



Cabinet Office

Supplementary Written Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service

May 2019

PERFORMANCE MANAGEMENT

1. The Government has undertaken further work to address the key issues with the current SCS performance management system. As outlined in paragraphs 202-203 in the written evidence submitted to the SSRB in January 2019, the current system can lead to ineffective performance management outcomes and is mistrusted by staff.
2. Departments report that the two issues that act as the main blockers for staff productivity and engagement are mandatory forced distribution and the 25% cap on the percentage of SCS eligible to receive an end-of-year performance bonus.
3. Under the current system, departments have reported that there is both an arbitrary set identification of low performers whilst those who exceed their objectives but just miss the top marking do not receive a reward. In order to ensure that there is a high-functioning and robust performance management system in place, **beginning this performance cycle (2018/19)**, the Government will remove the requirement for mandatory forced distribution as well as the cap on percentage of SCS who can be given an end-of-year reward. The total amount of performance pay available will remain as current, so any increase in the amount of SCS receiving awards will mean that the average award received per individual will be lower.
4. **We are moving to a new system where, although departments will need to continue differentiating performance into top, middle and bottom boxes, there will be no forced distribution in place.** Any SCS who exceeds their stretching objectives could be assessed as top performing without being constrained by a 25% cap, and only individuals who have been identified as being genuinely under-performing will be placed in the bottom box.

Removal of Forced Distribution - Rationale

5. The current system of using forced distribution does not always work to correctly identify and address poor performance, as shown in the findings of the poor performance review (paragraphs 211-213 of written evidence).
6. Additionally, the focus on needing to compulsorily identify a specified number of low performers irrespective of their absolute performance against objectives causes disengagement with the system. It also forms a barrier to honest developmental conversations between staff and line managers at checkpoints throughout the year that could have identified poor performance in early stages.
7. Evidence from the new performance management approach in delegated grades (discussed in paragraphs 214-218 of written evidence) and from the DfE pilot (paragraph 221) shows that effective performance differentiation continues without the formal need for forced distribution, and that poor performance can be tackled more effectively when there is a more open, developmental climate for performance management.

8. Removing forced distribution while retaining absolute assessment of SCS on stretching objectives will ensure that there is correct identification of poor performance rather than individuals being placed in the bottom 10% to meet requirements. Genuine coaching conversations that address strengths and development areas would improve overall performance as well as enable efficiency savings by being able to tackle early signs of poor performance.
9. Addressing the actual experiences SCS have with how performance is managed through fairer assessment and better quality conversations will increase organisational productivity as well as staff engagement and trust in the system.
10. Discussions with departments on performance management at delegated grades show that removing the requirement for mandatory forced distribution has had an increased focus on identifying and improving performance within the year, which has led to more timely action and support for individuals who are at risk of underperforming. As a result of this, there are fewer people who have consistently underperformed through the full year, leading to increased productivity overall.

Removal of 25% Cap - Rationale

11. Departments have also raised serious concerns about the cliff-edge of high value reward that the 25% cap currently enables, which means that SCS who have exceeded their objectives and narrowly missed the top box marking due to forced distribution receive a disproportionate reduction in their reward.
12. The removal of the 25% cap will also extend the benefits of absolute assessment. SCS are more likely to be incentivised to pursue high individual performance when they do not have to compete to be in the top 25% box, assessed relatively, and instead view end-year performance related reward as being more achievable for exceeding stretching objectives rather than being constrained by a cap on numbers.
13. We think the risk of this causing a disproportionate increase in the amount of bonuses awarded would be mitigated, or even the majority of SCS receiving a bonus would be mitigated by the controls we are putting in place (paragraph 14), including maintaining the same limit on the total pot of money available for bonuses as well as the maximum value of reward. We anticipate that there will be a natural cap on the number of SCS who will be rewarded under this system. This is likely to be dynamic, based on high performance that will vary with department and performance cycle, and will not be mandated, but will be monitored, by the Cabinet Office.

Controls

14. The government will be ensuring the following additional rigorous controls are in place in exchange for, and in order to support, the new flexibilities in the SCS performance management system:
 - Departments must continue to identify top, achieving and low performers, ensure that only those assessed as top are eligible for an end of year award and share this information with the Cabinet Office;

- All in-year and end-of-year bonuses continue to be funded within 3.3% of the SCS pay bill;
 - All end of year awards, for those on standard SCS terms and conditions, must continue to be below the £17,500 cap;
 - All in year awards, for those on standard SCS terms and conditions, must continue to be below the £5,000 cap
 - All SCS must have challenging objectives with Permanent Secretaries accountable for ensuring that appropriate departmental consistency checks take place.
15. Effectively, the total pot of money available for performance related pay does not change. Departments will be allowed to reward their top-performing SCS who have exceeded their objectives without being subject to a cap on number of staff.
16. In summary, research and feedback from departments demonstrates that the current SCS performance management system is not enabling effective differentiation of performance which provides optimum motivation for high performance and enables low performance to be identified and tackled. **Implementing these two changes (effective from this performance cycle, i.e. 2018/19) will address the issues by increasing productivity, tackling poor performance more effectively, and improving staff engagement.**

Additional Arrangements for 2019/20

17. The Government will continue to test and review the ongoing pilot in the Department for Education (DfE) as discussed in paragraphs 220-221 of written evidence, and monitor the impact of the current SCS Performance Management system in the context of increased flexibility provided.
18. The insights from the DfE pilot, the current SCS performance management system with the new changes, and research into performance management in other organisations and sectors will be used to inform the development of a new performance management system to be launched in 2020/21. We will continue to update SSRB on the progress of this new system.

SPECIALIST PAY

Further background on the professionalisation of the Civil Service

1. The Civil Service Workforce plan set out an ambition to professionalise the Civil Service and its core capabilities, including operational delivery and policy. The functional model also supports this by providing the expertise needed to deliver an increasingly complex agenda, allowing for a more coherent and targeted development, ensuring better workforce planning and recruitment, and providing clear lines of accountability. This new approach is intended to ensure civil servants develop a blend of core Civil Service and profession-specific skills.
2. To support this agenda career frameworks have been built for core professions that create a common understanding of the skills and experience needed at each level, including Senior Civil Service roles.
3. In addition, at the most senior levels of the Civil Service, talent management processes, and frameworks such as the Indicators of Potential, ensure that alongside specialist expertise, senior leaders have developed a breadth of experience across the organisation which enables them to lead within multidisciplinary departments.
4. As departments, professions, functions and the Civil Service as a whole seek to identify more precisely the skills that the Government requires, the Civil Service is now evolving beyond the concept of 'generalists'. In the longer term, as career frameworks become more defined, the Government will see 'generalists' as individuals who have acquired a broad set of specialist skills which they can apply in a range of contexts.
5. Pay for a number of groups in the Civil Service has already been approached through a professional lens to react to evidenced, market driven recruitment and retention difficulties. The Government Commercial Organisation is considered the first SCS group to have a 'professional pay range', with pay arrangements that have a greater focus on higher base pay and performance related pay rather than pension benefits. At delegated grades some departments offer professional allowances for staff in particular professional roles, and the Digital Data and Technology profession have also developed a "Pay Approach" in which select, "critical" roles at delegated grades have access to enhanced pay ranges linked to capability increases.
6. In addition, starting salaries for external recruits will often be set with some reference to the market for the role specialism, and this information is frequently cited for Pivotal Role Allowance and exceptions to pay rules on internal movement and promotion cases.

Civil Service Professions

7. There are 28 recognised professions in the Civil Service and 13 Functions. A function delivers a defined and cross-cutting set of services through roles, standards and processes to a department and the Civil Service as a whole. Strong central

leadership within a function sets the standard for quality of delivery in departments. A profession is a group of individuals with common professional skills, experience and expertise. In many cases the profession may be linked to a professional body that regulates membership and governs accreditation. The profession provides a career anchor for individuals, and acts as a body to guide professional development and progression.

8. The Government expects all SCS roles to be aligned to a profession, and a small number may sit across two professions.

Figure 1 - Civil Service Professions and Functions

Functions

- | | | |
|---------------------|---------------------------------|--------------------|
| ● Analysis | ● Digital, Data and Technology | ● Legal |
| ● Commercial | ● Finance | ● Project Delivery |
| ● Communications | ● Fraud, Error, Debt and Grants | ● Property |
| ● Corporate Finance | ● Human Resources | ● Security |
| | ● Internal Audit | |

Professions

- | | |
|--|--|
| ● Corporate Finance | ● Government Property Profession |
| ● Counter-fraud Standards and Profession | ● Government Security Profession |
| ● Digital, Data and Technology Professions | ● Government Science and Engineering Profession* |
| ● Government Commercial Profession | ● Government Social Research Profession* |
| ● Government Communication Service | ● Government Statistical Service Profession* |
| ● Government Economic Service* | ● Government Tax Profession |
| ● Government Finance Profession | ● Government Veterinary Profession |
| ● Government Knowledge and Information Management Profession | ● Human Resources Profession |
| ● Government Legal Profession | ● Intelligence Analysis |
| ● Government Occupational Psychology Profession | ● Internal Audit Profession |
| ● Government Operational Research Service* | ● International Trade Profession |
| ● Government Planning Inspectors | ● Medical Profession |
| ● Government Planning Profession | ● Operational Delivery Profession |
| | ● Policy Profession |
| | ● Project Delivery Profession |

*Professions within the Analysis function

Specialist pay

9. Within these areas, the Government believes there are small numbers of roles in areas where the Civil Service needs to tailor its approach to compete effectively with the external market for senior, specialist skills. These roles fall into two categories which have been labelled 'market facing' and 'niche' and definitions for these roles were proposed in this year's written evidence.

Table 3 - 'Market Facing' and 'Niche' definitions and criteria

Group	Proposed definition	Proposed criteria
Market Facing	A role, or set of roles, which require enduring skills that are in high demand across sectors, are scarce within the Civil Service, and attract a higher rate of pay in the wider market.	Evidence of extensive external market pressures having a clear impact on the ability to recruit and retain the right capability to deliver against government priorities in the future.
Niche/ Department Specific	Deep specialists working in fields where there are very few individuals with the necessary skills nationally.	Evidence of a limited field of potential candidates, which necessitates a more individual reward offer.

10. It is for these particular 'market facing' and 'niche' roles that the Government intends to introduce specialist pay arrangements. Not all professions will be market facing and, within those that are, not all roles will be eligible for specialist pay.

Specialist pay proposals

11. Last year's evidence to the SSRB proposed the introduction of consistent pay ranges by professional grouping which was endorsed by SSRB. This marked a significant strategic shift in the approach to SCS pay structures, and was primarily aimed at two issues:

- a. ensuring the Civil Service is able to attract and retain key, scarce skills from the external market; and
- b. addressing the oft cited issue of pay disparity between internally and externally recruited SCS undertaking the same type of role, which is generally starker in specialist roles.

12. The following principles should apply for specialist pay:

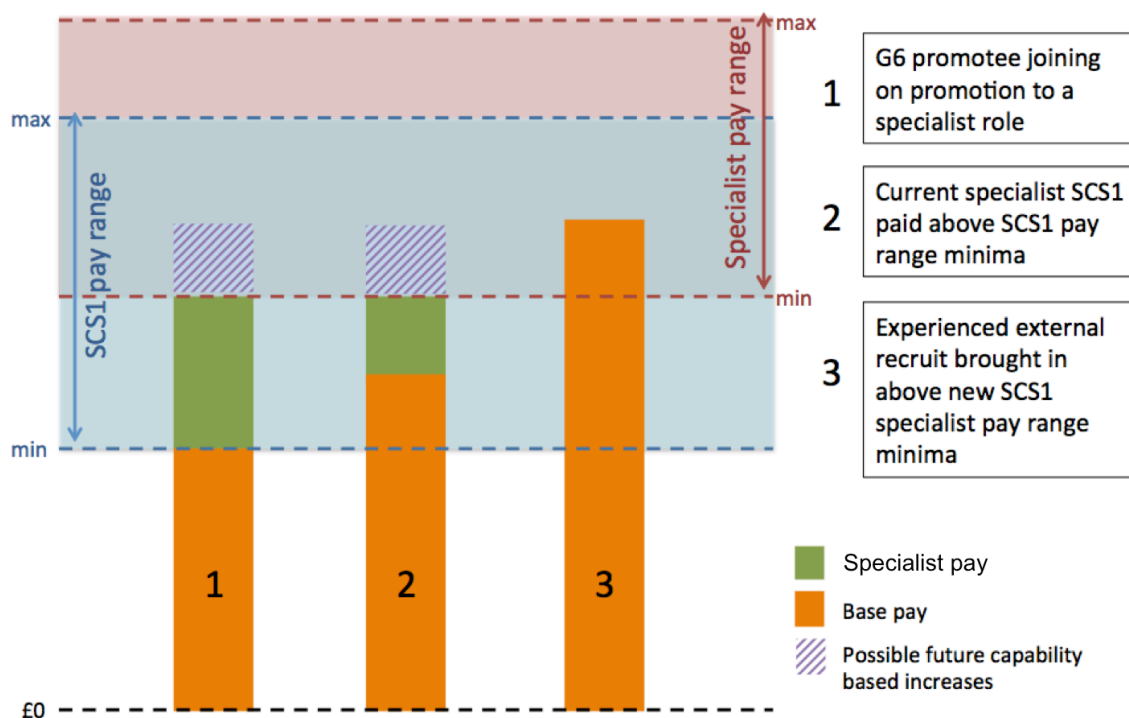
- a. the approach will only be taken for Deputy Director and Director roles, not at present for Director General roles (although this will be kept in review);
- b. the focus should be on specialist roles rather than entire professions. It is unlikely all roles in one profession would need market facing pay;
- c. any higher rates of pay introduced should be reviewed on a regular basis;
- d. agreement to introduce a higher maximum, and specific rates for specialist roles within this, for particular professions will be contingent on a robust business case submitted by the profession, clearly demonstrating the problem, the need for a long term pay solution rather than a tactical fix, as well as how an increase in pay will address the problems identified;
- e. professions must detail any equalities impacts in their business cases; and
- f. although the vision and direction of travel for specialist pay has been clearly set out, the implementation of this vision may be more gradual to ensure the

final framework is robust, well tested, and takes into account other changes to the SCS pay system;

13. This year the Government proposed to focus on a small number of more mature professions (Finance and Digital, Data and Technology (DDaT) as a minimum), and to introduce a target pay range for SCS in specialist roles within those professions that meet strict criteria. DDaT, for example, have identified 7 roles out of 28 that they believe should attract specialist pay. These roles, and the target levels of pay, will be established through business cases submitted by professions in the spring, and agreed through a central approvals route. Further roles/professions will be considered for 2020/21, and previous agreements will be reviewed in line to ensure consistency and minimise any equality impact issues arising.

14. To implement these changes departments will be given flexibility within the overall pay award this year to target payments (be that through consolidated increases or allowances) to increase the pay of those in agreed specialist roles, who possess the appropriate level of professional skill and experience, but where pay sits below the proposed range. Work will be undertaken with the professions to ensure a relevant and robust professional capability framework is in place to support the assessment of this. See Figure 1 below for an illustration of how this could work in practice. In addition identified roles would then be as standard advertised at these new ranges.

Figure 2 - Specialist pay examples (SCS1)



15. The Government proposes that increases should typically be addressed through base pay rather than through allowances. This option is likely to be more attractive to the external market, where professional allowances are not as commonly found as

part of a reward package, and would be pensionable (where allowances tend not to be).

16. In addition, the Government proposes that individuals should be eligible for specialist pay only while they remain in a relevant specialist role and career path, or are performing a time limited role outside their profession for developmental reasons, before returning to their professional career path. Therefore an individual choosing to move from a specialist role attracting higher pay, to a non-specialist role, would face a reduction in their pay¹ to reflect this. This would be a significant cultural change which will need to be embedded in departments to ensure consistent application.
17. The SSRB asked the Government to further explore the issue of movement between professions. Work is underway to analyse movement at SCS level, but a high level of data on this topic is not yet available, given current limitations of data gathering mechanisms. Some initial, rough analysis has been undertaken however:
 - a. of 1,110 SCS in 'market facing roles'² in Q1 2017 who were still in the Civil Service in Q1 2018, 40 of these moved to non-market facing roles³;
 - b. of these 40, 10 had been working in project delivery roles and moved to primarily operational delivery or policy roles;
 - c. around one in five of those who moved role type also changed payband; and
 - d. those in niche roles were even less likely to move to non-market facing roles.

¹ To avoid legal risk, it will be essential for any candidate who may lose a higher salary in applying for a role to have agreed to this as part of the application process

² A broad approach has been taken to categorising whole professions for the purpose of this analysis exercise, based on initial indications from professions as to whether they believe they should attract market facing pay. It is likely that the numbers of 'market facing' and 'niche' roles will change as assessment of profession's business cases takes place.

³ Note that not all roles were able to be classified, and some apparent changes may be due to reclassification of roles or differences in classification of roles across departments.