight.
- 3.11.** As chapters 1 and 2 set out, moving away from a one-size-fits-all offer is critical to achieving an effective and sustainable future. That is impossible if you don't understand what people want in a much more granular way (even today's Armed Forces continuous attitudes survey only measures satisfaction, not what people actually value, as our own survey has shown). But that should only be the start of the ambition. If leaders were able, for example, to understand people's behaviours, aptitudes and costs, tied in with biographical and geographical data, suddenly a tool opens up to understand in near real-time what problems are emerging, how programmes are delivering, or how operational demands are impacting people. This is not just about assessing HR processes, or predicting workforce gaps, much as those things can be improved. This is a game-changing capability for the whole organisation. This area requires an order-of-magnitude shift in effort. No other organisation would be managing billions of pounds of expenditure with such a drastic paucity of data.



Recommendation 31

Create a people data strategy. This must consider how the whole organisation could use people insights at the strategic and operational level if it had the full range of qualitative and quantitative data. Develop 'use cases' and do a gap analysis. Some of this might be possible today – we have developed dashboards on the financial offer and on applications data just for this review which would be useful business decision-making tools. If not, this will identify where issues and gaps lie across data quality, tools and skills. The people data strategy should also include an approach to ensuring digital data discipline – that means not just setting standards, but setting out a mechanism by which to incentivise good behaviour (e.g. through gamification) or disincentivise bad behaviour (e.g. through denial of service).

Recommendation 32

Commission new data sources. There are some obvious gaps today. What people value and what they cost are two priority areas to address. The ability to understand key information about people's values and behaviours over time is critical. We know what is important to people changes over time, but only roughly how. Longitudinal research that follows specific individuals will be necessary to understand when and how these things happen. As new technology is introduced, ensure the opportunities to feed data sources are considered. For example, as a single front-end app goes onto people's devices, geodata becomes a rich data source.

Recommendation 33

Plan now for long-term capability, including introducing a personal digital profile. There are nascent plans for this in the Royal Navy, but this should be a central part of the future digital toolset. This will ensure that all data is clearly and explicitly tied to a single digital identity, massively simplifying data governance and exploitation. This should be an ambitious plan for significant new capability. It unlocks efficiencies across the system, from more effective reward spend (chapter 2) to more effective policy design and leadership (chapter 5).

- 3.12.** Finally, there are some key enablers that are necessary to unlock these developments. The first is ensuring that the right digital skills are available across the Whole Force to develop, understand and exploit these capabilities. The second is ensuring that the digital infrastructure is in place to enable people to access them, wherever they are and through as many means as possible.
- 3.13.** The good news is that digital funding is already available and action is already underway. All of these issues have been identified, and each of the key single Service programmes and central initiatives are getting after these problems in a positive way. But we believe it is important that the aspects of digital that are specific to managing, leading and developing people need more specific focus. We identify four key enablers to delivering on future ambition, as set out in the recommendations below.

Recommendation 34

Trial a revolutionised approach to recruiting digital aptitude into the uniformed force. This should include a practical brand for the recruitment of those with digital aptitude into the uniformed force. The Armed Forces have unique technology, experiences and technical skills to offer that can out-compete the private sector. This could be supported by a radically simplified and fast-track recruitment process that can exploit aptitude testing to redirect people down the right paths. A dedicated career path with a realistic total reward package must be developed, recognising the need to play on the Armed Forces strengths and to offer a clear reward journey. UK Strategic Command's proposals in this area, such as digital bursaries, provide a good starting point to build on and they should be offered significant freedoms to experiment in this area.

Recommendation 35

Ensure appropriate effort is dedicated to internal skills development. The base-fed model of recruitment is not well suited to the fast-moving and workforce-wide digital skills requirement. Digital investment in the people capability must be prioritised appropriately to ensure it is invested in a battle-winning capability, as much as equipment or other capabilities. Existing programmes to bring in external partners like Amazon are positive steps toward ensuring training remains at the cutting edge. The Armed Forces should build on the single digital skills framework and use agile incentivisation tools to improve digital skills and aptitude across the workforce. Further development of capability could come from better use of the reserve component and veteran community, integrating skills-based career management with a skills-focused workforce planning approach, as well as the potential for reskilling.

Recommendation 36

Set a clear day-to-day connectivity goal based on broader government ambition. Lack of connectivity impacts mental health, reduces professional efficacy, drives inequity and prevents effective workforce management. Servicepeople deserve at least the same level of connectivity as the general public. The government's UK Digital Strategy sets targets for gigabit connectivity – 85% by 2025 and 99% by 2030. This should apply across all domestic, technical, training and headquarters estates.

Recommendation 37

Set a clear connectivity goal on operations. Progress made in recent years is positive, but should be clearer, even if operational constraints may sometimes get in the way. There should be a sufficient welfare megabit allowance to enable at least one video call per week. There should be separate allowances for chain of command, management and training responsibilities.





Chapter 4

Upskill, diversify and gain access to wider pools of willing talent

Drawing a broader range of skilled young people in at entry-level

- 4.1. Each of the Services has historically relied on their brand strength, underpinned by broadly held respect and gratitude on the part of the nation, to supply sufficient recruits to sustain the size of the force. But with accelerating shifts in operational demands and the views of future generations in relation to society, their obligations, needs and role within it, will this continue to be enough?
- 4.2. More people are currently leaving the regular forces and reserves than are joining. Recruitment continues to draw from an unrepresentatively male and white demographic from historic recruitment areas. Skills shortages in today's forces, that are in part developed and set at the intake stage, demonstrate that there is not the breadth and depth of skills needed entering the base-fed model. It will become even more pressured as the need for an agile, adaptive skills base increases.
- 4.3. A report commissioned by the Prime Minister in 2008 concluded that "the foundation of familiarity and understanding on which (the Armed Forces') support is based... is likely to continue to erode unless countervailing measures are taken".³ We find that this continues to be the case. A generally positive perception – more positive than for most other public bodies – hides a fundamental lack of understanding as to what the Armed Forces actually do. 44% of respondents in one survey thought the Armed Forces ran fitness boot camps in parks for the general public. People's awareness is often only increased where they have a family member or friend who has served.
- 4.4. Unfortunately, this is significantly worse among young people. The net balance of those who know more than a little about the Armed Forces, versus those who know little or almost nothing, is -21% among the general population, but ten percentage points worse among 16 to 24 year olds. 'Net favourability' is some 20 percentage points worse in that group. Recent figures suggest that more than half of 14 to 24 year olds think the British Army is not currently recruiting. Only 19% of respondents in another survey thought there were STEM opportunities in the Armed Forces, but 34% would consider a STEM career once shown a list of the actual roles available.
- 4.5. This lack of understanding may also be connected to a lack of visibility. Since the Troubles in Northern Ireland, often the only time the public see personnel in uniform is either cadets collecting in high streets, national resilience activities like flood relief, or at national events like Her Late Majesty Queen Elizabeth II's funeral. This event resulted in a significant, though temporary, uptick in interest in joining the Armed Forces. This suggests that the lack of understanding can both be addressed and have an impact on people's willingness to work in and with the Armed Forces.
- 4.6. The current approach to engaging the public does not try hard enough to tackle this problem though, particularly with young people. Much engagement activity is focused on news management and public information in forms that today's under-20s may never see – broadcast media and Twitter are not how they form their opinions. A new, clearly conceived proposition is needed that appeals to the values of young people. Then there needs to be a better funded and hugely more innovative and risk-taking approach to spreading that message. We recommend a five-step approach to addressing this.

³ [Government's Response to National Recognition of our Armed Forces – GOV.UK \(www.gov.uk\)](http://www.gov.uk)

The five-step approach

- 1 Create a clear strategic proposition that will engage future generations and build their understanding of the Armed Forces.** This is a more strategic message that must resonate with their values and beliefs about how the Armed Forces support UK society and help solve significant problems in the world, and what they actually do in practical terms to achieve that. This is not about why they should sign up, but about building their understanding and interest.
- 2 Set a clear objective for a single tri-Service team to deliver that proposition.** This is fundamentally different from recruitment, news management or public information. It requires different channels to be used in different ways to target different audiences with different measures of success. This team will need more freedoms to be innovative and agile, operating within a framework to mitigate, but not eliminate, political and security risk.
- 3 Make better use of existing content.** There is excellent content being generated every day by communications teams across the Services on minimal or no budget, of which other teams, even in the same Service, are not aware. Create a digital asset management system that is accessible to all, including the new tri-Service team delivering the strategic proposition.
- 4 Create new user-generated content.** Given the particular importance of building understanding and engagement among young people, the methods used need to match how, where and with what they engage. Above all, this means authentic storytelling from real Servicepeople. Train and expect senior leaders in certain areas to build an online presence across different platforms. Create a framework to empower junior leaders as well. The UK's Diplomatic Corps does this successfully while managing security and political risks, and so can the Armed Forces. Identify influencers who would be interested in working with the Armed Forces – build relationships, invite them to events and offer them opportunities to build their brand as well as that of the Armed Forces.
- 5 Exploit real-life opportunities through current networks.** Influencing young people in their early to mid teens is critical. We have heard how recent expansions of cadet forces in deprived areas has had tangible effect, and how visits to schools inspired current personnel. These efforts must continue, and there are opportunities for coordination, for example in sharing excellent British Army material we have seen. There may be opportunities to associate the Armed Forces with opportunities to use specific skills – e.g. supporting college STEM events. Work with the education sector and industry to collaborate on building training and placement pathways in sought after specialisms (e.g. T-Levels). Revisit and promote the routine wearing of uniform in public for serving personnel.

Recommendation 38

Build connections and understanding in broader society through a newly reinvigorated outreach and engagement capability. Apply our five-step approach that combines innovative, risk-taking engagement online with real-life opportunities.

- 4.7. Once more young people genuinely understand the Armed Forces and the opportunities they offer, that will unlock the ability to bring more – and more diverse – recruits. The current recruitment approach is so focused on performance targets (rate of conversion of signals of interest into applications) that the incentive is to focus on the usual places and easiest targets, both geographically and biographically. But as more young people become engaged, the system must have the flexibility to follow and appeal to the talent, rather than just getting numbers through the door.
- 4.8. There are lessons from others, such as GCHQ or the US military, about innovative approaches that can be adapted or replicated. These include live problem-solving (Google’s billboard mathematics puzzle) and embedding in online spaces like e-sports. These are a key part of branching out from the traditional recruitment grounds to convert broader interest into quality recruitment.
- 4.9. Recruitment must also become quicker and more efficient. Compared to competitors, the current approach is slow and unengaging, and appears to be a drain on the diversity as well as the quantity of talent pulled through. Most in-demand jobseekers will not have a single employer they are pursuing. Competitors know that long processes and unclear requirements cost them talent. Further digitalisation of Armed Forces’ recruitment processes will be necessary. Intuitive processes, shaped by artificial intelligence both for user and organisation, will become the norm that the Armed Forces must keep up with. The aim should be a process that takes days or weeks, not months. These tools will be increasingly expensive to develop, so shared tri-Service effort makes sense. However this must not undermine each Service’s ability to set the overall approach and objectives of recruitment itself.

Recommendation 39

Target these newly engaged, more diverse and skilled populations to bring more recruits into the Services. Ensure that processes use innovative mechanisms focused on bringing in people with the quality and aptitude needed, and that they do so as quickly as possible.

Developing the skills of those in service

- 4.10.** Recruiting individuals in at the base of the organisation allows aptitude to be developed into hard and soft skills. This happens very effectively now, with much effort dedicated to comprehensive training pipelines from recruitment through multiple promotions and across a range of general and specialist military skills. This is fine in a world of relatively stable and predictable requirements for skills and experience, and it will remain a good approach for some aspects of military service. But there is good reason develop a more flexible approach in other areas.
- 4.11.** For instance, not everyone needs the entire range of generalist military training at every level. There are areas where generalist training could be streamlined in earlier years and instead provided, if required, later on. This more quickly delivers people on the ground to start using their skills, which is good for both the organisation and the individual. Delivering targeted and cutting-edge training to develop specific skills will be more attractive and rewarding for many specialists who do not join for a generalist career.
- 4.12.** Decisions taken very early on in an Armed Forces career fix people into set career paths. Little account is taken of other aptitudes and interests, leaving both the individual and organisation with no choice but to carry on down that path determined years earlier, or part ways. Only around 1,000 people currently change professions within their Service each year and this has declined in recent years. In a world in which today's in-demand skills were barely on the radar a few years ago, this level of inflexibility will be unsustainable.
- 4.13.** We have not conducted a detailed analysis of what training is needed where. That will need to be developed area-by-area. But the principles behind a more agile approach will become increasingly important. It will require greater digital delivery of training, with results integrated with the Personal Digital Profile (chapter 3). It will be enabled by flexible use of the spectrum of service categories and a total reward approach that incentivises reskilling and upskilling (chapter 2). And it will need a more imaginative approach to career management (chapter 6), both in creating skills-based career paths and in having meaningful conversations about where individuals might go next. All of this can be tested as part of early profession-specific trials.
- 4.14.** There is one piece in the puzzle we have not covered elsewhere which is important: aptitude testing. The Australian Armed Forces have been trialling an approach to this where a baseline for aptitude of their base-fed model entrants is captured and reviewed throughout a career, allowing latent skills to be identified and utilised much more flexibly through agile training pathways.

Recommendation 40

Develop a more flexible approach to training paths as part of a total reward approach and spectrum of service. Remove policy constraints and incentivise career managers to enable more movement between professions. Ensure all recruits are tested for aptitude on joining. This understanding of aptitude must be retained and updated throughout the individual's career. Systematic benchmarked aptitude tests should be conducted on all joiners and recorded as part of the Personal Digital Profile.

Looking beyond the base-fed model for acquiring skills

- 4.15.** The ability to access broader pools of talent will need more tools in the future toolkit than just the straight-forward base-fed model. We talk elsewhere in the review about the internal processes and capabilities needed to better use skills in the reserves, primarily by creating a spectrum of service that is a central part of an integrated regular/reserve approach to career management and workforce planning. As well as those internal processes, more should be done to build a closer relationship with reserves and their employers to recognise the mutual benefits to all of collaboration.
- 4.16.** The current Armed Forces Covenant demonstrates the commitment of HMG and the UK population to the Armed Forces and their families, but there is an argument that this has produced 'sympathy not empathy' and has failed to substantially connect the public with the Armed Forces.



- 4.17.** Initiatives such as the Employer Recognition Scheme highlight good practice and indicate support to reservists and veterans, but arguably do not fully recognise the mutually beneficial relationship. Our estimate is that the Armed Forces collectively add between £580 million and £890 million of human capital value for the UK each year. This is based on the additional lifetime earnings associated with the qualifications gained by personnel each year, the bulk of which is an earnings premium compared to those with no formally recognised qualifications other than at apprentice level. This can be better exploited to the benefit of all. Greater understanding and recognition of that benefit would provide the basis for greater collaboration between the Armed Forces and the UK private sector. By identifying where the interests of business, the Armed Forces and the individual Serviceperson overlap, conversations about win-win activity can begin. The Armed Forces Covenant can thereby be refreshed as a two-way relationship.
- 4.18.** There are many ways and reasons to do this, but there is particular benefit for incentivisation. The individual Serviceperson will better understand the broader benefits they get today as part of the PVP. For business, this would broaden understanding that veterans can bring recognised qualifications alongside excellent leadership and other soft skills. Increasing numbers on both sides already recognise this, but a refreshed Armed Forces Covenant with this as its explicit goal can take it further. This needs to expand beyond the existing 'Enterprise Approach', which is very focused on specific technical skills that are globally scarce. Instead, working with companies of all types and sizes will underpin the Armed Forces' contribution to the UK's national capital, as well as naturally offer more opportunities to personnel.

Recommendation 41

Refresh the Armed Forces Covenant as a two-way relationship. Begin a conversation with today's members about how this can be done.

- 4.19.** There is also more that can and must be done with veterans (and today's personnel as future veterans). As more people expect fluid, multi-phase careers, there may well be more people with valuable skills leaving the Armed Forces. But trials elsewhere have shown that many veterans never lose that wish to serve and can be incentivised to return. When the Australian Army asked personnel to return to fill new digital roles, thousands were willing to apply their existing skills, or obtain new skills. There is no reason to believe the same would not be true here. Building a more enduring and productive relationship with veterans will be founded on a number of things.

Building relationships with veterans

- 1 **Leverage the spectrum of service.** Incentivise people to remain on the spectrum of service when they leave. They can sit in the lowest category with minimal commitment and be easily brought back. They can be incentivised to do this by a variety of measures – financial, status, recognition, flexible career opportunities etc – and by minimising any ongoing training requirement.
- 2 **Keep in touch and track skills and experience.** People who decide to transition out of the Armed Forces will have had thousands of pounds invested in their development and be in possession of valuable skills and qualifications. Current and even latent skills can be self-recorded and validated later, and the leaver can be incentivised to remain close to the Services. If they continue to update their skills developed in industry, then they could also be useful in offering skills gained elsewhere back to the Armed Forces, should mutually beneficial opportunities arise.
- 3 **Ensure career managers have the tools to bring in lateral entrants and to bring veterans back.** The development of the Pan Defence Skills Framework is intended to allow strategic workforce planners and career managers an overview of which skills are held and which are under-represented, allowing plans to be put in place to resource them in an agile way. Each Service is also building a system to map their workforce's skills, qualifications and the level of proficiency. Ensuring that the digital systems are in place to cohere this information and to interrogate it suitably in short and long-term planning is essential.

Tracking skills of leavers as outlined above should be integrated into this. The Joint Personnel Administration system could be an initial starting point as ex-employees' records remain on the system. Career/covenant scheme managers should be able to remain in touch through the veterans ID scheme and incentivisation so that records are up to date. If a skill is required, a search can be carried out and those suitable could be offered an incentive to dial up their service again for a period of time.
- 4 **Invest in leavers as brand ambassadors.** It is human nature that those who leave well spread the word and incentivise others to join. To achieve this, they must leave well and feel a sense of belonging, even if at arm's length. Initiatives like the use of the HARDFACTS approach as part of the local chain of commands objectives setting process are positive steps in this direction.

Recommendation 42

Develop a coordinated approach to retain a relationship with and increase understanding of veterans within the broader labour market. Tie this into career management and workforce planning mechanisms to turn this into a more effective source of new skills that can be flexibly brought into the Armed Forces using the spectrum of service.



Chapter 5

Empower leaders
throughout
the organisation

The need for a systems approach to people

- 5.1.** Throughout our review, we have seen how well-meaning attempts to address systemic problems have been undercut by taking a top-down, narrow approach. For example:
- creating a policy for part-time working that has been taken up by only a handful of people because it is not an intrinsic part of the way individual careers, or the broader workforce, are managed
 - a posting system which drives people to move jobs at short notice, and across the country, which can damage families and job satisfaction – with much effort spent on the Armed Forces Covenant and family policies, mainly trying to recover that damage rather than reduce or stop it in the first place
 - small increases in pay being used to try to close skills gaps that are really caused by problems elsewhere in the system, like failing to attract broader pools of talent or slow flow through training pipelines.
- 5.2.** It's easy to identify systemic problems when you see them, but hard to define that system in totality or understand how to manage it. Unfortunately, 'taking a holistic approach' has become a platitude that is often rolled out, but rarely achieved in practice. An organisation that takes a systems approach would have a clear strategy that connects its highest goals to its people toolkit and how those tools should be applied. The centre would focus on understanding the system, making sure it works by creating enough (and no more) policy and process in the right areas to maintain balance and coherence.
- 5.3.** Elsewhere, it would focus on ensuring that leaders have the tools, training, knowledge and support to get on with delivering. Success is found in a culture of leadership that empowers leaders everywhere to innovate and take balanced risks. Organisational design and the policy process are important, but are not the answer in themselves – they must be driven by the leadership philosophy. This approach would recognise the need to take hard decisions to address systemic causes and avoid taking easy ones just to be seen to be doing something (which stifles the freedom of leaders across the organisation to act).

What is the approach within Defence today?

- 5.4.** Today's approach is effective at many of the fundamental things it has always done well, including:
- maintaining in all its people a sense of duty, a will to win and a sense of accountability to the nation
 - delivering a war-fighting ethos, effective leadership, and creating and sustaining the strong bonds of camaraderie that underpin the willingness to fight
 - maintaining a system that must recruit from the base rank as the principal path into the Armed Forces system, now as part of a sophisticated Whole Force organisation
- 5.5.** Those must be protected, however things might change. But Defence, as an ecosystem of organisations including each of the single Services, is some way short of taking a holistic system approach.
- 5.6.** Looking from the outside, there seems to be unevenly distributed authority and interest in one part of the system compared to another. Some topics are controlled very close to the centre, often those that are most politically sensitive or where financial controls and savings targets are imposed. Others have been left untouched or unconsidered. The philosophy of approach is either to create extensive processes and controls (look no further for evidence than the 742-page rule book on allowances) or to allow complete freedom for a functional area to develop to its own ends (career management is one prime example).
- 5.7.** This is not just a question of Head Office's role compared to Military Commands or other Top Level Budget holders. It is a philosophy throughout the organisation that disempowers leaders at the edge. It has significant consequences for the organisation as a whole. Those at the top of any given pyramid will tend, with the best of intentions, to see success as creating more policy and taking more action, meanwhile those lower down spend most of their time complying with orders rather than getting on with delivery.
- 5.8.** At the same time, the really tough decisions are often avoided. This is enabled by a lack of understanding and evidence. Too often the immediate political or presentational pain of acting is allowed to outweigh serious, but ill-defined and unquantified, future consequences of not acting. Where there is a will to act, there is a tendency to over-complicate or seek lowest-common-denominator solutions that satisfy all stakeholders. And there is an institutional focus on the short-term affordability of people, without the evidence to understand the impact of cuts, and without valuing the capability and outputs they deliver.

The solution starts with leadership

- 5.9.** What is needed is a fundamental shift in the philosophy of the people system. Today's focus is on creating rules to impose a system of 'tolerable variation' where the default is to control and permission is needed to vary or innovate. Instead, the focus should be on identifying the 'desirable consistency' necessary for the system to operate effectively. A thorough understanding and monitoring of the system would reveal where the centre must impose coherence and direction to keep the system working, but otherwise allow it to create frameworks that enable innovation and empower decision-making.
- 5.10.** Changing this starts at the top. Senior leaders must both signal and demonstrate that they will apply a systems approach, one that simplifies and empowers, does not seek to over-control, explicitly authorises leaders to innovate, and sets out the terms on which they will be held to account. This should not be couched in bureaucratic terms, but recognised that this is part of leadership expectations. It should bring to life how things will change in practical terms. Our recommendations in chapter 1 around allowances, for example, are a good start. In essence, this should take the Armed Forces' tried-and-tested approach of 'mission command' and apply it to the non-operational leadership and management of people.
- 5.11.** Building on that approach, there must then be a clear alignment of the responsibilities and accountabilities of key leaders. The Chief of Defence People and his team are not in charge of military personnel. But they should be responsible for ensuring that the people system works properly and is achieving agreed Defence-level objectives. Meanwhile, despite actually having ultimate responsibility for their people, termed as 'Full Command', the single Service Chiefs are:
- not clearly empowered to deliver their elements of the people system
 - have some of their actions and inputs micro-managed by Head Office
 - are not held fully to account for their outputs
- 5.12.** There must first be an honest attempt to define and align roles and accountabilities, which can then be reflected in the way the Department operates. The MOD went through this process in other areas for the Levene reforms, but the same clarity has never been achieved in the people system.

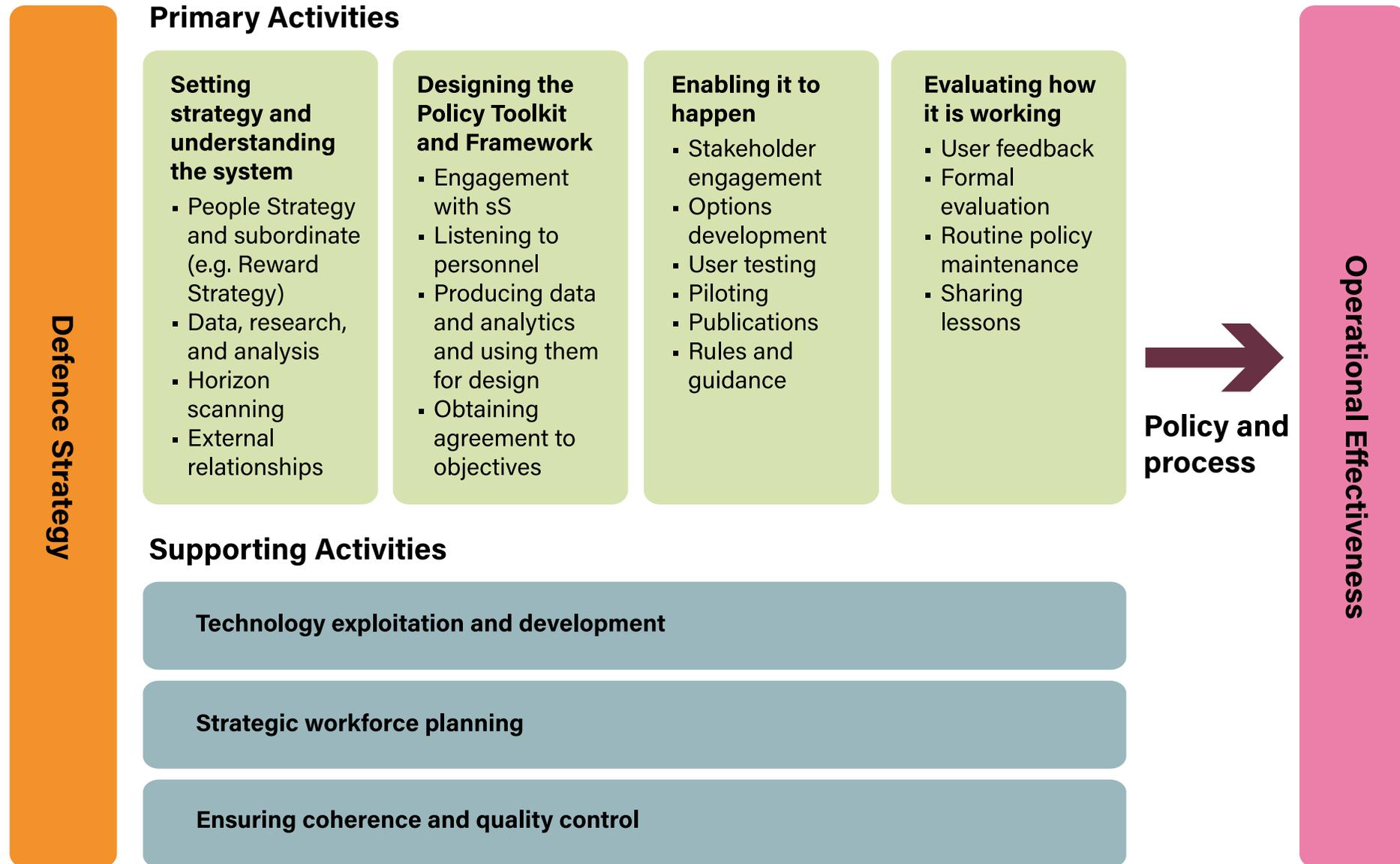
Recommendation 43

Issue a definitive leadership statement, endorsed by Ministers, Service Chiefs, the Chief of Defence People and others, that sets out how a systems approach to the non-operational leadership and management of people will be achieved, applying mission command principles. This should clearly set the expectation for leaders throughout the organisation that they are empowered to innovate and take risk. It should define leadership responsibilities and accountabilities for key posts. And it should commit to recognising the value to and from Service personnel as a core part of military capability.

Organisational design can then follow leadership responsibilities and philosophy

- 5.13.** With that intent agreed and stated, organisational steps that can then be taken to help realise it. We would start with Head Office.
- 5.14.** The Defence People Team, working to the Chief of Defence People, has a set of goals stated in its strategic objectives that are valid, if viewed from the perspective of defence as a whole. Those are to deliver an adaptable and sustainable workforce; maximise the use of talent; provide attractive offers that access and retain talent; and build a stronger, more effective and collaborative people function. However, they do not explain specifically how the Defence People Team – as opposed to the single Services – should contribute to those. This lack of clarity is partly responsible for the overlapping and sometimes conflicting activities across Defence. We propose the model in figure 5 as one way of considering the different activities in Head Office.
- 5.15.** We have not conducted a full organisational design review, so further work will be needed to consider practical implications, but we believe there are a number of problems that need addressed, including the following.

Figure 5 - The flow of people activities and outputs at Head Office level from Defence-level strategy to produce policies and processes that deliver operational effectiveness



Problems to address

- Weak explicit links from Defence strategy to concrete and measurable people goals. We explained in chapter 2 how a reward strategy should connect Integrated Operating Concept goals like greater overseas deployment to the design and application of reward tools. A similar process needs to consider where Defence objectives should drive changes in the entire people system. This should be the basis on which activity is prioritised and resourced.
- Ineffective data, research and analysis about how the system is working. We have made a number of recommendations on this elsewhere in this report, particularly chapter 3. Many decisions appear to be made today on the basis of loudest-voice advocacy, often when there is media or political pressure. No other organisation would allow billion-pound decisions to be taken without vastly more expansive data. There must be an order of magnitude greater effort on this as a core and critical function of the Defence People Team. A key part of this must be a much bigger focus on understanding and amplifying the voice of personnel to identify the problems that matter to them.
- Strategy tends to be a collection of individual policy activities, documented once a year from ideas arising in separate silos, rather than a continually-applied steering mechanism to deliver concrete systemic outcomes. There should be a more active hand on the tiller to maintain coherence across the entire system.
- That tiller is currently less effective because power sits with incumbent single-issue policy teams. The role of the Defence People Team as a whole should be to deliver policy that steers the system toward its goals. Almost by definition, successfully doing so needs cross-cutting teams that flex according to where effort is needed. Too often the answer is to focus on creating new policy, rather than fixing the end-to-end system. Strategy and evidence should drive policy change, then data should inform a feedback loop with meaningful policy evaluation, until the goal is achieved. Then things should move on.

5.16. If these problems can be addressed, this would in effect give Head Office the ability to continually carry out the function that this review has taken on. We believe our approach provides a prototype for the model needed. We were given clear strategic goals to consider, we took the time to get the research and evidence we could, then in cross-cutting teams that brought together different areas of expertise and the voice of personnel, we formulated a systemic response.

Recommendation 44

Create a more agile and strategically focused Defence People Team that is able to deliver on the Chief of Defence People's mandate, based on our proposed conceptual model. This must be delivered through greater focus on setting strategy, quickly generating analytical insight and bringing together expertise to address problems that can only be solved by cross-cutting action.

- 5.17.** A second area to focus on in Head Office is departmental financial management, particularly investment decisions as they relate to people. Too often, decisions appear to have been taken without giving proper weight to people as a critical component of military capability. This is not a deliberate policy, and to a significant extent is caused by an inability to provide proper evidence and data, rather than a failure of decision-making per se. But the system is set up to deal with major capital investment programmes delivered over many years, without the agility to deal with changing and inherently uncertain people programmes.
- 5.18.** The impact has been evident to us repeatedly as we have spoken to personnel around the Armed Forces. It is a mosaic of decisions, big and small, that collectively undermine the headline assertion that 'people are our strongest asset.' To give just a few illustrative examples:
- chronic underinvestment in infrastructure that significantly weakens the lived experience – the prime example being single and families' accommodation over many years
 - outsourcing decisions that cut costs by removing important people leadership tools, like the outsourced gym or mess that can no longer be used for collective unit purposes
 - cuts in small, easy-to-target things that provide significant soft value – e.g. removing language training for spouses accompanying their partner on overseas duties
- 5.19.** Making the right decisions will be much easier with the significantly enhanced people analytics capability we have discussed in chapter 3. But there is also a need to bring together decision-makers across Defence to formally consider investment in people as a capability, in the same way that they currently are for equipment investment decisions, for example. This function can then take a systematic approach to investment in human capability, recognising the need for agility, innovation and risk as set out in the leadership statement in the recommendation above.

Recommendation 45

Develop a Head Office investment approvals process for human capability which enshrines agility and the need to take managed risk as key design features.

Achieving the right balance between consistency and variation

- 5.20.** The final organisational issue to resolve is to ensure the balance between what happens in the centre and what happens elsewhere. The key task is to identify what 'desirable consistency' actually means in practical terms. There is no definitive answer to that question and it will change over time. In most cases, it will be a question of how far a framework should go in setting consistent boundaries versus allowing freedom for decision-makers to deliver effectively.

- 5.21.** The critical difference in this approach is that devolution of authority should be the default. Consistency is desirable only to the extent necessary to achieve specific, auditable objectives. The ability of each Service to manage their people, individually and as a workforce, in line with their distinct operating models is particularly important. Simply because change is required, it need not be owned by Head Office, albeit they will have a responsibility to ensure that the systemic objectives are being achieved. We have discussed examples of this elsewhere in this report, collated below, and identified some other areas where this balance is important.

Areas of importance

- **Workforce Planning.** There is a need for more consistency in the way that data is collected and shared, but clearer governance that allows the Services to get on with designing their individual workforce plans and those for other Top Level Budget areas (and being held to account against them). The centre should only get involved in specific plans where it is clear that action is needed at Defence-level to solve specific problems.
 - **Digital data.** The need for consistent and interrogatable Defence-level data and interoperable systems that can use shared tools is critical. This will require clear and exacting standards to be set centrally. But this should not prevent individual Services developing their own digital products that are tailored to their personnel's needs.
 - **Financial Reward.** Some elements have government-wide consequences that need managing centrally (e.g. core pay). The default should be to allow significant freedoms beyond that to each Service to set frameworks to achieve specific operational or workforce objectives, particularly for skills-based career cohorts. A total reward approach must allow each Service to adjust the entire reward package and move cost between elements, including non-financial elements. This should therefore include the ability to change policy beyond the minimum necessary to ensure legal compliance and similar constraints. Ideally, simplification will itself create more freedoms.
 - **Non-Financial Reward.** Accommodation is a good example of this. The Services have fundamentally different emphases on the role of accommodation in their operational model, which can be seen in the proportionally greater use of service families accommodation by the British Army versus single living accommodation in the Royal Navy. There is no fundamental reason why broader accommodation policy should not further embrace this distinct approach: for example, increasing charges, reducing entitlement, or increasing disposals of families' accommodation, allowing the Royal Navy to fund better quality single living accommodation. The centre should only maintain a framework of policy necessary to provide legal compliance and manage costs incurred elsewhere in the system.
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5.22. There is a need for some mechanism to ensure this approach is actually applied. It must be taken out of the hands of individual policy owners to determine, given their tendency to centralise and control. A separate team within the Defence People Team should have a role in defining and policing this line across the organisation, having been given a clear mandate by leaders to challenge and drive change. There is also a need for a clear, more senior governance mechanism, engaging all stakeholders, to oversee and hold it to account. The People Committee, chaired by the People Non-Executive Director, has an important role in the system, but this may not be able to provide the executive direction required.

Recommendation 46

Create a new, integrated governance structure for the Defence People Function which better aligns the compelling requirement for desirable consistency in certain areas with the default to assume greater variation and delegation everywhere else, particularly to recognise the operating models of each of the Services. This structure should have broad stakeholder representation to enhance consistency, coherence, communication and collective responsibility. Single Service Chiefs, Commander UK Strategic Command and all Principal Personnel Officers should be fully integrated into the relevant boards and committees.





Chapter 6

Career management

Balancing the lived experience with service needs

- 6.1. Career management is an integral part of both improving the lived experience of the individual and providing a skilled workforce that meets the future requirements of the Armed Forces. It has a clear impact on individual incentivisation and is often cited in attitudinal surveys. Many of the changing priorities for future generations relate to the nature of a career, such as preferring more flexibility, seeking roles and training that meet personal aspiration, and valuing more support.
- 6.2. But it is also a key enabling capability in delivering many of the other aspects of incentivisation that we have discussed earlier in this review. It must align with and allow the organisation to deliver a spectrum of service, a revised and targeted total reward framework, workforce planning, digitalisation, making maximum use of the workforce's skills, and so on.
- 6.3. Individual career managers do excellent work with the tools and time they have available. Options for improvement have already been identified in Service change programmes to move career management beyond its historical horizon focused on short-term matching of individuals to posts. But there is further to go, particularly to integrate the function much more effectively into the overall incentivisation system. We identify four key areas in which change is needed.

Integrate the management of regulars and reservists

- 6.4. Career management is currently focused on the management of regulars in order to maintain the continual turnover necessary to operate a base-fed, rank-driven pyramidal structure. To the extent these processes consider reserves, they are too often a back-up workforce to fill gaps in regular capability. This is clearly inefficient on its own terms, since skills in the reserve elements are by definition not exploited to the full. The demotivational impact of this is evident: only 37% of other rank reservists feel valued and this is cited as the second highest reason for leaving. Nor is it consistent with aspirations in the Integrated Operating Concept, Future Soldier and elsewhere that sees reservist skills as a central part of future operational capability.
- 6.5. But as the Armed Forces move into a future where a spectrum of service enables more fluid movement in both directions over a course of a career, the role of career managers becomes critical in turning this framework into a lived reality. We have heard from the Australian Armed Forces of the constraints to their spectrum of service model imposed by a failure to adapt their career management. Managers must be able to select the person with the right skills and experience, regardless of their employment type. This will not only better motivate the most valuable members of the reserve cohorts, but their effective deployment will also reinforce their value to regulars, reversing a trend driven by less and less contact between the two (only 45% of today's regulars have ever had professional contact with a reservist). This will lead to a virtuous circle of improving capability, and reassure both regulars and reservists that they can swap categories, or move around the spectrum of service, without unfairly losing out. Career managers must have the structural and cultural barriers to this removed and be provided with the information, tools and policy to significantly evolve their approach.

Recommendation 47

Record skills-based information on regular and reserve personnel to enable career managers to match skills to roles. Work already underway within various programmes to build skills records (particularly the Pan Defence Skills Framework) must include both regulars and reserves on an equitable footing. This information should be made available as soon as possible to careers managers to allow them to see options across the entire uniformed force.

Recommendation 48

Combine the career management of regulars and reserves. An 'aligned but separate' approach, just through sharing skills records, will still leave reservists in a second-class category and fall short of what is needed. Career management of regulars and reserves must fully merge (though recognising that some 'spare time' reservists will not need the same level of active, hands-on career management as others). Start with one profession where the opportunities are most obvious, and test the mechanisms needed for delivery. The objective should be that roles are filled by the best person for the job, irrespective of regular/reserve status, not to prioritise moving regulars to provide ticks-in-boxes – there must be a clear holding-to-account of delivery organisations against this outcome. This must then roll out across the rest of the uniformed force to normalise the movement of people between workforce types.

Recommendation 49

Steps must be taken to ensure there are no hidden cultural or procedural barriers to wider use of reserves. This should include opening up many more training opportunities for reservists, where justified as part of their career plan.



Create skills-driven career pathways

- 6.6.** The current career management system is designed for rank-based, linear careers with a dominant model of 'all-of-one-company'. This will remain an important model. Rank is an effective marker and mechanism of reward for leadership and span of control, which remain key driving factors across a significant extent of the Armed Forces. Despite this, a growing number of skilled professions are diverging from this model. Private sector approaches and, for example, the technical career paths for US Warrant Officers, have shown that skills-based pay rewards the need to re-skill and upskill, and more directly addresses skills shortages. However, they have also shown that new pay approaches are not enough. There must be a holistic approach aligned behind a focus on skills, rather than mandating an unnecessarily generalist experience with generalist reward. Such approaches are more likely to be aligned with the motivations of individuals who want to apply the technical skills they have developed, as well as allow more efficient use of the organisation's resources.
- 6.7.** We have clearly heard the aspiration to enable more 'zig-zag' careers. It is an increasing expectation for young people joining, but also for those later in their careers with in-demand skills. Changing the perspective and objectives of career management around skills is the key to unlocking this.
- 6.8.** Zig-zag careers take a number of forms. There must be more flexibility for people already in uniform to move into skills-focused career paths from elsewhere (see chapter 4). Only around 1,000 people move professions each year, with about 100 moving Service, usually within the same profession. Increasing this flow will not only better meet organisational needs, but will be increasingly valued by future generations. Zig-zag careers in and out of uniform altogether will be procedurally enabled by the spectrum of service, but will not happen in reality without career managers viewing this as a valuable means of developing experience and diversifying the talent pool open to their Service. Zig-zag around different sectors of the spectrum of service will need career managers to take a more imaginative view of what a career looks like, otherwise personnel will continue to fear 'career fouling'.
- 6.9.** Delivering this model effectively will therefore be one of the most pivotal changes in the people system. It unlocks significant freedoms for the organisation, as skills-based career pathways allow far more use of the total reward approach and the spectrum of service. They create the framework needed to respond more quickly to skills gaps, and to do so in a way that gives people the career and reward that they actually want. They also loosen the strictures of the purely rank-based and base-fed model that currently prevents effective lateral entry, zig-zag careers, and more flexible career paths.
- 6.10.** The current template for a career is so narrowly conceived as to exclude those who do not follow a limited number of patterns of roles. This not only drives a merry-go-round of rapid posting cycles to push as many people as possible through that template, it excludes, almost by definition, any other possibility of achieving the skills and experience that are really needed.

- 6.11.** Changing this will require a new mindset for the management of careers that moves away from seeing the system as a pyramid of rank-based progressions. It is critical that rank is explicitly confined to being a marker of command within a given pathway. All roles must have rank-blind criteria for technical knowledge and skills. Experience requirements should become a much more flexible concept, not a cover for discrimination in favour of those who have ticked the boxes in specific roles. All of these changes will require a far more risk-based view of the overall size and shape of the workforce, and will have significant implications for workforce planning, which are picked up in the next chapter.

Recommendation 50

Heads of Professions should immediately identify where skills-based career pathways should be established in their areas of responsibility (noting that this isn't the right approach in all areas). We have worked with the Engineering Head of Profession and identified this as a good starting point. Different opportunities will emerge in other professions, so other opportunities for trials should be identified. For example, cyber and digital skills could be a better arena to test the (re)acquisition of skills from outside the base-fed pyramid (see chapters 3 and 4).

Recommendation 51

Design career pathways that holistically incentivise skills acquisition, reskilling and upskilling by using all elements of a total reward approach. Skills-based pay is only one element, and often not the one that will make the biggest difference. Each career pathway must clearly define what separate skills and rank based progression looks like, identify key learning and development opportunities and how they map to career path and explicit experience requirements, simplify and focus training, define the markers for increases in the total reward package, and so on. Significant freedoms will need to be offered in these trials to enable this to happen affordably.

Recommendation 52

Reorganise career management around skills groups rather than rank groups for these professions. Once clear pathways are designed, career managers must have the tools and information necessary to manage individuals through them. They will need the flexibility to appoint people of different ranks to the same job. This will also have to operate alongside rank-based career management elsewhere in the organisation. A clear strategic approach will only be possible if leaders drive fundamental changes in process, language and behaviours.

Deliver personalised, long-term career management

- 6.12.** Persistent challenges with career management practice are consistently highlighted in surveys and have almost certainly negatively impacted retention and motivation. A wide range of research makes clear that people want greater agency and choice over their careers and a longer-planning horizon. But research and survey results of the general population can't determine the approach at an individual level. What is needed is individual support and a flexible approach to empower individuals to follow the course that works best for the organisation and for them. That can only be achieved by enabling career managers to have better, more empowered and consequential conversations with individuals at key moments.
- 6.13.** Significant work is underway within each of the Services to harness technology to improve both the experience for the end-user and to automate transactional tasks. We welcome these initiatives and urge continued ambition as integrating this into the overall digital approach will bring significant benefits. But one key benefit of this will be to free up career managers from the repetitive, low-value tasks and give them time to invest in giving greater people-focused engagement. With the right data, training and process these conversations can be a major driver of a fundamental shift in the whole organisation's approach to careers. That makes them a critical step in the cultural change this review envisages (see chapter 9). They must therefore be given the close attention that they warrant.

Recommendation 53

Create a mechanism to ensure personalised 'conversations that matter' happen at events-driven intervals in everyone's career. There must be mechanisms to:

- provide appropriate training to career managers on how to have these conversations
- maintain corporate knowledge of what is discussed
- involve immediate line managers and share outcomes with them
- allow other parts of the organisation to take action
- track agreed actions to ensure agreements are followed through

Recommendation 54

Research and set an approach that identifies the moments that matter for these conversations. These are likely to come at key moments like promotion (or failure to promote) or key family moments like having children, or children reaching major exam age. As the people analytics capability develops (see chapter 3) it should be possible to identify when these pivotal moments are in a much more sophisticated way to target pre-emptive intervention (e.g. changes in status, behaviour or location that are followed by departure from Service). This research should also look to understand how to achieve this capability.

Recommendation 55

Make data on the individual, their aptitudes and wider context immediately available to career managers. They should be able to access an individual's Personal Digital Profile when that is developed (see chapter 3). In the meantime, they should be able to access key personal and historical data on every individual, including aptitude testing (see chapter 4).

Recommendation 56

Career managers must be empowered to discuss and offer individuals opportunities to move between employment type, to upskill or reskill, to access talent management initiatives, to move professions, or to think about a temporary or permanent move outside the Service (a 'zig-zag' career). They should be explicitly directed to take a broad perspective and view experience, wherever that is gained, in or out of Service, as virtuous and career enhancing. Clearly, these will not all be appropriate in all circumstances, and must be compatible with the needs of the Service.

But that should be defined and offered in a positive spirit in the interests of the Armed Forces rather than narrow sectional interests. They should, for example, be seeking to ensure the aptitudes of those in uniform are leveraged to the maximum extent, moving beyond the labels (regular, reserve, cap badge, profession) often given to people soon after joining. Delivering this should be explicitly recognised and rewarded in their own performance management. Career managers will need access to broader, up-to-date information about professional career paths and skills development opportunities. Closer connections into workforce planning would enable them to identify opportunities to flex individuals to better meet organisational skills needs.

Returning to honest performance management

- 6.14.** There is a close relationship between effective career management and effective performance management. The goal of performance management should be to enable the organisation to retain top talent, address underperformance, and allow low-performers to exit. But we have heard from a worrying number of people that there has been a decline in the quality of personnel advancing to more senior levels, particularly amongst officers. It appears the Armed Forces are simultaneously losing too many of the people they want to keep, and keeping too many of the people they would be better doing without.
- 6.15.** Leaders may be increasingly hesitant to apply a stringent performance management system out of fear that this would worsen gaps in key areas that they know cannot quickly be recovered. That is not an unreasonable worry, given where things stand today. But tolerating incompetence burdens the entire organisation and makes attempts to improve more difficult. As the recommendations in this review are implemented, the Armed Forces' ability to attract and develop talent will become more effective and agile. This must be accompanied by a greater focus on addressing underperformance and ultimately allowing those who cannot improve to be more quickly replaced by emerging talent.
- 6.16.** This path can be started down now with an effort to recapture the honesty in the performance management system that we heard used to be more prevalent. The complexity and nuance of performance systems across the Armed Forces make it difficult to say exactly where things stand today, but it is more productive to focus on the future. There must be an early analysis of what a genuinely honest and organisationally productive performance management system would look like. A gap analysis against the status quo will produce an action plan that can be quickly tested. But it must always be remembered that the process can only go so far if leaders do not have the courage to apply it honestly. A demonstrable commitment to effective management of poor, as well as good, performance must be a key part of assessing leadership potential and gaining progression.
- 6.17.** As key capabilities like the total reward approach come online, these tools can be used to preferentially incentivise high-performing individuals to stay. But this must be accompanied by candidly dealing with low-performers, including giving them reduced reward and ultimately encouraging them to leave. At the moment, promotion is almost the only means by which an individual will receive additional reward. The total reward approach and skills-focused career pathways will add new mechanisms. This more complex environment will require a clear strategy to ensure expectations are clear and the system remains equitable.

Recommendation 57

Produce a gap analysis to better understand the strengths and weaknesses of the current performance management approach. Where a lack of honest appraisal is evident, this is likely to be best addressed by leadership and training interventions, supported by benchmarking and data analysis. Demonstrating a commitment to effective management of performance must be part of leadership assessment. Experiment with different approaches. Doing this within one of the other career management trials, where there will need to be a 'sandbox' around promotion processes anyway, will avoid disadvantaging those taking part.



Chapter 7

Strategic workforce planning

Meeting aspirations

- 7.1.** Strategic workforce planning is critical to building the agile and flexible approach to managing people that is needed to meet future challenges. Many of our recommendations earlier in the review create the incentivisation levers and tools that can be applied to ensure people with the right skills are available at the right time. But strategic workforce planning is the signalling mechanism that identifies when and where the organisation will not have those people or skills, and which therefore triggers or shapes the application of those levers. It is the 'brain' that is key to ensuring the organisation's response is well targeted and delivers the overall outcome needed.
- 7.2.** When we say 'strategic' workforce planning we mean that which guides the inflow, throughflow, outflow and reservoirs of cohorts across the organisation, balancing funded demand for posts with the people within relevant cohorts. This is distinct to 'operational' workforce planning, which is akin to force generation or course loading. It is important to emphasise that strategic workforce planning must take place across the organisation, first and foremost in the single Services, but with Head Office assisting where solutions cannot be delivered in a Service silo. Its ultimate goal is to be able to balance cost and output to improve value for money of the overall people capability. It is also one of the best ways for leaders to maximise the impact of their limited funds and to justify growth.
- 7.3.** However, despite the hard work of professionals up and down the Armed Forces today, the current capability does not effectively allow them to meet this aspiration. We have heard from planners how the lack of tools to effectively address skills gaps creates uncertainty and instability. They cannot properly define or shape the future force, since they are not fully included in capability planning or balance of investment decisions. They do not have the data or tools to properly weigh the material contributions of part-time staff and cannot fully consider the skills, experience and working patterns of those it does include. Processes fail to guide career management, support career pathways proactively or meaningfully inform organisational design. Reporting is excessive and repetitive.
- 7.4.** The net outcome is that risks within the workforce structure turn into acute problems that seriously impact and disincentivise personnel and their leaders. Unforeseen augmentation requests and unexpected assignments contribute to the sense of churn amongst the workforce and requires more geographic movement, with the consequent impacts on families. Financial reward for whole cohorts of people comes too little, too late – and data does not exist to fully understand whether those levers had the desired effect.
- 7.5.** Processes are not sufficiently transparent and agile to truly enable and empower the single Services to meet the legitimate, funded demands of other Top Level Budget holders alongside their own, let alone the totality of unplanned or hidden demands. Those Top Level Budget stakeholders in turn have to navigate differing terminology, process, data and technology, which can lead to inefficiency and reduce effectiveness. Head Office does not have the information it needs to identify when and how to support strategically or to allow single Services to focus on delivering the core requirement.

- 7.6.** Urgent improvement is critical. The flow of skills cohorts through the organisation is already straining outputs, leading to stressed productivity and irreconcilable voids in career pyramids. As the Armed Forces move to implement two pivotal pillars of this review, the spectrum of service and a total reward approach, the system will come under even more strain if the strategic workforce planning system does not develop. The Armed Forces have started programmes to address some of these problems, but this has not eradicated incompatibility and waste. Given the external competition from the UK labour market, enduring evolution of military affairs, and the continuing squeeze on public funds and public sector salaries, the demands are only likely to increase.
- 7.7.** Improved governance is required urgently to increase collaboration and understanding between suppliers and demanders of people capability. Single Services are currently the best gatekeepers for supply of personnel under their Full Command. Other Top Level Budget holders must be able to select the most appropriate workforce type for their needs, on advice from the Services, and without constraint, if within agreed bounds. Outside of those bounds, there must be dialogue and collaboration to ensure sustainability. The capability development process currently includes a focus on the affordability of future posts, but this must be extended urgently to include the sustainability of the people capability to fill those posts.
- 7.8.** The desired end-state is one that enables fine-tuning of the balance between Defence outputs and value for money, not the coarse adjustments or paralysis of the past and present. It should define simple accountabilities for supply and demand in a common language with a coherent governance reset to where authority is vested best and where agility of process can enable commanders' goals.
- 7.9.** The Services must be empowered to make more of their energetic and professional workforce planning talent and enable them to simplify the mystique for leaders and decision-makers, as this will drive transparency and then trust. A consistent data foundation is essential to increasing trust further and allowing rapid scenario-planning, while minimising rework and overstaffing of justifications for change. This can only be delivered by a reliable, single system and toolset. Finally, the Armed Forces should maximise the value generated by fully integrating all people and data inputs and more widely sharing its insight, outputs and forecasts with career managers, financial planners and those who hold the reward levers.
- 7.10.** Workforce planning is a complex business, made more arcane by the range of bespoke processes used today across the organisation. Below, we propose five detailed recommendations to make the system fit for the future. At its heart is the need to bring strategic workforce planning into the light, involving the whole broader people system. Senior decision-makers can then use it to identify and choose what actions are needed to steer the system. And personnel will be able to see, feel and know that they are part of an equitable system, that they are given certainty where possible, and where everyone is carrying a fair share of the burden.

Recommendation 58

Empower single Services and Top Level Budget holders to own, plan and manage their optimum employment mix within an overall workforce cost envelope by implementing the five key process changes below.

1. **Free up the Army's headcount constraint, moving to a workforce cost envelope approach that will increase focus on capability outputs.** While the regular headcount is a useful and simple number to cite in debate, it is unnecessarily constraining, ignores the wider contribution of the full team and is incompatible with a spectrum of service.
2. **Integrate regular and reserve (and civilian/contractor) strategic workforce planning.** There is a need to be able to forecast across the combination of engagement types to meaningfully match capability with cost. As a spectrum of service is introduced, this ability will deliver significant efficiencies and increase effectiveness. While outside our scope (and recognising the cross-government difficulties) we believe this process should also include more freedoms to flex the Civil Service headcount. We advise an urgent review of the flexibilities which could be made available in this area, which should include Cabinet Office support for freer flow to and from the Civil Service.
3. **Adapt and endorse processes which promote changing workforce types as needed by single Service and Top Level Budget holders.** Even though the theoretical ability to adjust workforce types has been created, there remains cultural and procedural complexity in using these levers. It is too often necessary to stick to full-time regular posts for a capability requirement, because the system is biased against any other solution (e.g. in not recognising the real value and cost of two part-time posts). We recommend the opportunities are greatest when the full-time regular post is used as the last resort and one moves from headcount to value as the governing criterion. While still ensuring single Services can input, Top Level Budget holders, especially UK Strategic Command, should be able to make workforce type changes rapidly within agreed bounds, so everyone can make the most of limited budgets.
4. **Where relevant, include robust workforce planning assessment in the evidence needed for options analysis in outline business cases.** Prevent past limitations from perpetuating people problems by ensuring that new capabilities are demonstrably sustainable before approving them (see related recommendations below).
5. **Trust commanders to identify, where reasonable, additional funds can be best employed.** Local commanders know what is best for their people but they do not always have sight of the full context. You should increasingly trust that financial decisions and proposals are relevant and have been tested for value. Guarantee that Top Level Budget holders and single Services can reallocate saved funds and help them find new sources, where net growth is requested.

Recommendation 59

Ensure the whole strategic workforce planning ecosystem remains balanced and coherent by light-touch governance with shared ownership that ensures coherence. Achieve this through the two points below.

- 1. Create a strategic workforce planning coherence committee for single Service and Top Level Budget holder coordination, including financial planners in Head Office and elsewhere.** Terms of reference should include governance, prioritisation, escalation and collective outputs. Workforce planning leaders from across the Armed Forces should come together to ensure coherence across all areas. This must be collectively owned and chaired, rather than becoming a Head Office-owned directing function or approval gate.
- 2. Simplify existing policy and process.** Create a simple playbook to replace the Defence Workforce Planning Instruction and related policies. It should set out the simple mechanisms and best practice to adjust workforce types and suggest the links between foreseeable gapping problems, strategic workforce planning and incentivisation inputs. Policy update should include JSP 655 in order to require a certain level of strategic workforce planning evidence in outline business cases.

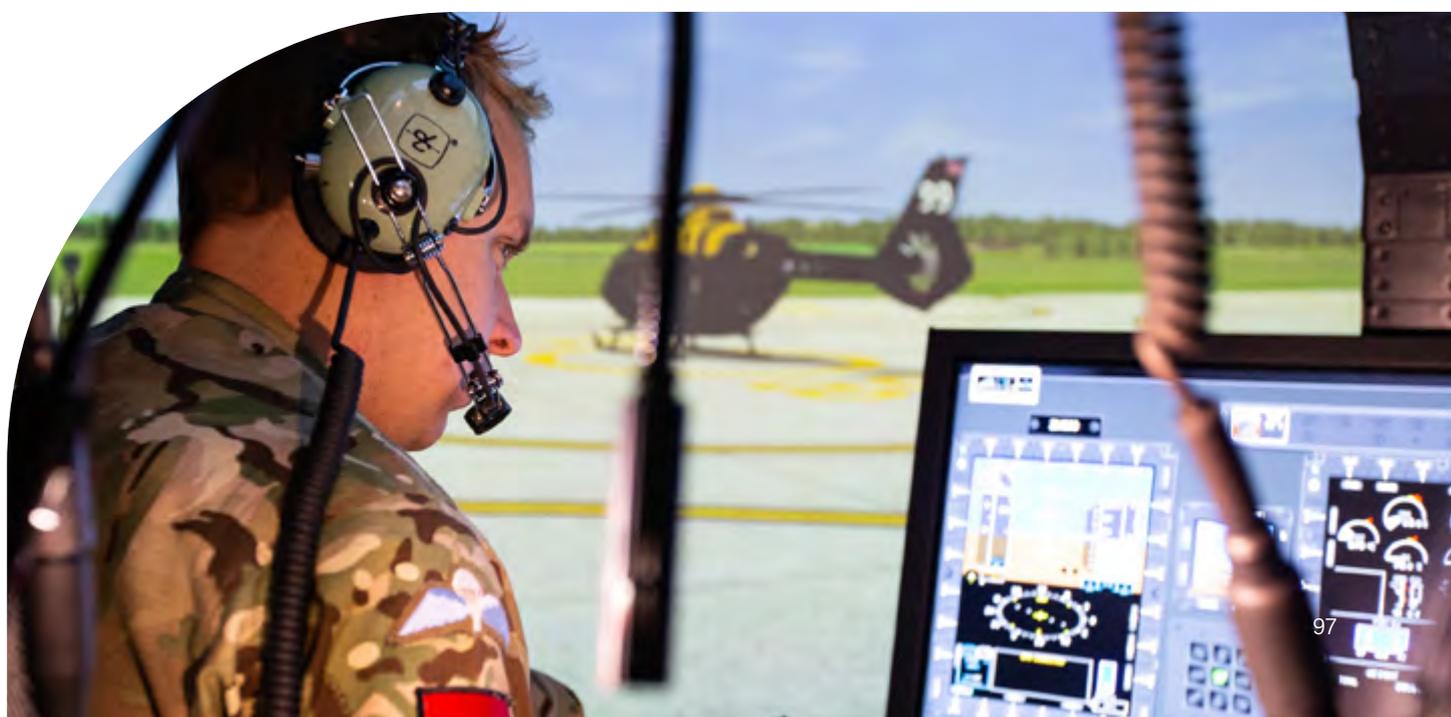


Recommendation 60

Enable Head Office to focus on ensuring the necessary consistency in processes, alongside strategic, long-term and pan-government workforce interventions. Achieve this through the two points below.

1. **Create a strategic workforce planning framework that drives best practice and innovation across the Armed Forces.** The significant workforce planning talent across the organisation is dispersed and not well-integrated. Bringing it together, even virtually, will strengthen its collective output. This team should inform the design and overall operating model for workforce planning on behalf of the coherence committee, ensuring clear distinction of roles amongst Head Office, single Services and Top Level Budget holders.
2. **Define core objectives, design principles and the overall operating model.** The collective Head Office team should be empowered and resourced to produce strategic solutions to problems collectively identified by the coherence committee, where that committee agrees a Head Office solution is appropriate. Head Office should have full sight of supply and demand for costing and reporting purposes, without encumbering or constraining single Services and Top Level Budget holders. Head Office should have an appropriately scaled team, so they can identify synergies and harness opportunities. They should also inform design and support Top Level Budget holders' propositions where pan-Defence or cross-government coordination is required.

Authority for single Services to take decisions should be clearly defined. They are the best judge of single Service supply issues and environmental demand issues. UK Strategic Command and other Top Level Budget holders need to be able to set relatively stable demand signals that are informed by single Service suppliers of people capability. Other Top Level Budget holders must be enabled to do their work through simpler single mechanisms not multiple inconsistent processes.



Recommendation 61

Implement a new, preferably Whole Force, workforce planning technology and data solution using the four steps below.

- 1. Establish a design authority to define technical and functional requirements, manage, track and evaluate all design elements of the solution.** There has been significant resource invested in bespoke solutions across the organisation, so there should be well developed requirements that can be integrated into a new, unified solution. The Design Authority must collate and draw on the best of these, recognising that these may not fully satisfy each area.
- 2. Engage a third party to conduct an agnostic vendor selection market assessment to determine which products, functionalities and services are available and aligned to user requirements.** Having initially captured requirements, engaging a third party acting independently of all Top Level Budget areas and Head Office can assess current providers to reduce bias and increase objectivity.
- 3. Define the design principles for the technology and data solution.** With support from a third-party provider, acquire a technology and data solution that aligns to technical and functional requirements.
- 4. Conduct pilots on a representative sample set of Head Office, single Service and Top Level Budget areas to test and iterate the technology solution.** Allow the piloting of appropriate vendor solutions on a discrete component of workforce planning and declassified data, possibly as part of a wider technology procurement.

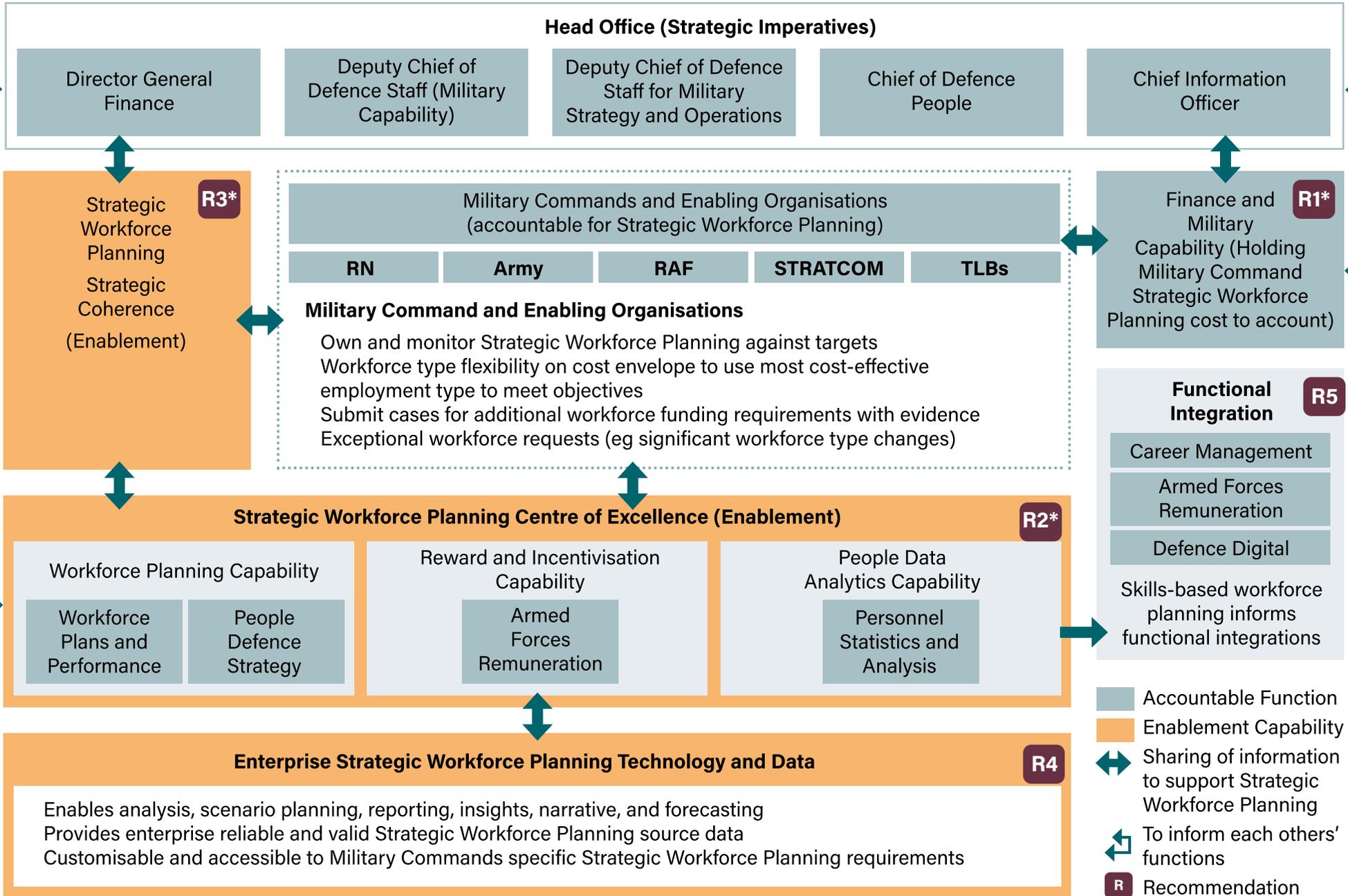


Recommendation 62

Integrate strategic workforce planning fully with other parts of the Incentivisation and people systems, following the five points below.

- 1. Integrate process and policy first, noting greater efficiency is dependent on a technology and data solution which removes manual effort.** Identify and formalise the interfaces, hand-offs and dependencies to leverage a new workforce planning approach. Areas to start include promotion rules from across the Whole Force, skills requirements for posts and skills acquisition by people, capitation rates, and total reward component costs.
- 2. Improve and exploit data capture and baseline across all workforce types to enable feedback to career management for cohorts and organisational planners.** Standardise workforce supply and demand formats for Top Level Budget areas. Support career management with appropriate workforce planning insights to enable them to operate Whole Force. Early focus should be on improving people data for non-regulars.
- 3. Communicate early and boldly the intent to embark on a substantial cultural change across workforce planning.** Reset ambitions and expectations of the future workforce planning capability. Plan and conduct multi-layered regular communications to stakeholders and publish accountabilities to develop culture and drive progress.
- 4. Enabled by the new technology and data solution, pivot and refocus workforce planners on activities that add value to the organisation, supported by analytical capability to inform broader, people-based decision making.** Workforce planning teams should be actively involved in solving wider capability problems for greater benefit.
- 5. Exploit the richer data available to enhance and feedback to your organisation design and structured establishments to make the most of better talent across the force.** A new example would be using workforce planning to evaluate and validate targets for new entry points, e.g. experienced hires, lateral entry and re-joiners. Organisational design should not just be a one-way demand-signal input into workforce planning. It should inform and enhance organisational design. With two-way, iterative and frequent interaction, workforce planners can help shape future organisational design in a way that gets better value for money.

Figure 6 - The strategic workforce planning system



Agency and agility: Incentivising people in a new era

Figure 6 illustrates how each recommendation interconnects to mutually reinforce and enhance the strategic workforce planning ecosystem:

R3 Strategic Workforce Planning Strategic Coherence*

- Sets data standards and policies.
- Oversees responsibilities.
- Escalation point for Strategic Workforce Planning critical issues.
- Enables transparency between Military Commands.
- Interfaces with other functions, eg Career Management and Armed Forces Remuneration.
- Maintains Whole Force approach to Strategic Workforce Planning.

R2 Centre of Excellence*

- Enables and enhances longer-term decision-making using scenario modelling and analysis to support Military Commands and TLBs.
- Supports strategic and long term workforce trends (internal/external).
- Supports Strategic Workforce Planning coherence through training and upskilling.
- Drives innovative ways of working, analysis, and methodologies.
- Better facilitates Whole Force approaches to Strategic Workforce Planning.
- Strategic Workforce Planning critical workforce issue support.
- Enforces and maintains data standards and policy.

R1 Finance and Military Capability*

- Holds Military Commands' Strategic Workforce Planning cost to account.
- Approves changes to the workforce cost envelope.



Chapter 8

Leadership, inclusion and culture

How the people system can support an inclusive culture

- 8.1.** As is already well recognised by all leaders, the Armed Forces currently do not reflect the diversity of the wider UK population. The proportion of female Service personnel is very low overall and concentrated in certain trades, with the result that the mean figure is not indicative of the lived experience of most service personnel. That lived experience was compellingly described in the recent Parliamentary report by Sarah Atherton.
- 8.2.** Ethnic minorities are under-represented and are concentrated in lower ranks. Most are non-UK citizens – drawn from the Commonwealth or Nepal – which means that minority ethnic UK citizens are even less well represented. Cognitive diversity, in terms of freedom of thought and the ability to harness innovation, is likely restricted by this lack of diversity and potentially concepts such as ‘military judgment’
- 8.3.** We judge an inclusive culture to be the ultimate objective, albeit that diversity may be a useful proxy measure. Inclusion should be a critical part of a positive feedback loop of incentivisation. A more inclusive culture, supported by leadership, policy and tools that are applied in an inclusive way, incentivises the full diversity of today’s personnel, encourages them to stay, and attracts a broader range of future recruits. All of which, in turn, builds a more inclusive culture, enabling many of the outcomes we have discussed elsewhere in this review.
- 8.4.** Senior leaders in the Armed Forces are clearly seized of the importance of this issue, and it is welcome that action is being taken, particularly the focus on those most egregious and unacceptable behaviours. We have focused on how the people system could better support the overall move to a more inclusive culture.
- 8.5.** We have heard arguments that the current operating model sees inclusion as being about assimilation rather than integration. In other words, all are welcome to join the Armed Forces, but only if they subsume themselves into the culture of whichever Service they join. The exceptionalism of the Armed Forces, in the sense of being apart from civilian society, creates a degree of insulation that allows civilian society and the Armed Forces to follow divergent paths in their understanding of what is desirable in terms of behaviours. This is exacerbated by the expectations of assimilation in which those who disagree with the status quo will find it more difficult to stay long enough to be in a position to facilitate change.
- 8.6.** The internal processes, formal and informal, which would allow behaviours to be challenged and changed are not as effective as they should be. This can inhibit the psychologically safe space for complainants, further quashing opportunities for improvement and preventing gradual re-calibration to keep pace with expected norms.

- 8.7.** The primacy of the chain of command, essential for warfighting effectiveness, may face a subconscious and inadvertent conflict of interest when it comes to providing professional, independent human resource support when not warfighting – which is practically all of the time. The demands placed on leaders by inadequate infrastructure, a fast operational tempo and increasing amounts of complex policy means that decisions are not always informed or evidence-based, creating an opportunity for the perception of bias even where the best intentions are present (as we are sure is the vast majority of the time). When unacceptable behaviour is called out this can manifest as a kind of ‘bunker mentality’ in which change is equated with threat rather than opportunity.
- 8.8.** These failures, and the resultant lack of diversity this generates, are rooted in practices that would traditionally not be considered as diversity and inclusion matters. But they must be addressed in order to fully tackle the nature of the problem. We therefore must conclude that the pigeon-holing of inclusion issues into a ‘diversity and inclusion’ box is not helpful. Leaders at all levels must be empowered to think of inclusion as a central leadership challenge. Issues around the balance of power and control of information can also be addressed by providing more support to both leaders and personnel who need to use the people system to further inclusive outcomes.
- 8.9.** These are cultural issues that are not easily changed. We recognise that the Armed Forces are critically and fundamentally different from a private sector company. We would not presume to comment on the challenges of leadership in an operational environment and the compromises that must be made to underpin that. However, today’s leaders of the Armed Forces are prioritising the need for change. We believe it will be a critical part of being ready to deliver operational outputs in the 2030s, given the likely competition for skills, even more so than today.
- 8.10.** We identify three key changes to the people system that will help the senior leadership drive that change and give psychological permission to personnel at all levels to create it from the bottom-up. These are outlined in the following three recommendations.



Recommendation 63

Move inclusion out from being a stand-alone diversity and inclusion activity. Make the requirement to build an inclusive culture a core part of expected leadership behaviours against which leaders are judged. Treating diversity and inclusion as a discrete capability is an unhelpful approach, especially when it implies that inclusivity is not an inherent part of leadership. Mechanistically, this means moving away from separate training, reporting and competency frameworks for diversity and inclusion. Creating an inclusive culture should instead be a central part of those already used to develop and assess leadership skills. Experiment with new training methods to find the best practice that works in the military context.

Recommendation 64

Create a human resource advice service that can provide independent support to both the chain of command and personnel of all ranks. This should be a source of expertise to provide understanding of the range, detail and correct implementation of policy on a range of issues. This applies the best practice elsewhere that has shown that those developing and administering HR policy are not necessarily best placed to advise and support on the use of policy.

Recommendation 65

Supporting the creation of an inclusive culture should be an explicit objective of the people system, the data it collects and the tools it applies. Leaders creating today's policy clearly understand the importance of those tools in driving diversity and inclusion, and we welcome the initiatives they are undertaking, including some endorsed in earlier recommendations. The tools and capabilities we recommend in this report will provide much enhanced opportunities to further those goals. In particular, close attention should be paid to the way in which digitalisation and people analytics (chapter 3) can help inform leaders at all levels of problems or opportunities to drive change.



Chapter 9

Implementation

Doing things differently

- 9.1.** In the preceding chapters we have set out the changes we believe are needed to meet the critical challenges the Armed Forces face today and in future. Our recommendations range across the entire system of people management and leadership. As we have acknowledged throughout, many (though not all) of these topics are being tackled to some extent through good work already underway in pockets of the Armed Forces. These range from centrally driven work like the Pan Defence Skills Framework and the Future Accommodation Model, through to single Service initiatives, most emblematically in the HECATE, CASTLE and ASTRA programmes.
- 9.2.** There is no doubting the intent of today's leaders to change things for the better. But our overall conclusion remains that the effort and resources being expended continues to reflect a siloed, not a systemic, approach to people capability. Generally, programmes are large and slow moving, with a limited understanding of the motivations and behaviours of the current and future workforce, and of the costs involved.
- 9.3.** We are mindful of the recent history of delivering change in this space – the path is littered with good intent, but only limited successes. Ambition has been watered down in a need to deliver a uniform approach that is unanimously supported. Systemic change has been elusive. We do not believe that the current portfolio of work will deliver the profoundly different approach that is needed. And simply incorporating our recommendations will not achieve the change Servicepeople want and deserve to see if they are tackled in the same old way. Perhaps the greatest risk of a critical capability failure may arise not because of what the Armed Forces are trying to change, but how it is being done.
- 9.4.** The implementation of this report therefore provides an opportunity to tackle things in a different way. We have sought to frame our recommendations in specific, actionable terms throughout, including signalling where change can be made quickly. Making early progress and building momentum is critical, but that is only the first step toward success. The bigger changes will need to be built on the shoulders of much stronger data and analysis and other, newly developed tools. Some of this will take years to fully design, deliver and embed. Firm leadership must be shown to stop progress running into the sand. We see three stages to success.



Stage 1: Building momentum

The first task is to signal that things will be different this time, and to devote significant effort to building early momentum.

How to build momentum

- **Recognise that leadership from top to bottom and across organisational boundaries will be critical.** The most senior leaders must properly resource this effort to give their people the priority they deserve. There must be an insistence on new language and new behaviours. Build cross-cutting teams and do not allow a 'them and us' mentality to divide the organisation. Leaders must recognise that putting people first positively supports operational effectiveness, then they must match their deeds to those words.
- **Communicate relentlessly so people follow on the journey.** Start real conversations with personnel, rather than relying on bureaucratic broadcasts of information. Give them opportunities to participate in trials, to shape the agenda and to have their ideas tried out. Identify the change agents at all levels and support them to become the heroes of change. There must be a relentless fight against the cynical voices.
- **Rapidly simplify the bureaucracy so that things can move quickly.** Remove processes wherever possible, and radically simplify those that are left. This must be led by a genuine shift in philosophy that seeks to empower the people across the organisation who will need to deliver the change needed. Everything should be designed to be simple and flexible. Once people are agreed on what is necessary, strip out layers of approval. Don't let repeated cycles of analysis involving multiple departments across Whitehall bog things down. Internal governance should be agile and embrace experimentation and initiative. It should steer and guide, not be a gatekeeper that prevents action until all members are satisfied. This cannot be a return to huge, slow programmes of change. The approach must be to think big, start small and scale fast. With more than £10 billion of taxpayers' money being spent on people every year, failing to act costs much more than failing fast, learning and improving.

Recommendation 66

Alongside the leadership statement in Recommendation 43, the same senior leaders should commit to and clearly communicate how they intend to go about delivering on the review's recommendations. This should put in practical terms how the principles outlined above will be applied and how things will change for personnel in the short, medium and long term. It should give leaders throughout each Service and wider Defence whatever direction and assurance they need to start innovating and taking risk.

Stage 2: Prioritising, sequencing and maintaining momentum

9.5. Realising the longer-term systemic change recommended by our review will require a clearly prioritised and sequenced set of activities. This must simultaneously tackle near-term people priorities while setting the conditions for longer-term transformation of the people system. We think it is helpful to consider the recommendations we have made in our report in the following categories:

- a. Addressing key hygiene factors.** These are issues where the Armed Forces need to take action to meet persistent, known hygiene factors. Without doing so, personnel will not see through them to the other good work underway, and they will act as a drag on more transformative activity. The key priorities are:
 - long-term investment in single living and service families accommodation replacement and upgrade programmes.
 - modernising and improving the quality of the catering offer.
- b. Delivering 'quick wins.'** Leaders must rapidly build momentum by doing some things quickly that really matter to people and to demonstrate intent. These things are comparatively simple to deliver and can deliver tangible impact to the broadest population. These include:
 - a modern, commercially-sourced pensions communication campaign, ideally providing individualised benefits statements.
 - radical simplification and automation of allowances provision, immediately removing the most egregious and time-consuming elements of process.
 - revision and enhancement of overseas allowances alongside a radical cut in the associated bureaucracy.
 - broaden scope of medallic recognition to reflect the evolving nature of conflict.
 - early implementation bringing forward a funded stream of in-career payments (redirected from the Early Departure Payment).
 - roll-out of a hybrid working accommodation trial.
- c. Extinguish the 'burning platform.'** There are some key strategic threats that are undermining the Armed Forces ability to access and retain the talent today and which may rapidly deteriorate. Urgent and more radical action is needed. These can also provide the testbed needed for some of the more innovative approaches, since greater reward justifies greater risk. While these may not have a direct impact on all of today's personnel, they are the opportunity to demonstrate how things will be fundamentally different in future. These include the following:
 - reframing the Armed Forces brand to make it relevant to the 2030s. This means significant investment in the ability to engage new audiences, but must be leveraged through the new products that will be created by trials of the total reward approach and spectrum of service.

- trialling new total reward approaches for key skills cohorts. We have identified the engineering cohort as one such priority area, but there will be others where a trial may be desirable – other prime candidates we considered were cyber, aircrew, medical and dental officers, and allied health professions. The key aspect here is to be ambitious. The bureaucracy's reflex will be to try to simply increase pay. But the hard truth is that this will never be the long-term answer. Success will come from fundamentally re-imagining what a career in these cohorts looks like, making major shifts in PVP to focus on what people really value – this will deliver efficiencies that can be reinvested in pay, but that is a consequence, not the first step.
 - trialling a spectrum of service approach. This will work best in an area that is already used to thinking flexibly about resourcing and finding expertise, but is currently constrained by today's rules. These trials should combine with other key elements of our recommendations, particularly around reskilling, upskilling and engaging veterans (chapter 4).
- d. People system foundations activity.** Set the conditions for the establishment of a more systemic approach to people capability management by:
- making rapid changes to the philosophy of career management and strategic workforce planning capabilities to prepare them for the new approach.
 - driving policy simplification aligned to digital delivery functionality.
 - instigating a new people analytics and costing approach, including initiating longitudinal research.
 - restructuring the people function and its associated governance and assurance model.
 - creating a Defence-wide digital people eco-system to enable inter-operability and greater delegation and empowerment, with the intent of incremental progression to 'innovator' status on the digital maturity model.
- e. Initiate complex policy and legislative reform.** Initiate complex and long lead-time work to set the detailed foundations for these changes, such as:
- beginning policy development work toward a system-wide total reward and People Value Proposition approach to support the widespread transition to a spectrum of service.
 - initiating primary legislation changes to the Armed Forces Act or others.
 - developing amendments to pension regulations to enable greater individual choice and flexibility.

- 9.6.** This cannot be delivered as one single programme of work, or even through the old programmatic style of change management. Each must be driven and led independently by leaders that feel empowered to make progress and take managed risk. A central coordinating function remains important, because the aiming point is a system that holistically works much more effectively. But this is not the same as top-down direction. Action should be led by much better evidence and analysis. But this is not the same as having a fully evidenced, detailed policy in place before action is taken. Trials should allow a controlled, safe space to experiment and learn lessons. But these should be seen as steps on a path to full implementation, not taken as an excuse to put off change. The mantra should be 'think big, start small, scale fast.'
- 9.7.** The approach must simultaneously quickly and overtly signal a new direction of travel, while also addressing the long-term structural, cultural, procedural and technological barriers to implementing a Defence-wide people system. The former should challenge the current paradigm through adopting new approaches at pace, such as leveraging cross-government mechanisms to incentivising and compensating for overseas service. Reprioritising activity and investment will be required, as will accepting risk in adopting innovative, digitally-enabled approaches to service delivery and ceasing lower priority projects or outputs. This disruptive activity will signal change and build momentum but must be balanced with an approach that learns from the shortcomings of the present and takes a more strategic approach to people capability management.
- 9.8.** Adopting a 'think big, start small, scale fast' approach will allow new policy freedoms to be tested and their impact on people's behaviours, costs, operational effectiveness and organisational objectives to be assessed before adopting at scale. In developing and operationalising this approach, senior leaders must be cognisant that available people and cost data will initially be sub-optimal and therefore measures to improve understanding of the motivations, behaviours and relative costs of target groups must be built into the benefits realisation approach for respective pilots.
- 9.9.** Where near-term operational priorities for key skills cohorts do not align with the timelines required to develop, test and assess new total reward pilots, a hybrid approach initially utilising extant levers should be used. Where financial retention incentives are introduced, supporting business cases must include timelines for transitioning to mature total reward solutions. These timelines must be clearly signposted to target cohorts and approval authorities to manage expectations. This should not be used as a means to revert back to the over-focus on pay – this is not a sustainable or holistic solution. Even financial retention incentives and recruitment and retention pay must be accompanied by meaningful action on other elements of the PVP. An indicative approach for delivering the integrated plan is shown at figure 7 below.

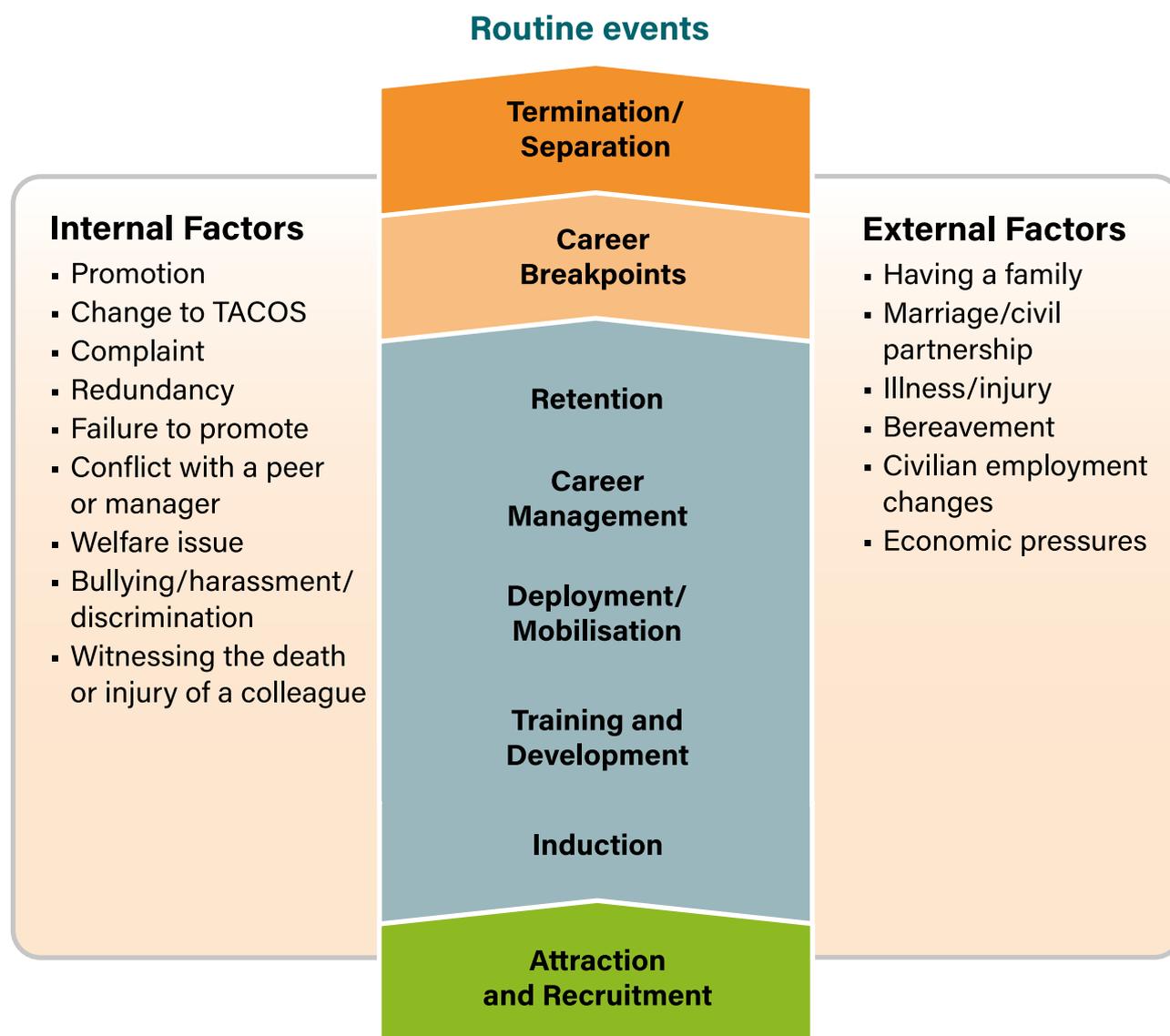
Figure 7 - Indicative implementation plan

	April 23 ABC23 PR23	April 24 ABC24 PR24	April 25 ABC25 PR25	April 26 Pay 16 QQR ABC26 PR26
Hygiene Factors	SLA Upgrade Requirement	SLA Upgrade Business Case	SLA Upgrade Roll-out	
	SFA Recapitalisation Business Case	SFA Recapitalisation Programme		→
	FDIS 'Trust with Consequences' Business Case	FDIS 'Trust with Consequences' Uplift		→
	Army Eats Extension Business Case	Army Eats Extension Roll-out		→
'Quick Wins'	Broaden Medallion Recognition			→
	Pensions Communication Campaign			→
	Allowances Policy Simplification	Allowances Policy Paper of Evidence	Allowances Policy Simplification Trial	
	EDP Reform BC	EDP Reform Policy Development	EDP Reform Implementation	
'Burning Platform'	Armed Forces Brand Study			→
	Armed Forces Engagement Review	Armed Forces Engagement Programme		→
	Spectrum of Service Study	Spectrum of Service Trial		→
	Create Total Reward and PVP Approaches	Total Reward and PVP Trials		→
Legislative Reform	Initiate Single Act Delivery Programme			→
	Pension Flex Review	Pension Flex Business Case	Pension Flex Policy and Regulatory Development	
Foundational Activity	People Digital Coherence Study	People Digitalisation Roll-out		→
	People Cost Study	People Cost Trial	People Cost Implementation	
	People Analytics Review	People Analytics Trial	People Analytics Implementation	

Stage 3: Embedding change

- 9.10.** In the long-term, the lived experience for personnel will only feel different if the behaviour and culture of leaders throughout the Armed Forces has fundamentally changed. Designing new policies is not the end goal of what we propose. The goal is that leaders use those policies to improve the lives of personnel and their families. At its core, therefore, this is about changing the nature of the key conversations amongst and between leaders and personnel.
- 9.11.** We have identified a number of 'moments that matter' in the lives of Service personnel. These are pivotal moments that have a disproportionate effect on how an individual engages (or disengages) with service life. They are experienced differently by different people and by different groups. Some of them are under the direct control of the Services, some of them are not. But in all, there will be some sort of interaction between individual and organisation that is often critical in shaping its impact and in determining how people will act.

Figure 8 - Moments that matter



- 9.12.** How the Armed Forces manage these pivotal moments will reflect the culture, behaviours, attitudes and processes they have fostered. Our view is that these are managed very unevenly today. Some are very thoroughly considered, much more so than other organisations – the initial processes of induction and training, for example, as a key part of ‘making’ a sailor, soldier or aviator. Some are formal parts of HR process, but not necessarily effective two-way conversations. Others are informal, reliant on local leaders, and in our view sometimes very neglected.
- 9.13.** The collective outcome of our recommendations should be seen in these conversations – put simply, these conversations should make things better, for people and for the organisation. Understanding and monitoring them is therefore an important part of steering the desired cultural change. But we would go further. These conversations, and the people having them, can be actively managed, trained and developed to make that cultural change a reality. There are three areas in particular we would focus on.

Three areas of focus

- 1** Recruitment conversations are a key part of setting expectations and shaping the psychological contract, but their quality appears to be highly variable today. These should be better supported, with follow-up conversations for those who joined.
- 2** Starting a family is one of the main inflection points in a career that is likely to significantly change people’s needs and expectations and may create work-life conflict. Much more should be done to communicate the options to people about to start a family and to ensure the system does what it can to support them. These conversations will need to happen at multiple points as children reach key milestones.
- 3** There are numerous points in an individual’s career where more open and honest conversations would help set clear expectations for them and the organisation. We have picked these up in specific recommendations in chapter 6.

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- 9.14.** We have commissioned more detailed research to explore how to go about making the most of this approach. There will be a critical interaction with an improved capability for people analytics. This should produce hard evidence as to when the moments that matter are and allow pre-emptive engagement with personnel.

Recommendation 67

Put in place a system to understand, monitor and improve the key conversations that matter around recruitment, starting a family and careers.

Understanding the financial implications of change

- 9.15.** At the beginning of our review, we were asked to make our recommendations 'cost aware.' This has largely proven impossible, for the same reasons that the current financial approach of Defence to managing its people as a system doesn't work. For example, because:
- the siloed nature of the money spent on people, with a proliferation of independent systems, means that what cost data does exist often cannot be integrated or compared across the system
 - in many areas output cost data is immature or non-existent – it is impossible, for example, to say how much it costs to produce a trained individual (except in a limited number of unusually expensive cases, like those of pilots)
 - there is no data that connects money spent to outcomes delivered, without which it is impossible to demonstrate value for money, and the need to address the egregious shortfall in data on personnel behaviours, aspirations and value is covered at length elsewhere
- 9.16.** The result of this is that quantitative analysis is always focused on the costs that are understood, such as pay and allowances, not on the value delivered. There would have been no purpose in us carrying out detailed costing projections just in these easy to measure areas, as that would imitate the very siloed approach that we say must be rejected. And, in any case, a business-case level of costing would require more detailed policy design to be tested in real life.
- 9.17.** We recognise that the use of taxpayers' money places a significant responsibility on those spending it. Our starting position would be to ask whether the current situation matches up to that responsibility. That's spending of at least £10 billion a year just on financial reward, with other elements like accommodation, training and administration conservatively adding another £2 billion a year. Since there is almost no data with which to show that this £12 billion a year is delivering value-for-money people capability, we would argue the presumption should be strongly on the side of action and change.
- 9.18.** What do the potential costs of our proposals look like against that spend? There are some elements that are costly. Let's conservatively say an additional £2 billion investment in infrastructure is attributed to our recommendations, and £1 billion on developing new digital capabilities over the next 10 years. The remainder of our recommendations will need significant investment in people and time to deliver, but are mostly 'conceptual assets.' Let's say these would take a further £600 million to deliver over the next 10 years (given that's roughly 6 to 8,000 person-years of work by civil servants, that feels cautious).

- 9.19.** Can £4 billion of cost incurred over 10 years be justified against £120 billion of spend? It seems to us that this is very likely to be true. One would only have to believe two things.
- Evidence we already have suggests that different elements of the reward package are valued very differently by some cohorts compared to others. Better targeting of that reward package would only need to deliver a 2% efficiency to save £2.4 billion over 10 years.
 - We have heard very clearly how the services feel constrained in their ability to use a more flexible mix of labour types in their workforce and want to make greater use of civilians and reserves. If the Armed Forces were able to identify 5% of their roles where a different workforce type could deliver the same outputs but cost just £15,000 per year less, that would save £1.2 billion over 10 years.
- 9.20.** The above analysis doesn't even start to consider the efficiencies that come from better targeted training, for example, or from reduced bureaucracy. But we would not actually want to couch the investment we propose in these terms anyway. Doing so is a continuation of today's mindset that sees spending on people as 'lost money' that needs to be cut back. The point of the exercise is to demonstrate that – even on those erroneous terms – it does not take much to believe that our proposed recommendations would pay for themselves.
- 9.21.** We would instead look to justify investment on the basis of the benefits of delivering this new system in terms of:
- increased attraction, recruitment and retention
 - increased efficiency from reducing the admin burden and exploiting digital capabilities to increase productivity
 - greater efficiency at the workforce level by focusing on key Defence outputs and so on
- 9.22.** We strongly endorse the fundamental truth that is often quoted but sometimes doesn't appear to be lived in decision making – 'people are our greatest asset.' The organisation's approach to equipment capability, for example, is seen as investment. The roughly £ 7 billion spent on the new Queen Elizabeth class carriers produce military capability that is rightly valued on its own terms, as an intangible asset that is of value to the nation and its defence. Yet the same is not true of people – they are traditionally described as a liability rather than an asset to be invested in. Our proposals will ensure that the money spent on the people component of military capability is better targeted, greater value for money and more effective, allowing the creation of a far greater capability.
- 9.23.** We do, however, recognise that these changes could present a short-term affordability challenge. Achieving this vision will require up-front investment. Our view is that the Armed Forces cannot afford not to invest in these changes. The longer they are put off, the more it will cost to recover and the greater the risk of a catastrophic failure when the call comes. There must be an explicit acceptance of this and a resolve to invest what is required on those terms.
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Epilogue

Vignette 1: A teen's military dream

I remember the day I first stumbled upon a Twitch feed showcasing the UK Armed Forces. I was 14 at the time, and was just browsing the internet when I found a live stream from a sailor on a frigate in the Pacific Ocean. I was instantly hooked, and it led me to a series of YouTube videos that followed the daily lives of military personnel during their 9-month deployment.

What really resonated with me were all the different operations they were doing while they were away and the technology the sailors were using, especially the systems that allowed them to predict and help to prevent natural disasters. I hadn't expected that the ship would go off to help vulnerable communities in the region and loved seeing how they participated in joint humanitarian efforts with other countries, delivering essential supplies and medical aid to remote areas affected by crises. The way the sailors interacted with the locals and how appreciative they were of the help made a big impression on me.

As I watched more videos, what struck me was the real-world impact the Armed Forces had on people's lives. The different jobs they did, the different places they were working around the world and the challenges they came up against was a surprise, I didn't really know about that beforehand. Those involved didn't really seem much different to me and seemed to really enjoy what they were doing and I knew that I also wanted to be a part of that and contribute to something bigger than myself.

I spent the next few years following military-related content, learning about the different roles and branches within the Armed Forces. I joined online forums and discussions, where I connected with others who shared my passion and aspirations, including people who had recently joined the Armed Forces. The more I learned, the more excited I became about the possibilities that lay ahead.

By the time I turned 18, I was ready to pursue a career in the Armed Forces. In the end, I applied to join the Army engineering stream, despite my early obsession with ships! I was thrilled when I received my acceptance letter. My journey so far has been filled with loads of challenges and opportunities, but I'm proud to be part of an organization that makes a difference in the world.



Vignette 2: A new recruit's journey

When I first started looking at joining the Royal Air Force, I didn't know what to expect. But the recruitment process was surprisingly quick and provided me with loads of information so that I had a clear idea of what life in the military would be like, what I could expect in terms of training, how I should prepare myself and what my first years in the Service would be like.

As a new recruit, I was excited to discover how the RAF lived up to my expectations. The aptitude testing during the recruitment process helped identify my strengths and interests, which led to a tailored training plan that focused on my preferred specialism but also identified other areas I could think about later on. I appreciated the attention to detail and the individualised approach to my career development.

My first few months in the military were intense but was really just as those recruits we spoke to online during the recruiting process said it would be, and the positive initial impressions of the RAF only grew stronger. I felt like I was learning from almost the moment I arrived. My room had just been done up, with my own ensuite and good WiFi and I like the food court next door. I also get time to get home and see my friends – even though I don't see them as much as I'd like, it's great that when I'm away this is reflected in my pay, and my mates can't believe that I've already got my pension going.

Throughout my early career, I always felt like people cared about whether I was still learning and developing. The supportive approach of my bosses and the interest they take in my progress was great. They trusted me really early, and I was being useful on the station and on exercise almost from day 1 – it meant I could show what I can do and really made me feel like I was contributing to the station.

Now, several years into my career, I am incredibly grateful for the experiences and opportunities I have had in the Armed Forces. I've learned and grown so much, both personally and professionally, and I know that this is the best place for me to continue making a difference in the world.



Vignette 3: Just a regular day, making a difference

When I joined the Armed Forces, my mates all told me I would hate it – my parents moved to Whitechapel from Bangladesh just before I was born and still don't trust the British government. But I was ready for the challenge. I'd got involved with the Army at a maths fair at college and that really opened my eyes to what you could do. And it turns out the people here were pretty awesome, and I felt welcomed from day one. They valued my ideas and never made me feel out of place.

Five years in, and I've been given the chance to try out different roles and build my skills. I've been pushed to try new things, and it's really changed who I am. My mates are still a bit dubious about what I do, but when they heard about the time I spent in Africa working with the National Guard on the impact of climate change, even they started to admit they might have been wrong! It's the flexibility in my career path has kept things interesting and that variety is what I love most about service life.

The support I've received from my chain of command and my career manager in managing my career has been great. I've had some real open and frank conversations with my superiors about my strengths, areas for improvement and we have agreed some longer-term career and life goals, such as getting a post-graduate qualification. They've always had my back, making sure I had the resources I needed to be the best I could be or when things have happened in my private life, such as having to look after my mum for a bit, looking at options that allowed me to balance demands at both work and home.

Now, looking back on the past ten years, I can't help but feel a sense of pride. I've broken some stereotypes, faced challenges head-on, and made the most of the opportunities that came my way. Most importantly, I've been able to make a difference in the world and for the people around me, and that's what really matters.



Vignette 4: The unpredictable journey of a crypto specialist

I always knew I wanted to get involved in crypto, and I'd seen some of the stuff the Navy had done on this, and just made my mind up there and then to join. I thought I had everything figured out. But life is full of surprises, and my career path took a lot of unexpected turns.

After a few years, I was offered an amazing opportunity to work for a private cybersecurity firm. I decided to take the leap and leave the Navy temporarily. The experience was eye-opening, and I learned a lot about the crypto world and how the private sector operates. The pay was great, but after some time I realised that I missed the camaraderie and the sense of purpose I felt in the Royal Navy.

So, I decided to try going back for a bit. It only took a couple of weeks for them to agree, they made my digital profile live again, I updated it with some of the things I'd done while I was away and that was it, they found me a new role. Fortunately they'd kept my security clearance up-to-date as well. Even in only a few years, the military had changed while I was away. My section had completely realigned around the new quantum tech, and we had a really exciting mix of people there working on it – a great mix of energetic new joiners and old hands, even someone that had moved over from being a chef in the Army. Everybody was just able to get on with it and solve problems, without getting stuck about rank or process.

After 9 months I joined a leadership development program called the 'Edge Challenge' which has really helped me grow professionally and personally. I still love all the technical stuff, but it's the people and the real-world challenges that make the Royal Navy different.

Over the next few years, I continued to move in and out of the Armed Forces, taking on various roles in both the military and private sectors. I worked with cutting-edge technology, helped develop innovative security solutions for capabilities that my peers in the private sector couldn't conceive of, and even provided cybersecurity consulting for major corporations in the US. Looking back, I'm grateful for the zigzagging journey my career has taken. The Armed Forces have evolved to provide more opportunities for personal and professional growth while embracing new technologies and fostering a sense of collaboration across government and industry in the UK and abroad. I'm proud to be part of this ever-changing organisation and wouldn't trade my experiences for anything.



Vignette 5: The dual life of an engineer reservist

When I first joined the Army, I only spent a few weekends a year working with them. But then I got to a certain age, and wanted to explore how I could use my civil engineering skills to do something a bit more serious with them. At the time it was just an experiment – I wanted to find something interesting to do alongside my career. But now, I can't imagine not having the Army as a major part of my life.

It's so flexible, it really lets me experience the best of both worlds. At work, I'm a deep expert in one thing – in the Army, I was exposed to cutting-edge technology and trusted to work on a whole range of professionally challenging projects. And we always had a grown-up conversation about what I wanted in terms of control over my life, what they needed and what my employer needed.

My boss wasn't convinced at first. But they had a really good community of employers that worked with the military, so she was able to learn from them about all the benefits that my service could bring to her and her company. And she felt genuinely listened to when there was a high priority 3-month project the Army wanted me for, but they offered a job swap with someone else from the Royal Engineers – everyone was a winner.

Doing this not only broadened my professional horizons but also helped me grow as a person. I've learned to adapt to different environments, work with diverse teams on multi-national projects, and face unique challenges head-on. The experiences I've gained have shaped my life in ways I never anticipated, and I'm proud to serve my country while also thriving in my civilian career.



Vignette 6: The Colonel's conversations that mattered

I've spent 20 years as an officer and seen quite a few changes throughout my career. But probably the biggest impact – for me and my people – has been how much more authority I've been given to really give them what they need. When I was a young woman, you were told where you were going, often without much notice, and that was that. Now it's totally different.

I regularly sit down with the career managers for each profession to have a discussion about all the people in my team. We've got a real sense of what everybody's ambitions and skills are. We can help them do so many different things, whether it's the challenging staff jobs or developing the deep skills. But the really great thing (from my perspective) is that if I get someone a chance to do something great for them, I've got lots of options to backfill them really quickly. It only takes about three weeks to pull someone forward, and the career managers have a really good handle on the skills that reservists and veterans have to hand. So everybody wins.

The system also helps when you have to have the difficult conversation with someone who isn't delivering. Rather than just shuffle them off into another job as someone else's problem, I can support them into the private sector to find something that works for them. And sometimes that really works better – I had one Corporal I went through this with come back to me five years later looking to re-join as an officer.



Vignette 7: A military spouse's perspective on pastoral care

When my husband joined the Armed Forces as a Non-Commissioned Officer, I wasn't sure what to expect, especially as a mother of teenage children. But the pastoral care and support we received as a military family went beyond anything I could have imagined or hoped for.

The moment we moved into our military community, we were welcomed with open arms. In addition to the support we had in selecting and moving into our new house, which was newer than the one we left, the unit quickly ensured we were introduced to other military families and could access a range of online and physical resources to help support us through the ups and downs of military life.

One of the most significant changes we experienced was the introduction of the opportunities provided by the spectrum of service. This new approach gave my husband the flexibility to tailor his career to the Service's and our family's needs, allowing his career to progress while giving us the opportunity to maintain a healthy work-life balance when operational commitments allowed. The impact of this agency and stability on our family was profound, allowing my husband to be more present in our children's lives, attending their school events and being there for them at key moments.

The Armed Forces also provided exceptional resources and programmes for our children recognising the impact that multiple deployments and being held at readiness has on family life. The educational support and extracurricular activities opportunities they offered, often provided by Service charities, helped them grow and develop into well-rounded individuals who embraced the unique challenges and benefits of being part of a military family.

As I reflect on our journey as a military family, I am grateful for the support and care we have received. The Armed Forces have not only provided a fulfilling career for my husband but also a strong foundation for our family to thrive and grow together.



Vignette 8: A naval commander's tale of delegated authority

When I took command of my ship, I knew that the responsibility I was taking on was enormous. But, with the introduction of greater delegated authority and improved data about my people, I felt more prepared than ever to face the challenges ahead.

One of the first things I noticed was the impact of better data on decision-making. With access to real-time information, I could make informed decisions to optimise the performance and efficiency of my crew and platform. This level of insight on readiness states, available skills, career management, harmony rates etc allowed me to identify potential issues before they escalated and ensured that I was able to get the best out of my ship's company and the platform itself.

In addition to better data, the delegated authority gave me the autonomy and confidence to manage my team more effectively, allowing me to address resource issues promptly and take proactive steps to maintain morale and cohesion within the team. With the power to make decisions based on the unique needs of my team and platform, within a clear set of rules, I could tailor our approach to maximize our potential and therefore our operational effectiveness.

One particular situation stands out in my memory. We faced an engineering issue that threatened to disrupt our operations in the Gulf. Previously we would have had to divert and go alongside and wait for a contractor to come out to fix the problem. However, with the delegated authority and access to people data I had, I was able to identify that one of my junior rates had recently been seconded to BAe Systems when the ship was in refit and had the necessary skills and licences to affect an immediate repair. I was therefore able to address the problem quickly, implementing a solution using members of my team that kept us on track. I was even able to make a discretionary financial award to the engineer to recognise his performance and contribution to the mission. The crew also recognised and appreciated the prompt response to the problem and the trust placed in me to make such decisions.

Looking back on my time in command, I am grateful for the tools and authority that the Armed Forces provided. It allowed me to lead my team to success and to face the challenges of command with confidence and conviction.



Vignette 9: An overseas story of agency and agility

When I was posted as the 'Officer Commanding the Support Unit' in a UK Strategic Command location, I knew I would face a unique set of challenges. However, I soon discovered that the agency and flexibility afforded to me in my new role would make all the difference in managing the reality of our day-to-day operations.

Many different people were on different packages during their time with us. It was really important that I was able to understand the different skills and talents that they brought – and both they and I appreciated the clear connections between that, the roles they were undertaking and the total reward package they received. But even though I had that really varied workforce, I had all the online tools to understand what was happening backed up by access to a 24/7 global support team in the UK when I needed specialist advice quickly.

When the boss said we needed to host a US squadron for 12 months, I was quickly able to model my options, re-tasking my current team based on their skill-set and bringing in new people. And I got some fantastic people! I had a woman who was a lawyer in Glasgow who came out to run the new Engagement Branch but ended up helping us with some really difficult legal issues (and fortunately I was able to up her pay to reflect that). I also appointed the husband of an NCO serving locally as head of security, who the Americans loved, and was able to recruit him in theatre in less than 30 days 'flash to bang'.

During my time there I realised that the Armed Forces had come a long way in empowering its leaders and sorting out the back-office processes to do it. The flexibility and agency I was given allowed me to adapt to the challenges we faced and to create an environment where my team could thrive. It didn't take a lot of money or time, but it really made a difference that I could do something about the problems my people were telling me about with my chain of command trusting my judgement about how to make it happen.



Vignette 10: An Army strategic workforce planning leader's story of better data and AI

When I took on the role of an Army strategic workforce planning leader, I hadn't appreciated the impact that better data, AI, and real-time insights would have on my job. The adoption and increased exploitation of cutting-edge tools and technology across the Armed Forces fundamentally changed the way I approached my work compared to my predecessors.

For instance, the ability to scenario plan using AI algorithms allowed us to make evidence-based decisions about the future of our Whole Force workforce. We could quickly analyse various situations and predict how different changes would affect our personnel, our skills requirements, operational readiness states and costs. This continuous real-time insight was invaluable in ensuring that we were prepared for any challenges that came our way whilst enabling us to quickly answer ad hoc queries from senior leaders or inform periodic reviews of Armed Forces people capability.

One memorable example was when there was a sudden change in the global security landscape. Armed with better data and AI-driven insights, we were able to quickly adjust our workforce allocation and resources to respond effectively. This collective intelligence made a significant impact on our efficiency, effectiveness, and the allocation of roles between the centre, Military Commands and the Whole Force.

My time as an Army strategic workforce planning leader showed me just how vital better data and AI have become in today's military landscape. The tools and technology at our disposal and our work with the centre and the other Military Commands allowed us to make well-informed decisions and adapt quickly to the ever-changing world. It was an incredible opportunity to play a role in shaping the future of the UK Armed Forces.

Vignettes drafted with the help of the GPT-4 large language model.



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