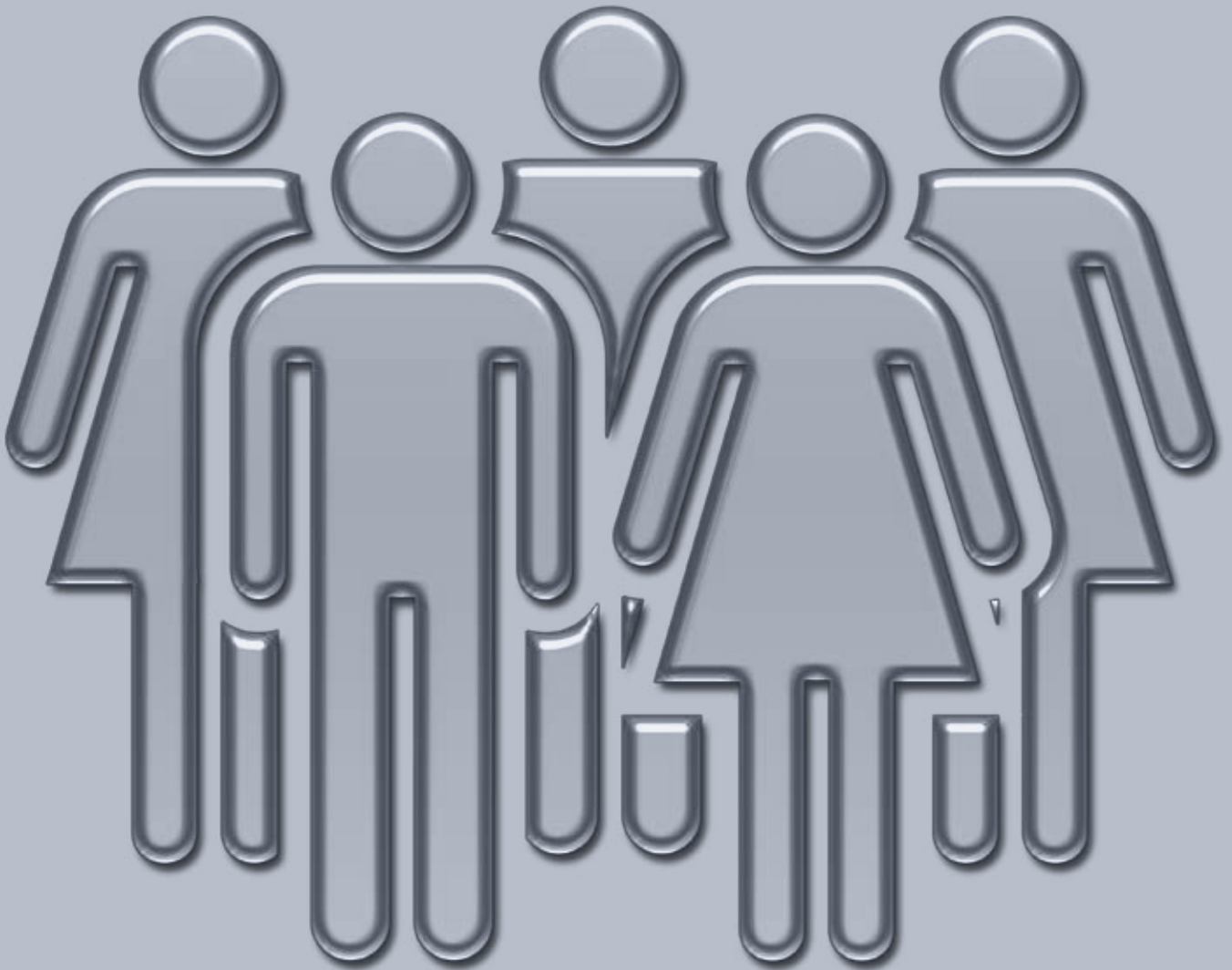


Civilian Workforce Strategy
2006



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Introduction



Aim

1. This document is the MOD's Civilian Workforce Strategy. It describes the department's strategic priorities for developing its civilian workforce and its civilian HR function over the remainder of the Spending Review 04 period and for the Spending Review 07 period.

Background

2. Civilians contribute to Defence in a huge variety of ways and, increasingly, support military commanders deployed in operational theatres. MOD employs almost every profession and occupation - from doctors and nurses, police officers and teachers to engineers, scientists, policy specialists - as well as significant numbers of skill zone civil servants in a wide range of trades and crafts.

3. As owner of the department's Civilian Workforce process, the MOD Personnel Director is responsible for providing:

a civilian workforce of sufficient numbers that is appropriately skilled, managed, and motivated to support Defence capability now, and in the future.

4. The Civilian Workforce Strategy assists in this by analysing the strategic context, identifying the challenges within it and setting priorities for developing our civilian workforce and our civilian HR function. It provides the strategic foundation for work to develop the civilian contribution to Defence and in particular for the current People Programme.

The Context and the Challenges Within it



Support to Operations

5. The conduct of military operations is the department's highest priority. We need to ensure a reliable and sustainable pool of well motivated deployable staff with the right range of skills to meet operational commitments. In the recent past, have struggled to find the numbers needed to match the demand generated by the changing nature, scale and duration of operations. Over the past year, however, we have addressed many of the administrative and support issues associated with deploying staff to operational theatres and given these crucial roles far greater prominence than in the past. This has produced significantly more volunteers and, at present, supply and demand are broadly in balance.

6. Maintaining this supply over the medium and long term remains a challenge as the pool of people who have the right skills and experience and are willing to deploy to operational theatres is still simply too small. We are therefore in the final stages of establishing a bespoke programme, S2O (Support to Operations), designed to maximise recruitment amongst the existing pool of qualified staff whilst simultaneously increasing the size of the pool.

7. Given this improving position and the advanced state of our preparations for the S2O programme we do not, at this stage, intend to introduce additional measures. Rather we will monitor the impact of the S2O programme with a view to refining our approach once we have seen whether it is having the required effect. We will, of course, continue to ensure that our approach to these roles keeps pace with the evolving risks our people face in theatre and ensure that the support processes (medical, welfare, family) we have in place clearly demonstrate how seriously the department takes its duty of care to its employees in these situations.



British Army vehicles re-sprayed in desert coloured paint by civilians

Defence Industrial Strategy

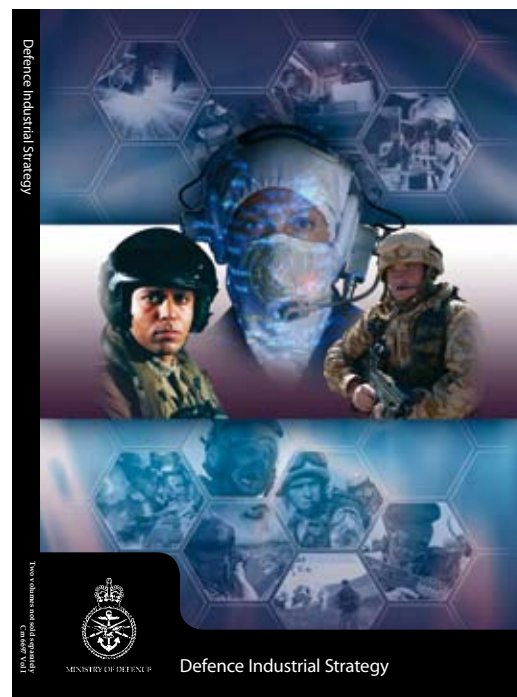
8. In 2005 we highlighted the increasingly challenging nature of the department's acquisition programme and stressed the importance of strengthening our capacity and capability in this area. We described the changing nature of our programmes and the challenges this implies, particularly the increasingly integrated nature of military equipments and the shift from buying new systems to upgrade and integration programmes. The Defence Industrial Strategy brought these themes together under the term 'Through Life Capability Management' and, although, in absolute terms, supporting operations will always be the first call on our resources, providing a workforce that has the knowledge, skills and attitudes required for Through Life Capability Management is the largest and most complex challenge we face at present.

9. Over the past year we have reformed the way programme and project managers are appointed to ensure their tenure is related to key project milestones. We have updated our project management competence framework to reflect the latest issue of the Association for Project Management Body of Knowledge and are introducing a system of internal licensing for project managers, the heart of which is continuing professional development against externally accredited standards.

10. The Enabling Acquisition Change study published in June 2006 highlighted the need for further changes in the way we recruit, develop, promote and reward staff that went beyond what was originally envisaged in the 2005 Project Delivery Skills programme. This broader requirement is set out in the People, Skills and Behaviours mandate within the Defence Acquisition Change Programme. We have appointed a Senior Civil Servant to our corporate HR organisation to lead this work and have considerably strengthened our skills agenda

(paragraph 44 below) to reflect the People, Skills and Behaviours mandate.

11. The Enabling Acquisition Change study also recommended the formation of a single Integrated Procurement and Support Organisation, the Defence Equipment and Support organisation, which will stand up in April 2007. The new organisation will operate under the auspices of a departmental Acquisition Operating Framework and it is essential that our corporate HR policy framework positively reinforces the values, behaviours and doctrine it includes. A number of the policy changes we have introduced recently (for example in relation to internal recruitment) will help towards this. We are also planning very early changes to our performance management arrangements (see paragraph 49 below) which will give managers much more flexibility to reward not only individual achievement – and skills and behaviours – but also make it easier to recognise team effort (e.g. by an IPT). We are working up proposals for new ways of rewarding successful IPT leaders and those who develop the key acquisition skills we need. This is not just about financial reward. We are, for example, also considering how to provide greater flexibility around grading.



Efficiency, Change and Organisational Turbulence

12. The individual programmes that make up the department's Efficiency and Defence Change Programmes bring with them particular re-skilling and up-skilling challenges. Across the piece, we need to further improve our ability to manage portfolios of complex change programmes (particularly the interfaces between them), to improve our line managers' ability to lead their staff through business change – rather than simply absorbing it. Corporately, we need to get better at planning the people aspects of major change programmes.



The DARA Transformation Team

13. Many programmes will also bring with them significant organisational turbulence as business units contract, merge, relocate, collocate and as functions are transferred to the private sector. This type of challenge is not new but the scale of turbulence we are facing over the coming years – particularly in our logistics functions and the Service commands – is greater than we have experienced in the past.

14. A review of our policy framework – led by the organisations facing the greatest turbulence – has concluded that, in broad terms, it remains fit for purpose provided that we use it strategically and that people issues are taken account of early enough in the planning of our major change programmes. We are therefore improving the guidance we provide to programme managers and working towards better integrating people issues into departmental decision making (paragraph 66 below).

Network Enabled Capability

15. Network Enabled Capability is about the coherent integration of military equipment, sensors, decision makers, weapon systems and support capabilities in order to maximise their effect. Network Enabled Capability's most obvious effects will be felt on the battlefield, in the military Headquarters and in the supply chain but it will have implications in all areas of Defence.

16. Work to develop people and teams equipped for Network Enabled Capability is being led by the Service Personnel community process but it does have implications for the civilian workforce too. We are, therefore, working with our Service Personnel colleagues on this by, for example, ensuring that our Single Skills Framework includes appropriate competences.

Public Sector

17. In addition to being integral to the Defence effort, the MOD's civilian workforce is, self-evidently, part of the wider Public Sector. Within this context, we have identified two factors that we need to take account of as we develop our strategy for the remainder of the SR04 period and for the CSR07 period:

18. **Pay and Reward** - The 2005 Pre-Budget Report announced the creation of the new Public Sector Pay Committee (PSPC), whose main purpose would be to establish a set of common objectives for public sector pay and ensure that all individual pay decisions met those objectives and were agreed on a consistent basis. The Chancellor has stated his commitment to maintaining this discipline both in the remainder of the SR04 period and throughout the CSR07 years, and in writing to the Pay Review Bodies in November 2005 he stressed the importance of ensuring that pay awards in the public sector do not contribute to inflationary pressure in the economy. He recommended that the Pay Review Bodies base their settlements on the achievement of the Government's inflation target of 2% and this advice was taken forward by HMT into the Civil Service Pay guidance published in February of this year. In this context our pay and reward strategy is set out at paragraph 49 below.

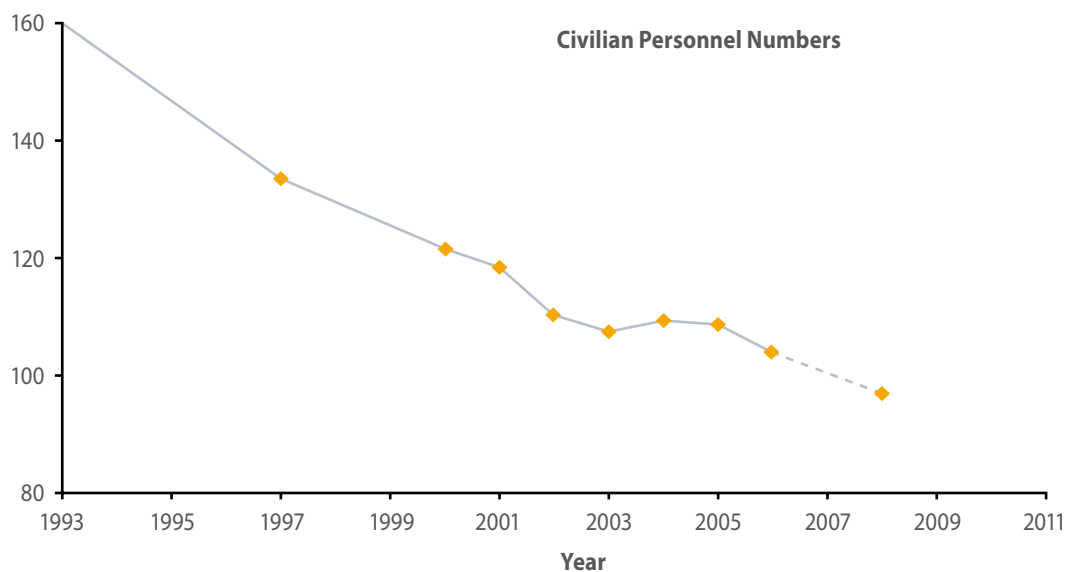
19. **Civil Service Numbers** - In common with other departments, the MOD is reducing its civil service numbers through an efficiency and value for money programme. The total number of civilians employed by the department reduced from 108,470 Full Time Equivalents at 1 April 05 to 103,930 at 1 April 06 and we are on target to meet or exceed our March 2008 target for reducing the number of civilians we employ by 11,000 in accordance with our SR04 target.

20. The size of our civilian workforce has been reducing for some years and the SR04 reductions were not, as the graph above shows, particularly unusual in terms of their scale. Moreover, there are likely to be further headcount reductions in the CSR07 period as we implement the Defence Change Programme and our wider reform agenda. We cannot, at present, say whether their scale and nature will require an early release programme along the lines of the one we are currently running, but neither can we rule this out.

MOD Workforce

21. In addition to these business and external factors there are a number of issues we need to take account of within our workforce as we develop our strategy for the remainder of the SR04 period and for the CSR07 period:

22. **Engagement** - MOD civilians see a strong connection between the department, their team and their contribution to Defence. Engagement of this type - which research shows can yield 20% improvements in discretionary effort - is evident both in absolute terms and in comparison with other large departments. For example 75% of MOD civilians are proud that they work



for the MOD (compared to an average of 40% for the other large departments); 62% believe their team is well managed (42%); and 84% understand how their work contributes to the objectives of the department (75%). This level of engagement has been consistently the case but is all the more encouraging given the very real challenges many employees face in terms of reductions in numbers, relocations and collocations and ongoing heavy operational demands. Whilst we should not take it for granted, we can reasonably say that our workforce is committed to delivering Defence capability and has embraced the department's change agenda.

23. Leadership and Talent Management

– Research indicates that the second major factor in organisational effectiveness is leadership. (The first being engagement, although of course the two are inextricably linked.) MOD civilians' attitudes to their leaders (senior civil servants and their military equivalents) benchmark favourably with the other large departments. They are on a par with UK norms and with Global High Performers in terms of their strategic thinking and delivery focus. But they fall short of Global High Performers in terms of leaders' perceived openness, honesty and approachability and the extent to which they get the best from their staff.

24. Against the most demanding of these benchmarks, therefore, it is arguable that our leaders are seen as skilled in getting day to day business done but are not yet seen as consistently having the transformational leadership attributes required in rapidly changing organisations. These attributes are required not only to lead change programmes but also to lead businesses that are subject to change programmes and, most importantly, to build 'change ready' organisations. This is crucial in the current Defence context and so developing more consistently this transformational leadership style is one of our CSR07 priorities, paragraph 57 below.

25. We must, of course, also ensure this need is reflected in those we select for promotion. Having successfully introduced centrally managed promotion portals and junior and middle management layers we are therefore in the process of developing options for an assessment centre for

entry to the Senior Civil Service since, provided they are designed properly, the evidence is that such centres are better predictors of future performance than a simple selection panel.

26. **Occupational Health** – MOD takes its Occupational Health duties seriously, including statutory requirements to carry out health surveillance on certain groups of employees, pre-employment checks, reasonable adjustments for employees with disabilities and management of sick absence.

27. There is a Civil Service wide campaign to reduce sick absence. MOD reported sick absence was 7.3 working days lost per non-industrial employee in 2005/6 (the lowest of the large departments) against a target of 7.5. Whilst encouraging and, indeed, comparable to private sector norms this still represents a loss of £75M staff time annually (from a salary bill of around £1500M) and we are determined to improve further.

28. We have set sick absence targets for individual MOD Business units so that senior managers will, in future, be held personally accountable for their organisation's management of sick absence at Defence Management Board level. Moreover, in July 2006 we started a 6 month pilot study whereby, staff report sick absence not to their line manager but to a Nurse employed by a private sector provider. Such schemes have been shown to improve management of sick absence since the Nurse is able to discuss symptoms with the employee, provide advice, identify an expected return to work date and make a follow-up call to check on progress and offer further advice.

29. **Diversity and Refreshment** – Our Unified Diversity Strategy envisions a workforce, uniformed and civilian, that is drawn from the breadth of the society we defend, that gains strength from that society's range of knowledge, experience and talent and that welcomes, respects and values the unique contribution of every individual. Our Diversity Delivery Plan, flows from it and incorporates activities relating to the Cabinet Office's 10 point plan for diversity in the civil service as whole and represents

a considerable agenda, which is reflected in the fact that we achieved a Silver Award in this year's Race for Opportunity benchmarking exercise, improved from Silver to Gold in Opportunity Now benchmarking and from 59th to 35th in Stonewall's 2005 Corporate Equality Index for public and private organisations.

30. Nevertheless, our rate of progress towards our diversity targets remains slow, being heavily constrained by three factors. First, we still have the demographic legacy of a department which has historically been predominantly male. Secondly, the MOD has been steadily shrinking for more than fifteen years, and this has resulted in low promotion and refreshment rates and, currently, few recruitment opportunities. Thirdly, our civilian workforce is widely dispersed throughout the UK and many units are located in areas with very small ethnic minority populations.

31. As well as limiting the rate at which we can make progress towards external targets, these factors obviously also limit the rate at which we are able to spread the diversity we see at the more junior levels to the middle and senior levels and conspire against our ability to bring new skills into the department, to promote the best to our most senior posts quickly. Creating headroom to refresh key areas of our workforce is, therefore, one of our priorities for the CSR07 period, paragraph 52 below.

32. We also need, as we identified in 2005, to find ways to maintain the commitment of the majority of staff who will spend long periods in one grade. The premium we are placing on professional skills should help in this respect by providing opportunities for development (if not promotion) and we must continue to seek ways of encouraging the motivation of staff whose career has reached a plateau. This is one of the reasons that we have chosen to adopt a performance pay system which offers rewards and recognition to good performers as well as our very best.

33. **People Management** – Although our staff believe their teams are generally well managed there is evidence that there is scope at all levels to improve our

management of people. We have focussed this year on helping managers understand their fuller role in our transformed HR services, issuing a comprehensive Line Manager guide and updating selection interviewing training. And, whilst the picture is not universally rosy, the signs are that line managers are taking the transition to Shared Services in their stride.

34. But we want more than competent operation of HR processes, we are seeking a line management culture of managing work through people. For example, whilst it is true that line managers do now generally conduct mid-year reviews at the appropriate time, only half of our civilian staff agree they receive regular and constructive feedback at other times and less than a third believe poor performance is dealt with effectively. Addressing these, and related issues, is a priority for the remainder of the SR04 period and for the CSR07 period, paragraph 61 below.

35. **Performance Management** – A good performance management regime is aimed at raising collective performance – which means encouraging continued commitment from all our workforce, tackling under performance, encouraging appropriate values, skills and behaviours, and, of course, delivery of business objectives. Our traditional approach to performance management has been much more limited and focused largely on top performers. In general line managers have been reluctant not only to tackle serious under performance but even to identify openly areas where some change or improvement is needed. The system we introduced four years ago was intended to produce realistic and prompt assessments of individuals' performance in relation to the objectives set and challenges faced during the year and to force managers to address the performance of all staff by introducing relative assessment linked to graduated bonuses available to a large proportion of staff rather than just top performers.

36. We have made real progress against these objectives, although the system we introduced was undoubtedly crude, especially at the outset, and administratively complex. We have succeeded in getting the vast majority of assessments produced

on time and, although the standard of evidence remains variable, it is improving. The introduction of a third tier of bonuses and greater flexibility has been a significant improvement. Moreover, 60% agree that their line manager spends the necessary time within them at the beginning of the year setting objectives, almost two thirds had their mid-year review at the appropriate time. A major weakness is the continued reluctance of most line-managers to make honest bonus recommendations but the distribution of bonuses after moderation by the cluster panel process is more realistic than that produced by any previous assessment system. At present, however, we make little use of this information apart from the immediate bonus award and need to work on improving the feed-back given by line managers following the cluster panel process.

37. Performance management continues to be a contentious issue in MOD, as in most large organisations, but there has been an interesting evolution in staff attitudes. Whilst only around a fifth positively agree that our performance pay arrangements reward better performance, this has risen slightly each year and is now higher than the equivalent ratings for the previous (very different) system while the numbers who actively disagree has fallen significantly (still high at 50%). More significantly, we seem to have achieved a high degree of acceptance of the underlying principle of differential rewards based on relative performance, with 70% now saying that they agree with this.

38. We have learnt a lot from the past four years but it is time to move on, tackling the weaknesses identified by managers and individuals while preserving the fundamental changes we have made. We also need to do more to exploit the system's potential to encourage the behaviours and skills we need for the future and therefore to make more use of information on performance in our HR processes as part of the evidence for job selection and, possibly, promotion/advancement. Performance management is, therefore, one of our priorities for the remainder of the SR04 period and the CSR07 period, paragraph 49 below.

39. **Non Standard Terms and Conditions**

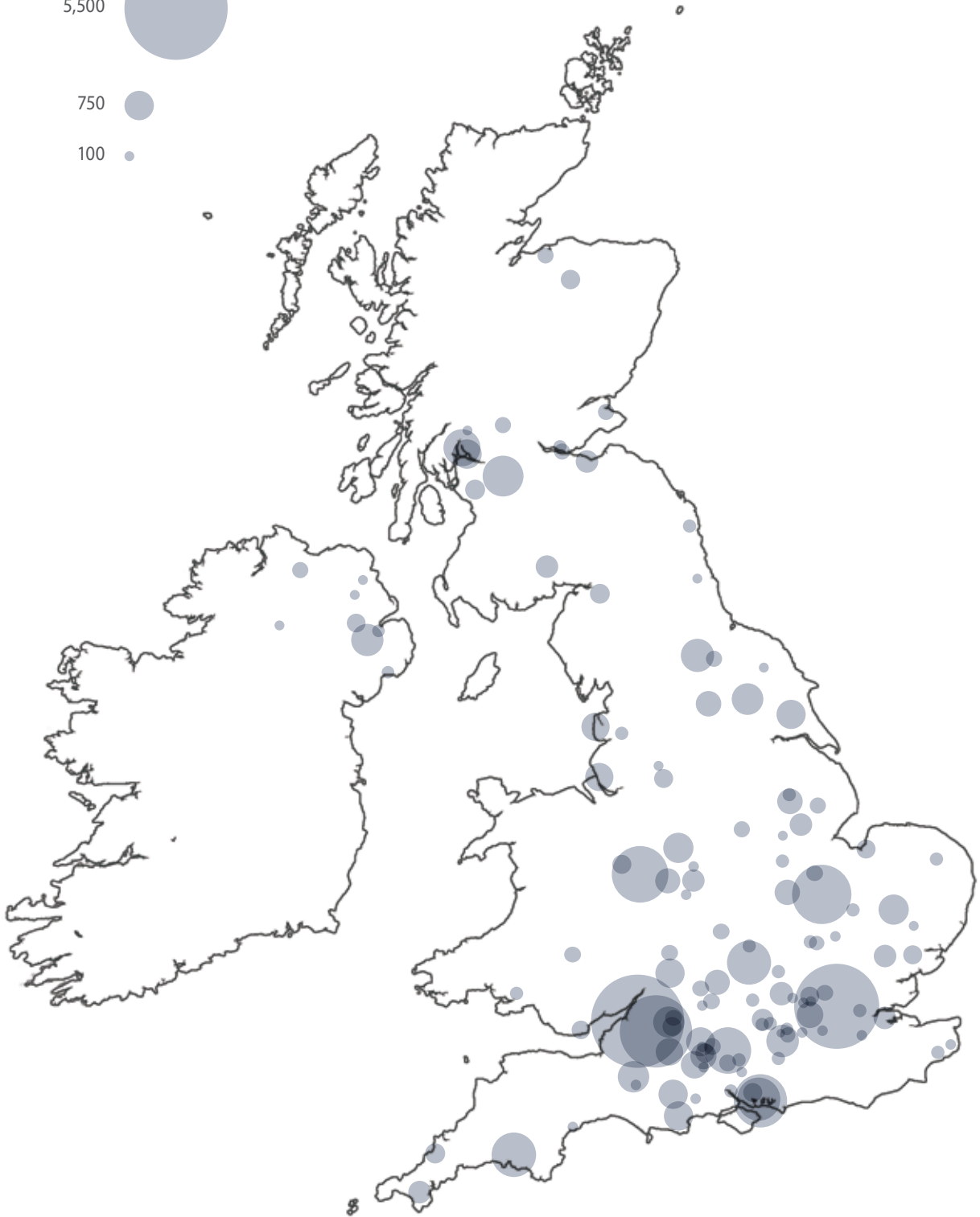
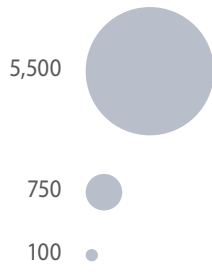
– Of the 103,930 FTE staff employed at 1 April 06 just over one third are not employed on standard MOD terms and conditions. These staff include those Locally Engaged Civilians employed overseas, Non-Standard Occupational Groups (such as Royal Fleet Auxiliary Sea Farers, MOD Police and teachers) and staff employed in Trading Fund Agencies (which have separate personnel delegations).

40. The terms and conditions that these staff are employed upon have developed in response to local business needs and, in the case of Locally Engaged Civilians, local legislation. What is not at all clear, however, is whether this is an approach which is sensible at departmental level and, in particular, whether the benefits of the different terms and conditions being offered in each case outweigh the costs and complexity they imply in managing our workforce. We need to understand this issue better.

41. **Geography** - MOD has large numbers of relatively junior staff spread across the country and, as above, overseas. As the map below (which excludes Trading Funds) shows, whilst we do have two large geographical islands in the South East and South West, we also have numbers of smaller clusters of employment, for example the RAF bases in East Anglia and the Army Camps in Wiltshire. There is a view that we do not do enough to connect with staff in these smaller clusters but, before we act in this area, we need to improve our understanding of the extent and nature of the challenge we face.

42. **Demographics** – We similarly need to improve our understanding of demographic issues. In 2005 we identified the need to develop plans to mitigate and take advantage of the impact of an ageing national workforce. But, whilst there are flexibilities in our pension scheme and we do make considerable provision for flexible working, we do not fully understand whether we engage with older workers (prospective or current) or what we would need to do to ensure we did.

Number of Civilian Employees Scale:



Priorities for Developing Our Civilian Workforce



43. We have, on the basis of this context, identified the following priorities for developing our civilian workforce over the remainder of the SR04 period and CSR07 period. They are, in line with liP standard (which the department will seek at corporate level during 2007), firmly based on ensuring that the department's investment in its civilians makes a real difference to its output:

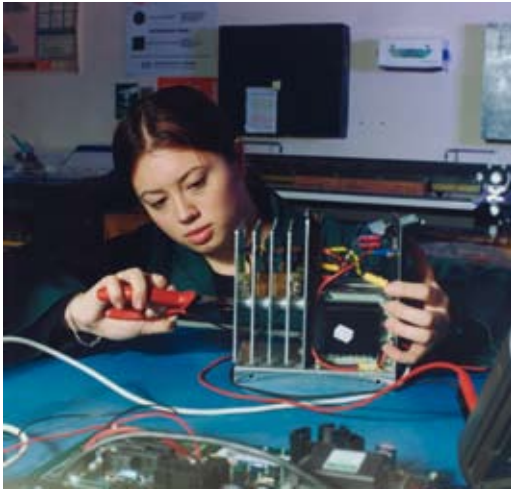
- Professional Skills – to ensure that our civilians have the required professional skills, particularly in acquisition and change management;
- Pay and Reward – to deal with structural pay issues and incentivise delivery, whilst adhering to the Government's public sector pay strategy;
- Numbers – to achieve the numbers reduction targets set in SR04 and any that result from CSR07;
- Diversity and Refreshment – to deliver our Diversity Delivery Plan and establish targeted early release schemes to create headroom to bring fresh talent into key levels and skills groups and to enable us to better reflect the society we serve;
- Leadership – to ensure our Senior Civil Servants develop more consistently the leadership attributes required in an environment of complex change;

- People Management – to achieve a step change in the degree of attention and professionalism line managers bring to their role; and
- Performance management – to tackle the weaknesses of the current system, to do more to exploit its potential to encourage the behaviours and skills we need for the future and to reduce the bureaucracy of administering it.

Professional Skills

44. Over the past year we have conducted a Professional Skills for Government core skills survey amongst our Senior Civil Service (and the feeder grades) and have established clear groupings of posts, or Job Families headed by a senior Skills Champions.

45. Skills Champions have a crucial contribution to make to the development of the department's future civilian HR agenda and, in many cases, are developing, or already have, similar roles in relation to military personnel – indeed four of the current Skills Champions are military officers. They work closely with corporate HR, business unit HR professionals and other stakeholders to influence our HR agenda. Closely linked to this, we have also



An apprentice at work in an electronics lab

launched a Single Skills Framework describing the core and functional competences required in all areas of the department's business and, moreover, at present we are working to exploit the capability provided by our Human Resource Management System to quantify our skills gaps.

46. Moving forward, we will develop a policy framework that provides stronger incentives (financial and non-financial) for staff to develop and use professional skills and, importantly, provides business units, advised by Skills Champions, with the authority and means to apply this framework differentially to address skills shortages when and where they occur. We do not envisage all of the measures in this skills package being applied to the same extent in all business units or all Job Families, rather that they will be used differentially to address skills shortages when and where evident. We will prioritise our efforts as follows:

- short term – commercial and procurement;
- short / medium term – programme, project and change management, project finance, science and technology, logistics and construction specialists; and
- medium term – HR, Information Systems and Information Exploitation / Network Enabled Capability and other professional groups.

47. This package would reinforce the Departmental Skills Strategy. The policy framework and mechanisms for tracking performance in addressing skills shortages will be set centrally by our corporate HR organisation advised by Skills Champions. Business units, again advised by Skills Champions, will be responsible for determining their skills requirements and deciding how to make use of the different tools within their businesses and will be accountable to tackle skills shortages. With this in mind our objectives in this area are:

- to develop (with Skills Champions) a corporate framework giving line managers clear guidance on job design and on selection criteria (competences and qualifications) and tour lengths for use when advertising posts in different Job Families;
- to provide accredited pathways for professional development (covering breadth as well as depth) reinforced, where appropriate, through internal licensing;
- to make better use of interchange with public and private sector organisations, better defining outcomes, improving evaluation and properly sponsoring re-integration into the department.
- to provide accredited conversion programmes to enable staff to move between professional groups during their careers;
- to make better use of non-consolidated reward to attract people to the most demanding posts and reward delivery in them, and to enable us to compete effectively in the external market for hard-to-recruit specialist skills;
- to adopt a more coherent corporate approach to functional talent management, including the need to ensure that staff are freed to commit time to their professional development; and
- through our Human Capital Measurement project (paragraph 72 below), to develop mechanisms for tracking progress in closing skills gaps.

48. We will, of course, develop our approach over time, continuing our relationships with Sector Skills Councils and Professional Bodies, as we see the impact that different measures have, but, aligned to the Defence Acquisition Change Programme, our objectives during the remainder of the SR04 are:

- to develop the detail of the package above;
- to implement the necessary policy and service changes;
- to develop firm Skills Growth Plans with Skills Champions and Business units and secure resources to deliver them
- to provide Skills Champions with more appropriate levels of support (see paragraph 65 below); and
- to set in place mechanisms for tracking skills growth, including quantifying our skills gap.

Pay, Reward and Performance Management

49 Our four year pay agreement expired this year. The experiment of a multi-year settlement has been very successful, both with staff who have appreciated what was one of the best deals in government, and in providing stability during a period of very considerable civilian HR change. It has also released a lot of management effort to concentrate on other tasks. We face a much more difficult negotiating climate this time and a two year deal is the most likely outcome. We have been engaged with Treasury over the summer, refining our remit to take account of issues raised by them, and have now received formal approval of the remit which allows us begin formal talks with the

Trades Unions based on the Pay Strategy agreed by the Defence Management Board last year. A key objective is to move away from long pay scales, not least to reduce our exposure to potential equal pay claims. Our specific proposals also include measures intended to address priorities identified by the work on the Defence Industrial Strategy.

50. In parallel, we are also planning to make radical improvements to the performance management regime at the end of the current reporting year. The key changes envisaged involve dispensing with “clustering” and restoring decisions clearly to the management chain and allowing a much more flexible distribution of reward from an allocated pot. Amongst other things these changes should make it easier to reward particular priorities of individual business areas (e.g. acquisition skills and behaviours) and to recognise team as well as individual effort. From the start of next year we also plan to separate development reviews from the performance appraisal process and link it to the skills framework) and introduce a form which aids a more structured assessment, on the lines of OJAR (with much simplified assessments for Band E and skill zone staff). We also envisage using performance assessments as part of the evidence for job and promotion selection processes. We are currently discussing these proposals with the Trade Unions.

Numbers

51. Although our progress is good we must, of course, continue during the remainder of the SR04 period to pursue our programme of early release in order to achieve our SR04 numbers reduction target. At the same time we will be scoping the requirement for a further early release programme to achieve any reduction targets arising from CSR07.

Diversity and Refreshment

52. This year, under our Equality and Diversity Scheme, we have introduced a Diversity Impact Assessment tool which helps all managers consider the diversity impact of new and current policies. This directly supports the implementation of our policy framework, will help to mainstream diversity and ensure that we meet our statutory duties.

53. This tool is one example of the work underway in the much wider Diversity Delivery Plan. We are also committed to meeting our objectives under the civil Service 10 point plan. Increasing the rate of refreshment to our middle and senior management grades is also high priority, particularly to accelerate our progress towards being representative of the society we serve. Similarly, we recognise that there are functional areas where creating headroom to bring staff with new skills into the department would either increase the pace of change or, in some cases, make the difference between success and failure (in either the short or medium terms).

54. The continued reduction in civilian numbers and the changes in retirement age do not make this easy. Here is an urgent need to develop policies which respond to the changes in society's approach to retirement, including the probable disappearance within a few years of a pre-determined retirement age. We are closely involved in wider Civil Service work. One aspect of this is a need to improve our management of those individuals whose performance falls below acceptable levels but we expect that we will need to continue to use early release for refreshment purposes as well as simply to achieve reduction targets.

55. We are, at present, conducting detailed analytical work to identify target groups – the skills and grades we need to refresh. Given the scale of the department's current reductions programme,

it would be unwise to commence a substantial refreshment exercise until after September 2007, by which time we will be in a stronger position to assess available skills and requirements for the future. Thereafter, on varying scales according to demand in the target group(s), an annual exercise is envisaged.

56. Our objectives during the remainder of the SR04 period are:

- to identify and size the groups of skills and grades we need to refresh;
- to prepare a bid for paid early release; and
- to establish the administrative framework for such a refreshment scheme.

Leadership and Talent Management

57. Work to address staff perceptions of their leaders will be led by our PUS Civil Service Development Group. Achieving a more consistently transformational leadership style will, of course, take time and commitment. Our initial objectives are to:



Defence engineering and science group graduates at work in MOD, Abbeywood, Bristol

- complete our analysis of current leadership development opportunities, their uptake, and perceived effectiveness;
- consider the pros and cons of extending this priority to include our Band B population (grades 6 and 7) staff – a ten fold increase in scale; and
- use this, along with evidence from external research to develop firm proposals for achieving a more consistently transformational leadership style.

58. In addition to this we will, through our newly formed Directorate of Corporate Capability, continue to handle our corporate organisational and talent development centrally. This includes central management of the Senior Civil Service, management of the department's three corporate development schemes, succession planning and an intervention capability to place personnel in posts in those exceptional cases when normal recruitment processes cannot be used.

59. A key strand of this team's work is to review our current procedures for selecting and assessing our Senior Civil Service, and benchmark the present system against best practice in comparator organisations both in the public and private sector. Our preliminary investigations have shown that a properly structured Assessment Centre which utilises a wide range of assessment methods is likely to be the best predictor of future performance and that such an approach is likely to be seen as the fairest and most objective method of selecting staff.

60. Over and above this, we will review our corporate development schemes, improve succession planning and talent management and work to establish pragmatic arrangements with the new Defence Equipment and Support organisation for centrally managed staff.

People Management

61. Research and survey work that we have conducted over the past year has concluded that we need to:

- make our expectations of line managers clear to them and their staff, in particular what 'good' looks like;
- make the most of the line management talent available to us by shortening chains of command and increasing spans of responsibility;
- ensure that our framework of incentives, advice, guidance and training reinforce the line management role and drive a consistent culture; and
- provide policies and services that maximise the value of the time line managers devote to this part of their role.

62. In taking this forward, our objectives will be:

- to create a clear definition of the 'people management' role, based on liP principles and incorporating guidance on chains of command and spans of responsibility;
- to ensure that the performance management process thoroughly reinforces people management as a vital role in achieving Defence outputs;
- to produce a better structure for developing people management skills throughout careers;
- to sponsor training to give people managers the skills to have the more challenging conversations with their staff;
- to position the Countersigning Officer as a guide, coach and more experienced people manager;

- to develop processes and tools to improve our ability to manage succession.

63. This, like the skills agenda at paragraph 44 above, represents a particular challenge. Our first step, therefore, will be to prioritise, schedule and resource work in support of these objectives.

Strategy Development

64. In addition to these seven areas where our strategy is clear, there are a number of areas where we need to better define our longer term vision and direction and therefore intend to conduct specific strategy development work. In particular, we need to understand the implications of the following issues on the contribution our civilian workforce makes to Defence and the costs of providing HR services to it:

- geographical dispersion;
- demographic change;
- middle-essence (i.e. the disillusionment that often sets when staff feel their career has reached a plateau); and
- Non Standard Terms and Conditions.

Priorities for Developing Our Civilian HR Function



65. The two key HR capabilities being created through our work to transform civilian HR are Strategic HR and HR Shared Services.

Strategic HR

66. Strategic HR serves primarily organisational clients and is provided by the Head Office corporate HR functions and HR Business Partners in business units advised and guided by Skills Champions. It has the potential to add significant business value but is immature and our priorities for developing it are:

- Architecture – to review the structure of the new HR community, including the level support we provide to Skills Champions, and to better integrate the HR community into departmental decision making processes (e.g. investment approval);
- Management Information – to provide high quality, timely, clear and consistent evidence to support decision making at all levels;
- Performance – to provide a strategic HR capability whose ability to drive up workforce capability rivals the best; and
- Professionalism - to increase professionalism both in terms of functional skills and our knowledge of the business.

67. Our objective is very much to provide a strategic HR capability that is on a par with the best in the public and, ultimately, private sectors. To do this we need to keep our transformational intent firmly in view, and be prepared to alter course to achieve it.

HR Shared Services

68. Our People Pay and Pensions Agency shared services organisation, which delivers HR services to individuals and their line managers is, by contrast, established and delivering savings. Our key objective here is to complete the roll-out of modernised services to individuals and their line managers during 2006 and the first part of 2007 with a view to achieving full operating capability on schedule in 2008.

69. In doing so our focus is on building an organisation which delivers services that rival the best, recognising that our civilians' experience of the Ministry of Defence as an employer, and the way they work, will depend greatly on this. Having successfully completed a major project to replatform our HR systems, we are working to address service quality that has affected the Agency's first few



Customer Service agent in the People Pay and Pensions Agency

months and the evidence is that we will very soon be in a position to deliver the levels of service envisaged in the Service Level Agreement.

70. But we must move on beyond this. Surveys show that our staff find many of our HR processes overly 'clunky'. In modernising our policy framework over the past year we removed large numbers of unnecessary stages and approval levels. Nevertheless there is more we can do. Having created a Shared Service centre with standardised, documented processes, we are now in a position to set up a rolling programme to apply the 'lean' techniques that have delivered substantial efficiencies in our logistics processes to our HR processes. This will mean continually eliminating non-value adding activities and practices within both our HR policies and HR services with the goal of improving their overall effectiveness.

71. Our priorities in relation to HR shared services are, therefore, to:

- build a shared service organisation which delivers services that rival the best;
- address service quality and IS infrastructure issues that have affected the People Pay and Pensions Agency's first few months and deliver the levels of service described in its Service Level Agreement; and
- eliminate non-value adding activities and practices within both our HR policies and HR services through a process of continuous improvement.

Human Capital Measurement



72. Like most large organisations, MOD's corporate planning focuses, as far as its people are concerned, on factors such as numbers, demographics, diversity and absence. Whilst these measures have some value, they provide little or no clue as to the contribution our workforce makes to Defence; effectively portraying people as a cost to be minimised rather than an asset crucial to business output and, in line with the Defence Vision, to be invested in.

73. Measures such as "revenue per Full Time Equivalent", which are prevalent in the private sector organisations are often not appropriate in our circumstances. However it is possible for us to construct measures of 'value added', for example the Defence Procurement Agency's key targets regime measures the value of assets delivered per £ of

operating costs. We have therefore set up a Human Capital Measurement project to identify a number of measures which will allow us to demonstrate how the workforce adds value to Defence while at the same time facilitating strategic decision-making about the workforce.

74. We have identified six factors, consistent with the 2004 liP standard, which we believe should characterise the relationship between the department, our people and their line managers. These are shown in the diagram below and explained in the associated text. They are a development of the principles upon which our current policy framework is based, reflecting the Defence Vision, MOD's Civil Service values, the increasing emphasis on professional skills and the importance we attach to building capability for the medium and long term.



- **Engagement** - People focused on providing battle winning personnel and equipment. Line managers who manage through their team. A department that equips and enables its people to do this, treating them with fairness and respect.
- **Ability** - People matched to the requirements of the posts they occupy, recruited on merit through fair and open competition. Line managers who manage performance effectively. A department that sets clear expectations, manages performance effectively, rewards differentially according to performance and promotes on merit.
- **Agility** - People who develop themselves continually. Line managers who free people to do so. A department that expects its people to up-skill and re-skill to meet new demands and enables them to do so and fosters a learning environment encouraging development for everyone.
- **Refreshment** - People committed to adopting and adapting the best new ideas. Line managers who provide realistic feedback and manage performance. A department that brings new talent in and manages people out of the organisation with dignity when their contribution is no longer required.
- **Resilience** - People committed to seeing the task through even in adverse circumstances, with tenure in post determined by balancing the benefits of continuity with the need for skills refreshment. Line managers who lead their staff through change. A department that deploys its resources to best effect and supports people dealing with challenging issues at work and outside.
- **Diversity** - People who value difference. Line managers who enable all of their staff to give of their best. A department that embraces diversity in its workforce and recognises the diversity of the community it serves.

Conclusion and Next Steps



75. This document has set our priorities for developing our civilian workforce and civilian HR function. These and the attendant actions are set out at Annex, but in summary are:

Developing Our Civilian Workforce

- **Professional Skills** – to ensure that our civilians have the required professional skills, particularly in acquisition and change management.
- **Pay, Reward and Performance Management** – to deal with structural pay issues and incentivise delivery, whilst adhering to the Government’s public sector pay strategy. To develop the Performance Management regime, tackling identified weaknesses and exploiting its potential to encourage the behaviours and skills we need for the future.
- **Numbers** – to achieve the numbers reduction targets set in SR04 and any that result from CSR07.

- **Diversity and Refreshment** – to deliver our Diversity Delivery Plan and establish targeted early release schemes to create headroom to bring fresh talent into key levels and skills groups and to enable us to better reflect the society we serve.
- **Leadership and Talent Management** – to ensure our Senior Civil Servants develop more consistently the leadership attributes required in an environment of complex change.
- **People Management** – to achieve a step change in the degree of attention and professionalism line managers bring to their role Developing our civilian HR function.
- **Strategy Development** – to understand the implications of geographical dispersion, demographic change, middle-essence and Non Standard Terms and Conditions on the contribution our civilian workforce makes to Defence and the costs of providing HR services to it.

Developing Our Civilian HR Function

- **HR Architecture** – to review the structure of the new HR community, including the level of support we provide to Skills Champions, and to better integrate the HR community into departmental decision making processes (e.g. investment approval).
- **Management Information** – to provide high quality, timely, clear and consistent evidence to support decision making at all levels.
- **HR Performance** – to provide a strategic HR capability whose ability to drive up workforce capability rivals the best.
- **HR Professionalism** - to increase professionalism both in terms of functional skills and our knowledge of the business.
- **Service Modernisation** - to build a shared service organisation which delivers services that rival the best.
- **Service Quality** - to deliver the levels of service described in its Service Level Agreement.
- **Continuous Improvement** - to eliminate non-value adding activities and practices within both our HR policies and HR services through a process of continuous improvement.

76. These priorities are, themselves, the blue print for the developing People Programme and the next step will be to take them and apply them to the development of the programme, for example by setting up new projects or adjusting the priorities of existing ones. Much of what is described will be achieved by directing existing resources to greatest effect through the People Programme. Nevertheless, some will require investment over and above that which we have available to us. We will bid for this through the department's internal resource allocation processes and, potentially, the CSR07 negotiations. We will, in particular, be seeking additional resources to reward people who deliver in the most demanding posts and to enable us to refresh our workforce whilst achieving overall head count reductions and, potentially, for professional development.

Annex

Strategic Priority	Strategic Aim
Developing Our Civilian Workforce	
1. Professional Skills	<ul style="list-style-type: none"> to ensure that our civilians have the required professional skills, particularly in acquisition and change management.
2. Pay, Reward and Performance management	<ul style="list-style-type: none"> to deal with structural pay issues and incentivise delivery, whilst adhering to the Government's public sector pay strategy. to develop the Performance Management regime, tackling identified weaknesses and exploiting its potential to encourage the behaviours and skills we need for the future.
3. Numbers	<ul style="list-style-type: none"> to achieve the numbers reduction targets set in SR04 and any that result from CSR07.
4. Diversity and Refreshment	<ul style="list-style-type: none"> to deliver our Diversity Delivery Plan and establish targeted early release schemes to create headroom to bring fresh talent into key levels and skills groups and to enable us to better reflect the society we serve.
5. Leadership and Talent Management	<ul style="list-style-type: none"> to ensure our Senior Civil Servants develop more consistently the leadership attributes required in an environment of complex change.
6. People Management	<ul style="list-style-type: none"> to achieve a step change in the degree of attention and professionalism line managers bring to their role.
7. Strategy Development.	<ul style="list-style-type: none"> to understand the implications of geographical dispersion, demographic change, middle-essence and Non Standard Terms and Conditions on the contribution our civilian workforce makes to Defence and the costs of providing HR services to it.
Developing Our Civilian Hr Function	
8. HR Architecture	<ul style="list-style-type: none"> to review the structure of the new HR community, including the level support we provide to Skills Champions, and to better integrate the HR community into departmental decision making processes (e.g. investment approval).
9. Management Information	<ul style="list-style-type: none"> to provide high quality, timely, clear and consistent evidence to support decision making at all levels.
10. HR Performance	<ul style="list-style-type: none"> to provide a strategic HR capability whose ability to drive up workforce capability rivals the best .
11. HR Professionalism	<ul style="list-style-type: none"> to increase professionalism both in terms of functional skills and our knowledge of the business.
12. Service Modernisation	<ul style="list-style-type: none"> to build a shared service organisation which delivers services that rival the best.
13. Service Quality	<ul style="list-style-type: none"> to deliver the levels of service described in the People Pay and Pensions Agency Service Level Agreement.
14. Continuous Improvement	<ul style="list-style-type: none"> to eliminate non-value adding activities and practices within both our HR policies and HR services through a process of continuous improvement.

