



Building productive public sector workplaces
January 2010

NEW OVERVIEW OVERVIEW OVERVIEW OVER

**DELIVERING
MORE WITH LESS
THE PEOPLE
MANAGEMENT
CHALLENGE**

INTRODUCTION

There is already active pre-election debate about public sector reform, with a generally accepted need across the political spectrum for substantial cuts in public sector spending to balance the books – albeit with differences of opinion around timings. Reductions in and cessation of services, redundancies, pay freezes and pension cutbacks all look inevitable – accompanied by the simultaneous need to drive up overall productivity and quality. We do not intend to restate the history behind, or the scale of, the fiscal austerity needed. That ground has been well covered in the public debate already.

However, there is less focus on the nature of the management challenges that need to be faced to turn this into reality – whoever forms the next government. What the CIPD is seeking to add as our contribution to this important national debate is how to build the productive public sector workplaces that are needed to deliver on these challenges.

We will be publishing a series of reports on this theme of 'Building productive public sector workplaces', setting out the CIPD's change agenda and recommendations for action. We'll be covering:

- improving people management
- reforming public sector pay and pensions
- building productive employee relations
- boosting HR practice and professionalism.

This first short paper paints the background picture. Many of the views in it are not new or exclusive to us, but the way in which they are put together gives the context for our analysis of the issues, the imperatives for change and our calls for practical action.

WHY WE NEED PRODUCTIVE PUBLIC SECTOR WORKPLACES

There is a widely held view that taxpayers and public service users are getting a raw deal. And more objectively, according to the Office for National Statistics, public sector productivity fell by 3.2% between 1997 and 2007, an average annual fall of 0.3%.

While notoriously difficult to measure, this apparent underperformance nonetheless poses a big question to policy-makers – how can the public sector do more, and at higher quality, as we move into a period of fiscal austerity? The answer lies in being more consistent in our determination to improve and reform the way we manage public sector workplaces.

The public sector is highly labour intensive (the annual pay bill, at present £158 billion, accounts for more than £1 in every £4 the Government spends). Public sector workplaces are where the impact of the squeeze on public spending will be most sharply felt, as well as being at the centre of day-to-day public service delivery. To ensure that the spending squeeze can combine cost-cutting with improvement in public sector performance, it is necessary that public sector workplaces are managed more productively.

Public sector workplaces are far from homogeneous. The variation within central government and its agencies, local government, non-departmental public bodies and the National Health Service is enormous – not to mention the increasing extent to which public services are now often provided by the private and third sectors. Front-line services to the public range from tax inspectors through teachers and nurses to police, fire and prison officers. There is not therefore a specific, detailed high-performance workplace blueprint applicable to every situation. But it is possible to identify from numerous research studies generic features of organisational design and management practice that make for productive workplaces.

Productive workplaces are those where senior managers are able to rely on highly capable front-line managers to lead and engage staff in a high-trust culture. This requires senior managers to establish a clear vision and sense of direction, while empowering skilled front-line managers and staff to use their discretion and understanding of the organisation's values in pursuing that vision. Managers take responsibility for performance-managing staff and supporting them in the learning and development activities that help them do a better job.

Effective performance management is not a punitive process, but one that brings benefits for all – positive impacts on productivity, improved quality of service delivery and a more flexible and engaged workforce better adapted to coping with change and adversity.

The CIPD has called for a freeze on the total public sector pay bill and politicians of all parties are now calling for public sector pay to be frozen or capped, as well as for reform of public sector pension provision. Increased efficiency alongside an overall reduction in public spending will inevitably result in considerable job losses, possibly amounting to 10% of the current public sector workforce. These cuts are inevitable given the fiscal situation in the UK. But they nonetheless pose significant management challenges. Truly productive, well-managed workplaces should be capable of responding to such challenges while remaining agile, innovative and productive – as many private sector organisations have shown through the current recession.

However, in the UK public sector, too many workplaces appear to be the exact opposite of productive. At first sight this seems odd because the public sector prides itself on being a 'good employer' – in the vanguard of good practice on diversity and flexible working for individuals, and home to staff who are dedicated to public service rather than simply 'in it for the money'. For example, compared with their private sector counterparts, public employees typically report greater loyalty to those they serve than to their organisation or co-workers (Truss et al 2006).

But productive workplaces are workplaces that work, not workplaces full of good intent – and it is evident that too many public sector workplaces are not working as well as they might. As a result, much of the skill, experience and expertise of highly committed public sector employees are effectively being wasted.

In the next section we explore some of the factors that sit behind this dichotomy.

WHY ARE THERE STILL TOO MANY UNPRODUCTIVE PUBLIC SECTOR WORKPLACES?

'Modernising the state' has been a mantra of politicians for over 40 years – certainly since the Fulton report in 1968 – with constant references to dismantling highly centralised command and control systems of management, devolution of decision-making to front-line staff and giving staff and service users choice over how best to deliver services.

However, in practice, politicians and senior public sector managers have for too long put too much faith in the power of centrally determined targets, inspections, auditing processes and budgetary controls as the means of driving efficiency and performance improvements. While this has not been totally ineffective, productivity and performance data clearly suggest this approach has not been particularly effective either.

From the service delivery perspective, in many cases front-line managers and staff have worked to tick the necessary bureaucratic boxes to meet targets or improve inspection ratings, rather than deliver what service users actually want. A stark case in point is the tragic case of the death of Baby P in the London Borough of Haringey. The borough's social services managers and staff were high star performers when measured on inspection ratings – but managing well by the rules rather than by quality of delivery failed to prevent a crime of unspeakable cruelty.

At the workplace level, top-down rules-based management has often left managers and staff feeling disempowered, disengaged from their work and distrustful of senior management. A recent CIPD survey of employee attitudes, conducted in July 2009, found that only one in four public sector employees have confidence in their senior managers, while fewer still (22%) express trust in senior management or say they are consulted about important decisions (20%). The equivalent figures for private sector employees are 41%, 39% and 26% respectively (CIPD 2009).

The underlying problem seems to be a lack of trust and confidence in the ability, motivation or willingness of public sector employees, including front-line managers and professionals, to perform appropriately if given autonomy and discretion over service delivery. And part of this undoubtedly stems from a long-standing pattern of often mutually suspicious relations between government and trade unions or professional bodies representing vested public sector employee interests.

This is a perennial source of tension. Although public sector professionals share the objective of serving the public interest, their representatives also aim to extract the best possible outcome in terms of employment levels, pay and conditions of work. Office for National Statistics data suggests they have been very successful in doing so. In the past decade hourly pay has increased by around 40% in the public sector compared with around 30% in the private sector, with some groups of public sector professionals faring especially well. Some argue that this differential is itself partly attributable to an element of catching up, with pay in the public sector needing to make up ground on the private sector to avoid the recruitment problems of the mid-1990s. But hourly pay is not the only measure – pension provision has become increasingly unsustainable. And there has not been a commensurate increase in either productivity or work flexibility. The more that gets spent here, the less there is available on other resources to improve service quality. There is also an issue in that many public sector employees do not recognise the scale of the changes around employment issues that have impacted on many private sector employees and how, relatively, their position has strengthened over time.

This mix of poor line management capability and low-trust employment relations is also fertile ground for both active and passive resistance to change. Despite record public sector investment, strong employment growth and relatively high pay increases in the last decade, the public sector remains relatively strike prone, accounting for 94% of all working days lost to labour disputes in the UK in 2008 with a strike rate (that is, strikes per 100,000 employees) of 124, compared with just 2 in the private sector (ONS 2008).

The level at which decision-making power is exercised is also an issue in delivering effective people management and desirable service delivery outcomes. There is something of a tension between the desire of ministers and central government officials to improve services quickly through top-down change and centrally set targets, and the political rhetoric that favours devolution and decentralisation of service delivery to more local levels. The consequence is that, despite there being many examples of services that are managed closer to the point of delivery than in the past, there is still an active political debate about the need for more services to be delivered more



locally. It seems likely, regardless of the outcome, that the next election will herald renewed efforts to roll back the centrally set target culture and shift the locus of power over decision-making away from the centre and towards localities and workplaces.

But for this to be effective, and for managers to be able to use their discretion to respond to change as it affects their individual workplaces, the public sector needs to reconsider the centralised systems of employment relations and pay determination that the trade unions and other professional vested interest groups robustly defend. National pay bargaining is further undermined by distant, opaque and cumbersome pay review bodies that allow little room to reflect organisational, let alone individual, performance and leave insufficient discretion for managers to incentivise and reward performance effectively.

So even if line management had good performance management skills, they do not have a flexible enough armoury of frameworks and tools at their disposal to help them.

But in practice, these skills seem to be missing. Research again shows that there is an inadequacy of public sector line management capability in a range of performance management areas that have a direct impact on service delivery, including absence, stress and conflict management. This is a particular public sector issue – in a 2006 Chiumento (2006) survey 40% of respondents cited poor performance as a major problem in their organisation compared with 27% in the private sector. Almost two-thirds of public sector respondents stated that their organisation had a culture that turned a blind eye to poor performance.

This finding is perhaps not surprising when one considers that most line managers are promoted to their management role because they have particular professional or technical skills or experience, not because they have displayed the ability to manage people or been given training to do so. CIPD research set out in our report *Improving People Management* (CIPD 2010) suggests that this, too, is a particular public sector issue – too few doctors, nurses, social workers, teachers or police officers receive the appropriate training to manage people productively.

In addition to the issues of quality, capability and supportive frameworks for change, it is worth noting that there is a quantum aspect too. Despite a paucity of hard official data on just how many public sector employees are working in management roles, a common criticism is that too many of the additional staff added in the last decade are not working on the front line of service delivery but are instead employed in managing or administering a burgeoning governmental and non-governmental bureaucracy.

While such criticism can be overdone, there is nonetheless merit in the argument that the public sector bureaucracy, and particularly the quangocracy, has become overinflated, and that there is considerable scope to reduce the number of managers and administrators employed in back-office roles. But any such reduction in numbers needs to be accompanied by efforts to improve the quality of public sector management. We are firmly of the view that it is possible to drive up the quality of people management, while still reducing the quantity of managers. A failure to do so will jeopardise the efforts of politicians with responsibility for Britain's public services to deliver more with less.

CONCLUSION AND VIEWPOINT

While there are many pockets of excellence in public sector management, overall we conclude that there are significant barriers to change:

- The significant underinvestment over an extended timeframe in the quality of people management skills, particularly for the front line, has resulted in too few managers having the ability to manage people and performance, and undermines the likelihood of taking a complex change agenda through to completion.
- Inflexible processes for pay determination and inflexible working practices militate against performance management and motivation at the local level. In addition, pension arrangements are unsustainable.
- The centralised nature of employee relations frameworks and systems, together with strong and sometimes unco-operative trade unions and professional bodies undermines the ability to drive performance management cultures, and the development of trust-based relationships.
- The heavy emphasis on centralised targets and audits disempowers and demotivates both front-line managers and employees. It has led to a public sector that is too often numerically overmanaged (too many managers and too much reliance on numbers) but qualitatively undermanaged (poorly trained managers and insufficient focus on the quality of delivery).

These issues cannot be treated in isolation – they are interlinked and must all be tackled to bring about systemic change. Our forthcoming series of reports will look at the issues in more detail and put forward our recommendations for change.

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