

Employers Skill Survey: Case Study Local and Central Government



EMPLOYERS SKILL SURVEY

Case Study - Local and Central Government

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FOREWORD

The Secretary of State for Education and Employment established the Skills Task Force to assist him in developing a National Skills Agenda. An important part of this remit was to provide evidence on the nature, extent and pattern of skill needs and shortages and their likely future development. The research evidence assembled by the Task Force was summarised in *“Skills for all: Research Report from the National Skills Task Force”*, published in June 2000.

An important contribution to the evidence was made by a major programme of new research. This included two employer surveys, detailed case studies in seven different industries and a review of existing surveys. We are grateful to all those who participated in this research and so contributed to the work of the task force. This report provides more detailed information on one element of this research. Details of associated reports are listed in the rear of this publication.

It should be noted that the views expressed, and any recommendations made, within this report are those of the individual authors only. Publication does not necessarily mean that either the Skills Task Force or DfEE endorse the views expressed.

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SUMMARY

As part of a wider study of skill deficiencies and gaps in the UK, a project was undertaken to investigate the specific skill needs of the local and central government sector. This study was based on 11 in-depth case studies drawn from a variety of kinds of organisation in both central and local government. This sectoral study aimed to identify the ways in which the business strategy of organisations in this sector have implications for skills, and in turn, if there are skill deficiencies in the organisation, how such deficiencies have occurred and their impact on organisational performance.

Local and central government organisations face an intensifying array of pressures made explicit in various government White Papers and manifested in the changing demand for services. The pressures are forcing government to adopt strategies based around three key components: adopting a more 'joined up' approach to delivery, a stronger client focus, and improved efficiency. Organisational performance depends on the extent to which these models are both appropriately conceived and effectively implemented. Each have different skill implications, of which strategic and people management are the most important. Others include interpersonal and communication skills, commercial skills and policy skills. In that they are absent, costs are higher and service levels lower.

At the core of this research is the desire to examine the hypothesis that better performing organisations have chosen more appropriate product or service strategies and have acquired more relevant skill sets. As far as we are able to tell from the data, this does appear to be the case.

Business Strategy

The government sector has, like most organisations, experienced a number of pressures for change. What is striking about this sector is the coherence of these pressures, in large part arising from a number of central government initiatives. There are two White Papers currently having a very significant impact on the sector (*Modernising Government, 1999; Modern Local Government, In Touch with the People, 1998*). The impact of these, along with a number of other pressures, is to push both central and local government in some clear directions towards:

- a more holistic service offering to both individuals and organisations which makes service easily accessible and more inclusive - 'joined up' government
- a consequent increased emphasis on consumers of services rather than providers, throughout the organisation
- a need to maximise efficiency and value through the use of technology, and through work organisation and process enhancement.

The experience of our case study organisations show that these components are present to a greater or lesser degree depending on the coherence and responsiveness of the business planning process. The plans vary between:

- those that do indeed integrate the components of 'joined up' working, customer facing and effective working practices at all levels of their plans
- those that do so at the top level but do not integrate these aspirations into the detail of how services will be delivered
- those that do not explicitly cover the three components at any level.

Best practice would appear to be associated with a strong degree of coherence, ie an appreciation of these key components at all stages of the business planning cycle, and their integration into the aims and targets of the organisation at all levels. A minority of our cases were this far advanced.

Organisational Responses

It might be expected that, given the universality of the experience of the pressures for change, there might be a similar consistency of response. In reality the responses of the sector vary along each of the three key elements of the prevailing business strategies.

More Holistic Service Offering

- **Cross-functional working.** Throughout the sector, organisations are seeking to blur the traditional boundaries of service delivery to perceive much of what they are charged to do, not as discreet packages, but as complex multi-dimensional offerings that have much to gain by involving others in their delivery. There has been a move away from thinking in output terms to consider outcomes: from functions to issues. In all our case studies, organisations were working on cross-functional issues using project teams to deliver combined results.
- **Working in partnership.** For some organisations this move to work across organisational boundaries on issues rather than functions has been predominately at the level of the organisation itself. The boundaries within the organisation may have become more permeable but the external organisational boundary has not been breached. In others there has also been a focus on creating partnerships with other agencies working in the same area to better deliver services to consumers. Partnerships extend beyond specific issues to include the way work is delivered, or on specific IT developments. The permeability of boundaries both within and beyond the organisation are likely to impact on the culture and ways of thinking that will have ongoing implications for skills and attitudes.

Client Focus

All our case studies are moving to be more client focused but they are doing so in three discrete ways.

- In some services the primary approach is to be **increasingly participative**, ie to engage the consumers of services in their design and delivery. This approach tends to be resource intensive and can induce a potentially slower decision making process.
- The other key move is to make services **more accessible** to consumers: *temporally* by extended service hours; *locationally*, through neighbourhood offices and one stop shops; and *technologically* via telephone enquiry lines and website information points.
- Finally, organisations are seeking to make services more accessible by **aligning delivery** to consumer needs rather than provider convenience, either directly or via a brokering agent.

Efficiency

The pressures on greater efficiency have led organisations to consider an array of more economical methods generally based around:

- **technological solutions** - the use of IT systems to provide greater efficiency though the ability to store large amounts of data and have instant retrieval capability
- **outsourcing** - the use of cheaper suppliers to deliver services rather than do so through a directly employed labour force
- **work design** - organisations have also considered the ways in which the work is delivered utilising call centres, multi-functional teams, rebalancing the skill mix in professional areas etc., perhaps in conjunction with or necessitated by technology.

Skill implications of organisational change

Skill implications varied to an extent by the organisational responses.

Joined up Government

- increased willingness to work flexibly and across organisational boundaries to deliver 'joined up' government and to meet the public's needs. This requires a broader understanding and skills in teamworking and consultation.

Increased Client Focus

- Project management skills are needed in managing change, but also in managing contractors
- Much higher standards are now required in dealing directly with the public, especially with minority groups and those who are dissatisfied with the service. Public debates are common, and presentation skills increasingly important.
- Managers need to act as coaches and mentors, to manage resources and time against competing priorities, and to manage both individual and organisational performance. Senior managers are being required to provide more strategic leadership.
- Professionalism also has to be maintained, and often to rise, to meet new demands from the public, or to deliver services to higher standards set down in legislation.

Efficiency

- Nearly everyone in the sector needs the skills to use IT as part of their work. However, there is a wider need to see how IT fits into the effective organisation or work, and to specify the next generation of major databases and expert systems.

Generic

- All these changes also have an attitudinal and motivational dimension. The workforce has to remain motivated to providing better services in a constrained and rather unpredictable environment. They also have to manage the stress which often results.

Generally, there was some evidence that more comprehensive business strategies are combined with HR strategies that take into account the drivers that we have seen causing change in the sector. Such organisations would appear to be more effective in coping with some of the skill difficulties that they may face.

Skill Gaps and Deficiencies

Skill gaps within the existing workforce focus on the soft people skills that have been proved to be of greater significance in the changing environment, and the skills to cope with new ways of working. Skill shortages, ie the inability to attract or retain certain skill sets, focus on the technical skills needed within the sector but which, for various reasons, the sector finds difficult to attract, develop or retain.

Skill gaps are seen to result from the pressures for change and their integration into business strategy. There were some skill gaps that emerged across the range of organisational responses, the most important of which were:

- **management skills.** This is partly the need for an attitude change in seeing people management as important, and partly a skills issue in being better able to deal with poor performance, more willing to delegate, to coach and to work across boundaries. At the very top there is also a need for strategic leadership.
- **interpersonal and communication skills.** There are a range of skills that are seen as of growing and more critical importance and which existing staff are seen as lacking. These include the ability to manage external relationships, the ability to influence others, especially other organisations and the public. Junior staff specifically need improved confidence, especially when writing to or speaking to the public. There has been a growing realisation that there has to be better communication and skill in dealing with minority groups.
- **commercial skills** are increasingly required in all parts of the sector but especially in trading agencies. There is also a need to be more innovative in central and local government generally.
- **project and contract management skills,** for which there has been a surge in demand for as the modernising government agenda has increasingly required project working.

Skill shortages included:

- **policy skills** - where supply is outstripped by demand. These include high level analysis and communication, especially in working with politicians.
- **IT** - where recruitment is quite a widespread problem, although some organisations claimed that it depended on how well the organisation understood what IT was wanted. In addition, many staff still have a deficit of IT skills within their own jobs.
- **specific recruitment problems** such as: accountants; a quality problem in some locations in the clerical/secretarial market; economic development officers; waste disposal; home care in rural areas; social workers. These recruitment problems were not that widespread, but where there is a national shortage (for example in social workers) it is difficult to tackle.

Whilst there was considerable commonality of expressed skill gaps and deficiencies, there was some evidence that their articulation is related to the degree of completeness of the business planning process and the organisation's response to the various drivers that we have seen. Skill gaps and deficiencies were mentioned least by those organisations which were most sophisticated, ie which had done their homework and acted on it *and* those which were least advanced and who had still not realised the full extent of the skill issues they confronted. The links between the main elements of business strategy and skills are shown in Table 1.

Table1: Links between business strategy and skills

Drivers	Key components of business strategy	Organisational responses	Skills implications	Skills deficiencies
White Papers (best value) More for less Consumer expectations	More holistic working	<ul style="list-style-type: none"> • Work in project teams/ bigger issues/work with other organisations 	<ul style="list-style-type: none"> • Increased flexibility • Working collaboratively • Project management skills • Team working 	<ul style="list-style-type: none"> • People management, coaching, mentoring • Self development • Project management
IT developments	Increased emphasis on consumers	<ul style="list-style-type: none"> • Increasingly participative • Increase access (temporal, locational, technological) • Aligning to consumer needs 	<ul style="list-style-type: none"> • Influencing skills • Negotiating skills • Communication skills • Customer orientation • Greater proficiency/ professionalism 	<ul style="list-style-type: none"> • Developing networks • Oral communication, facilitating, written communication
	Greater efficiency	<ul style="list-style-type: none"> • Technological solutions data handling/ retrieval/smart systems • Outsourcing • Work design (skill mix, job design, centres) 	<ul style="list-style-type: none"> • Management skills • Innovative thinking • New ways of working and delivering service 	<ul style="list-style-type: none"> • Performance management • Project/contract management • More commercial and innovative • Managing and developing IT systems • Strategic thinking

Impact

In a few cases the impact of skill deficiencies is to reduce the income of the organisation: for example, in trading agencies and in revenue collecting departments, it often increases costs or reduces efficiency. In many other cases, skill deficiencies result in an increase of the threshold at which the public have access to services, or delay in getting the service. This is very clear in social services and home care, but the same applies in agencies. This can result in costs being passed to other parts of the public sector - for example from social services on to the NHS.

Although the sector as a whole is growing, individual organisations have often recruited very little, and have reduced their numbers of employees. New skill needs therefore often have to be met from within the existing workforce.

Some of the most important ways in which government organisations have responded to skill needs have been through:

- the **reorganisation of work**, often at a tactical level
- **working in more interactive ways** both within and across organisations, including working with customers more frequently
- **co-opting the best** onto project teams on a range of issues.

We also noted three key HR responses in our case studies:

- **training.** Although widespread, this tends to focus on formal training, and often on accredited qualifications. Occasionally, more strategic responses were seen here, and some involved open learning. Investors in People has been strongly adopted by this sector, partly to practice what the government is preaching for others, and is proving useful in raising skill planning issues higher up the agenda.
- **recruitment.** Where this is taking place, it is often directed at bringing in small numbers of people with high level skills in areas of new demand. The use of open internal job markets is widely used as a means of encouraging staff to move more freely around the organisation and acquire new skills. However, appointments processes do not always encourage skill development.
- **performance management processes.** These have received much attention and often have a strong emphasis on skills.

Some of the barriers to resolving skill deficiencies include: tight local and occupational labour markets; lack of funds; difficulties in getting ambitious IT systems to deliver planned efficiency savings; the organisation of the personnel function in fragmented organisations; and the adoption of rigid inflexible personnel policies. Some of the enablers of change are: real participation and devolution of responsibility; good communication about priority goals and individual role models - especially chief executives - who show an interest in their own learning and that of others.

Overview

We have found that the organisations that had the most comprehensive business strategies had also thought through the skills implications of their current circumstances and had developed the most appropriate policies to tackle them. There were consequent benefits in both the level of organisational performance and the existence of skill deficiencies. However, the response of the sector generally seems to be tactical rather than strategic, and there are a range of skill development issues which could be beneficially addressed at a sector level.

1. INTRODUCTION

This report presents the findings of a study into the extent, causes and implications of skill deficiencies in central and local government. The aims of the study were to look at the business strategies adopted by central and local government and their implications for skills, examine whether there were any skill deficiencies in organisations in the sector, and identify how such deficiencies have occurred along with their impact on organisational performance.

At the core of this research is the desire to examine the hypothesis that better performing organisations have chosen more appropriate business strategies and have acquired more relevant skill sets.

1.1 Background to the Sector

There are two distinct elements to this sector: local government and central government.

During the course of the research both the commonalities and the contrasts between the two struck us. In this report we generally consider the two elements together, as a generic public service or government sector, and draw out key differences where they apply.

There is much diversity in the sector. Some of the differences are structural, ie to do with the way the sector is organised. Some are about the services that the organisations offer, and some are about the way the organisations approach their 'business'. This final category is more to do with the choices organisations can make. These choices are limited in the public sector, an observation which we will return to, but they can be made at the level of strategic responses to the pressures on the sector.

1.1.1 Structure

There are some basic differences in the way the organisations are structured and what they exist to do.

Local government

At present there are 467 local authorities in the UK (387 in England, 22 in Wales, 32 in Scotland and 26 in Northern Ireland). These divide into different types: County Councils, District Councils, London Borough Councils, Metropolitan District Councils, and Unitary Authorities, varying by their geographical coverage and service obligations. In the majority of areas in England there are two tiers of local government, where services are divided between a county council and a district council.

In the Metropolitan Boroughs, the London Boroughs, and Unitary Authorities, one-tier local government systems operate providing all services. In an attempt to develop a single tier structure of local government, restructuring of the local council system started in 1995 and introduced the Unitary Authorities (46 in England, 22 in Wales and 32 in Scotland).

Local government employs around ten per cent of the workforce in England and Wales (*The Local Government Workforce in 1998*) and collectively represents the largest employer in Britain (LGMB, 1997). Local government jobs include:

- **senior officer posts** such as: chief executives, directors and heads of services
- **professional staff** such as: teachers, social workers, solicitors, etc. Education and Social Services are the largest sub-sectors of employment local government.
- **skilled non-manual and manual staff** such as: nursery nurses, housing officers, town planners, etc.
- **semi-skilled and unskilled manual employees** such as: cashiers, pest controllers, gardeners, cleaners.

Each local authority varies in size and scope, the numbers of employees varying between as few as 100 and as many as 50,000 (LGMB, 1997). Even the smallest council provides a range of different services, in contrast to central government, where the organisations tend to be more focused on a narrower range of activities.

Central government

The Civil Service is divided into approximately 60 departments and over 100 executive agencies: subsidiaries of a department operating under the 'Next Steps Scheme' established in 1988 to improve the management and delivery of services. The Civil Service generally covers the civil branches of the state, which excludes the armed forces, government ministers, and the judiciary.

In January 1999 there were 463,700 permanent Civil Servants in post and 18,100 casual staff (Cabinet Office, 1999). Jobs include general administration and management, along with specialists such as Accountants, Statisticians, Economists, Engineers etc.

Civil Service departments vary greatly in the number of employees, the smallest employing fewer than 30 staff and the largest employing over 100,000. Over 60 per cent of Civil Service staff are based in Executive Agencies. The Benefits Agency within the DSS is the largest agency, employing approximately one quarter of all non-contract agency staff; 66,296 full-time equivalents at April 1998.

Employment in central and local government: ten key facts

1. There were 2,735,000 employees in central and local government, as at Spring 1999, a five per cent rise over the previous five years, though a reduction over the last 20 years. Some 2,118,000 are employed in local government and 617,000 in central government.
2. Most employees work in management (12 per cent) or professional occupations (20 per cent). There has been a marked rise in the proportion employed in personal and protective occupations over the last five years (up from 16 per cent in 1994) and a decline in those employed in craft (from four per cent to three per cent) and in other occupations (from ten per cent to seven per cent).
3. The majority of employees are educated to 'A' level or above (or equivalent, ie NVQ 3) - 61 per cent, up from 57 per cent in 1994. Local government employs a higher proportion of people with degrees than central government (43 per cent compared with 29 per cent).
4. One in five employees (22 per cent) in the sector received some training within the previous four weeks in Spring 1999 - a similar proportion as in 1994.
5. The workforce is mainly female in local government (up from 62 per cent in 1994 to 70 per cent in 1999) and male in central government (static at around 54 per cent). Management jobs in both sectors tend to be filled by men. While professional jobholders are predominantly women in local government, they are male in central government.
6. The vast majority of the workforce is white, although the proportion of employees from ethnic minorities has risen slightly over the last five years (from 4.3 per cent in 1994 to five per cent in 1999).
7. Nearly one-third of the workforce is part-time (30 per cent), with a rising trend in central government, particularly among managers (of whom 11 per cent are part-time in 1999, compared with five per cent in 1994).
8. The proportion of the workforce employed in both sectors on temporary contracts is static over the last five years, at around five per cent in central government and ten per cent in local government.
9. Length of service is rising, particularly in local government where in 1999, 39 per cent of the workforce had been employed for ten years or more, compared with 35 per cent in 1994.
10. The age profile of the workforce in local government is older than that in central government and is rising in both sectors. In 1994, 32 per cent of central government and 41 per cent of local government employees were aged 45 or older. By 1995, the respective percentages were 36 per cent and 48 per cent. The trend is particularly apparent among people in professional and clerical occupations, rather than among those in management positions.

Just under one-third of Civil Service staff work in London and the South East, with the remainder divided amongst the main regions of the UK. The trend is away from London (40 per cent were based in London in 1976), as departments and agencies relocate to achieve cost savings and provide employment in other regions.

1.1.2 Significant Pressures for Change

Recent White Papers on government management and structure (*Modern Local Government, In Touch With The People, 1998b; Modernising Government, 1999*) characterise the past culture of both central and local government as being structured in the interest of the service provider rather than in the interest of service users. The White Papers concentrated on attempting to re-focus and streamline government services for greater efficiency and to better address the needs of the public. They are considered in a little more detail in Chapter 2.

1.2 The Case Studies

Our sample of case studies divides to reflect the major split between central and local government. Within each of these major divisions we have also divided the sample to reflect some of the major structural differences mentioned in Section 1.2.1. Our local government case studies are:

- County Councils (2)
- District Councils (2)
- Unitary Authorities (2).

In central government we have similarly visited:

- Central Policy departments (2)
- Executive Agencies (2)
- Trading Fund (1).

The organisations vary in size, but regionally there is a heavy preponderance in the South (East and West). This is simply a result of the preponderance of central government located in the South East and a chance result of gaining access in local government. Because of the diversity of the sector, we cannot claim that the case studies are representative of central and local government as a whole, but having spoken to sectoral representative bodies (the Cabinet Office and the Improvement and Development Agency (I&DeA)) we believe their experiences are broadly typical.

Furthermore, the kinds of organisations that have participated in this research are those most likely to have an interest in, and to have done something about, skills. In searching for potential case studies we contacted sectoral bodies and were given suggestions for cases that were likely to be interesting. Inevitably in such a small number of cases, the motivation is to find some that have considered the issues and to have experiences worth sharing. These are organisations that are likely to have thought about skills issues and be interested in the skills of their workforce. Inevitably they are more likely to be examples of best practice and may not therefore represent fully the possible range of models of responses.

1.3 Focus of the Study

In each of the case studies we focused on a specific area of activity which the organisation identified, sometimes because of recruitment problems (rather rare) or skill gaps in the existing workforce, or because it was an area that had changed dramatically. In some case studies we were asked to look at managerial skills, in others project and change management; in some support service functions and others specific areas such as care staff. However, there were general themes emerging from our discussions on management and professional skills. As a result, the structure of this sectoral report takes a relatively generic view of work organisation, skill deployment and recruitment problems and skill gaps.

In each of the cases, we spoke to:

- three members of senior management, including the chief executive (or equivalent, eg Permanent Secretary)
- personnel/HR director or equivalent (or a small group of senior HR people)
- HR staff with more 'hands on' experience of skill issues, eg through recruitment, appointments, training, lIP etc.
- Line managers in the selected work areas. This could be through individual interviews, or small group discussions, or a mix of these approaches.
- employees in the selected occupations/work area
- trade union representatives (if felt to be appropriate)
- key members in local authorities.

The case studies are detailed in Table 1.1

Table 1.1

Case study	Region	No. of Employees	Sector	Org. type	Focus of study	Nature of recruitment difficulties (inc. jobs/occupations affected)	Main reasons for difficulties	Nature of skills gaps	Main jobs/occupations affected	Main reasons for skills gaps
G1	SE	750	Local govt	District co.	Corporate support services	Attracting and retaining lawyers	Unattractive career choice, non-competitive salary	Generic management skills: especially 'developing other'	Managers of staff	Culture; lack of management development support
G2	SW	2,500	Local govt	Unitary auth.	Corporate support services	Programmers; housing benefits; accountants	Attractiveness of sector; pay; long training period; poor attraction of sector; CIPFA qualification	Project management; people management	Senior/professional managerial staff	Increased emphasis on project work devolved management poor performance culture
G3	SW	400	Local govt	District co.	Project management	None		Building control officers, IT skills to manage distance working; management skills	Building control officers; managers;	Culture; age
G4	SE	5,000	Local govt	Unitary auth.	Management skills	General social workers Traffic planners and Waste planners Care workers Highways and Engineers	Not enough trained; poor image of profession; change in job responsibility from county to other councils; low pay, transient labour force; difficult national labour market; poor career opportunities; difficulty of qualifying	Management, especially managing performance	Managers	Culture, devolution of responsibility, lack of clarity
G5	SE	35,000	Local govt	County co.	Management skills	Social workers; home care workers	Reflects national picture, but more problematic (undesirable location due to major new retail complex offering higher wages and absorbing majority of local supply)	Management especially budgets people, performance and external relationships	First line managers and supervisors	Always a problem, highlighted as serious in the context of legislation and partnership working
G6	SE	17,000	Local govt	County co.	Care workers/Social workers	Personal care staff in rural areas; Qualified social workers	Small available pool of labour and jobs pay very poorly; national shortage of qualified social workers due to cut-backs in sponsorship of postgraduate training by the sector	Effective use of IT; Database design; Project and major contract management People management communication skills; Strategic management	Most staff who use IT; selected professionals and managers; all those dealing with the public; executives	Increased use of IT; need to monitor outsourcing and change; reliance on motivation higher demand in the LG sector; significant change

Table 1.1 continued

Case study	Region	No. of Employees	Sector	Org. type	Focus of study	Nature of recruitment difficulties (inc. jobs/occupations affected)	Main reasons for difficulties	Nature of skills gaps	Main jobs/occupations affected	Main reasons for skills gaps
G7	UK	9,000	Central govt	Department	Management Skills	Virtually no external recruitment undertaken for the last five years; difficulties in making internal advertising and vacancy filling system work	N/A	Management skills	Across the board and at every level	Technical skills are valued more than managerial ones; poor development; a long chain of accountability, so that many people manage a few staff each (ie managerial population is very large)
G8	UK	22,000	Central govt	Agency	Issues in regional offices	Office staff in a few labour markets near London Technical experts in financial areas	Some labour markets overheated and available recruits do not meet selection criteria; finance sector pays a lot more in some specialist areas and internal job evaluation system slow to adapt	Effective use of IT; knowledge mgt and major systems design; people management; policy skills; technical expertise	All staff; those leading IT All managers; policy staff; core professional staff	Increased importance on IT and scope for major systems improvements; Increased challenge of management; Policy areas more challenged by current administration, external experts, Europe and the public; Same pressures mean core professional staff need to be better equipped
G9	UK	2,000	Central govt	Department	The impact of culture change	None reported		IT use; Project management; people management; including managing teams; financial management	All staff managers;	Changing delivery (the white paper)
G10	UK		Central govt	Agency	Legal professionals; Managers	Lawyers	Competition from private sector	Managerial skills; general lifelong learning awareness; IT skills	Management; non-professional jobs; general	Re-organisation will require more devolved management roles; cultural focus of CPD on professionals; need to update IT
G11	UK	250	Central govt	Trading fund	Teaching staff	Uninformed teaching staff	Felt to be a sideways career move	Financial awareness customer focus; communication skills; innovation	Senior staff and others; all	More commercial environment

2. BUSINESS STRATEGY

In this chapter we look first at the key drivers on the sector and examine the ways in which these affect business strategy and plans.

Local and central government organisations do not have the same degree of freedom as the private sector to make business decisions. What public sector organisations exist to do, and the ways in which they can deliver it, are tightly controlled by statute and influenced by the political process. They cannot choose their market or product strategy, neither can they withdraw from difficult or unpopular work. Within the constraints of statute, they can, however, make some strategic choices about how they deliver services and how they respond to the various external drivers that impact upon them.

The tendency is for business plans to exist at a number of different levels (ie for the whole organisation and for units within it) and to reflect the organisation's overall business strategy. These business plans vary in terms of their focus on hard or soft targets. In essence they provide (ideally) the blueprint for the organisation's priorities and actions.

2.1 Context

2.1.1 Drivers for Change

Current government initiatives

The two White Papers currently having a very significant impact on the sector are:

- *Modernising Government* (1999) which looks at ways forward for developing and updating government departments and government services with new practices, policies, and technologies, such as:
 - shifting the focus away from the needs of the service providers and towards the needs of the consumer or citizen
 - emphasising the need for dealing with situations that arise in a 'joined up way'
 - identifying 'cross-cutting' issues that could be tackled most effectively by working across traditional organisational boundaries.
- *Modern Local Government, In Touch With The People* (HMSO, 1998) which demonstrates many similar themes - stating that councils need to 'break free from old fashioned practices and attitudes'. It encourages:
 - a greater emphasis on **consumer responsive services** (DETR 1999)
 - **best practice**: via the Beacon Council Scheme
 - **best value**: encouraging the improvement of quality and standards through conducting performance reviews of all local authority services
 - **new political structures**: restructuring councils through the election of an executive mayor with a cabinet, or a council cabinet and cabinet leader
 - **ethics**: the Organisation and Standards Bill calls for the adoption of a 'Code of Conduct' for all councils and council employees.

The impact of these White Papers has been considerable. The organisations that we visited were all experiencing real pressures for change engendered by:

- the push for more integrated approaches to complex social issues
- the need to get closer to consumers of public services
- a re-focusing on quality and value rather than just cost
- new ways of delivering services.

Structural change

Such general pressures exist alongside the consequences of structural changes. For instance, central government departments have been merged, eg the merger of the Departments of Environment and Transport to form DETR (The Department of the Environment, Transport and the Regions). In local government, the restructuring programme which led to the creation of the unitary authorities resulted in major movements of staff and services.

International influence

In central government there is a growing need to act more on a European stage. This is partly induced by a more positive government attitude towards Europe, partly by the increasing influence of European legislation, and partly by growing competition from Europe which requires economic policy responses.

2.1.2 Constraints

More for less

One of the long-term side effects of the changing demography of the UK has been that the volume of much of the work delivered by the sector has increased (eg work with the disadvantaged). Changing social expectations have also raised consumer demands on the sector, and the increased expertise and sophistication of corporate clients has raised the degree of expertise needed by various legislative functions. When this is coupled with the restraint on public sector spending imposed by successive governments, the sector has had to contend with high levels of demand and finite and tightly constrained resources. One of the dilemmas for many organisations within this sector is that demand is often outside their control and resources are not flexibly aligned to meet it.

A combination of the need to show that efficiency is improving, to agencies such as the Audit Commission, and the desire to measure impact on the consumer, has led to a 'key indicator' or 'league table culture', where measuring and monitoring have become major activities.

Political pressure

Our local government case studies and some of our central government organisations were also subject to political pressures from councillors or ministers. Within local government this could be about highly parochial issues raised by individual constituents, or general public opposition to specific proposals. Both can inevitably distract from agreed strategy or policy. In central government, changes in ministerial control are likely to change the emphasis or direction of a department, which can result in cynicism from staff and a lack of clear vision.

2.1.3 Supply Changes

IT challenge

Information technology poses a major opportunity to this sector and a major challenge. It provides the means by which some of the hopes of the White Papers may be delivered, but there are problems of resourcing IT initiatives. Public sector organisations tend to experience problems with capital planning for IT expenditure.

At its best, technology frees up the way people operate, it provides greater opportunity to engage with people, to communicate more quickly, to break down hierarchies and contact relevant individuals direct, to free up where people work, to create much greater flexibility of service delivery. One council (G5) had established local IT centres to minimise the time frontline professional staff spend travelling back to offices to communicate with colleagues, and thus maximise time with service users. Technology also focuses consumer expectations about what is possible and how they will be handled. The more sophisticated the consumer the more the pressure on the organisation to meet expectations.

The key elements of new technology impacting on the sector are:

- communications, ie e-mail systems, access to intranets and the Internet, affecting communications within and between organisations and with the public
- databases for storing and retrieving information. Such databases can also allow for tracking or targeting cases and potentially allow for streamlined working.
- smart systems that hold 'know-how' such as rules and regulations. They can allow less knowledgeable staff to deal with cases requiring the application of such know-how.

2.2 Strategic Responses

We have analysed the strategic responses of central and local government to the above pressures for change in two ways. Firstly, through examining business plans and other documentation provided by our cases. Secondly, from responses to question in our interviews at all levels of the organisations visited.

Business plans reflect the basic rationale of both local and central government, which is to serve society in some specific way. They are characterised in the public sector by being both internal *and* public relations documents, which tends to make them highly aspirational and sometimes quite vague at the topmost level. Even the verbal articulation of the 'business strategy' by some senior managers was occasionally superficial and lacked depth.

However, not all strategic responses were shallow. Many business plans for service units show detailed understanding of key pressures on the service, with carefully thought through and innovative potential solutions, reflected in thoughtful analyses by senior managers.

On the basis of our analysis of the two sources of data, the strategic approaches adopted comprise some combination of:

- a more holistic service offering to both individuals and organisations, which makes service easily accessible and more inclusive - commonly characterised as 'joined up' government
- consequent increased emphasis on consumers of services rather than providers throughout the organisation
- a need to maximise efficiency and value through the use of technology, and through work organisation and process enhancement.

2.2.1 More Holistic Service Offering

Our cases were moving towards being more 'joined up' in two different ways. Internally they were looking at ways of working which were more cross-functional, either through more multi-disciplinary project teams, or by attempting to break down departmental boundaries in other ways. Externally there were examples of greater partnership working.

Cross-functional working

Throughout the sector, organisations are seeking to blur the traditional boundaries of service delivery, and to conceptualise their responsibilities as complex multi-dimensional offerings that have much to gain by involving others in their delivery. There has been a move away from thinking in terms of organisational boundaries based on 'functions' to the resolution of issues. In all our case studies, organisations were working on cross-functional issues using project teams to deliver combined results. Typical of such issues might be project teams in local government to tackle social disadvantage, combining employees from social service departments, housing and education. Similarly, in central government, with a move towards more encompassing and stretching organisational aims, there has been a need to see the role of departments as greater than administration and also encompassing social change.

For some organisations, this move to work across organisational boundaries on issues rather than functions has been predominately at the level of the organisation itself. The boundaries within the organisation may have become more permeable but the organisational boundary has not been breached. In other organisations, there has also been a focus on creating partnerships with other agencies working in the same area to deliver services to consumers better. For example, in tackling poverty, these might involve all those other agencies in a community that provide services to the disadvantaged: the police and the NHS as well as those from local government. The need to move across boundaries is dependent on the complexity of the issue, and the degree to which the organisation has adopted a business strategy of 'joined up working' and has seen it develop in reality.

Partnership working

The greater use of partnerships shows signs of extending beyond specific issues, to engaging partners on a number of other projects such as the way work is delivered, or on IT developments. Where boundaries have been softened, there is a resultant cultural impact and hence a tendency to adopt new ways of thinking that will have ongoing significance.

In terms of our case studies, some have made strong statements about more holistic approaches (ie G3, G4, G5, G6, G7, G8 and G9) while real progress appeared to have been made in fewer (G3, G4, G5 and G9).

2.2.2 Client Focus

All our case studies are moving to be more client focused but they are doing so in three discreet ways.

- In some services the primary driver is to be increasingly participative, ie to engage the consumers of services in their design and delivery. This is predominately a face-to-face exercise involving consultation exercises, public meetings, setting up panels and representative groups. The focus of this change is the increased democratisation of the service. The impact on the organisation is that it is resource intensive and a potentially slower decision making process. Local government has seen the main adoption of this approach in the delivery of services (such as housing or planning) on behalf of a community.
- The other key move is to make services more accessible to consumers. These access issues include temporal access by extended service hours, locational accessibility through neighbourhood offices and one stop shops, and technological access via telephone enquiry lines and website information points. What is provided is related to consumer demand, and there is some evidence that consumers want different things from different services (People's Panel, March 2000). This trend has affected both central and local government and has been particularly marked where services are distant from the consumer, and where there is particular demand for access to information out of working hours (eg many of the Benefit Agencies, Inland Revenue, Passport Agency etc.).
- Finally, organisations are seeking to make services more accessible by aligning delivery to consumer needs rather than provider convenience. This is related to the more holistic provision of service; the impact on client focus is to provide access to a complex range of services via a brokering agent. Most common in local government, this service broker can help the consumer steer a course through the wide range of service provision, sometimes provided by different agencies, sometimes within the same organisation, eg care options for elderly relatives.

All of our local authorities were being more participative in their service delivery, both to internal and external customers (G1-G6). Some of the most advanced had also considered the issue of accessibility, creating websites and electronic enquiry points (G4 and G5). In central government, whilst increased accessibility was under consideration in several of our case studies, only one had developed any systems (G8). In only a couple of cases was consideration given to how consumers can be guided through service provision via a broker (G4 and G8).

2.2.3 Efficiency

The pressures on greater efficiency have led organisations to consider an array of methods of service delivery which potentially deliver more economically to the consumer. These cluster into three main forms:

- **technological solutions** - using IT systems to provide greater efficiency though the ability to store large amounts of data and have instant retrieval capability
- **outsourcing** - using cheaper suppliers to deliver services rather than do so through a directly employed labour force
- **work design** - re-engineering the ways in which the work is delivered by utilising call centres, multi-functional teams or re-balancing the skill mix in professional areas.

Technology fix

Many central government departments have moved to implement IT systems to help them with the huge data gathering, storage and manipulation that many of them have to do (eg the Contributions Agency, the Passport Office, Immigration and Nationality Directorate, Inland Revenue etc.). Among our case studies, technological solutions had been pursued in G3, G4, G5, G8 and G9.

Outsourcing

Economic drivers have led some departments and agencies and much of local government to move towards a core/periphery model. The core of the organisation increasingly concentrates on the strategic issues, whilst a periphery resourced through temporary and casual staff and outsourced labour, delivers some of the services or provides non-core support to the organisation. It is interesting that some core services (eg highways, residential social services) have moved to the periphery through outsourcing.

In local government many manual services have been outsourced: refuse collection, street sweeping, highways maintenance, parks and gardens and, increasingly, certain white collar professional services such as surveying, architects etc. In central government there has also been a move to contract out support services such as security, building cleaning and catering. The trend in both parts of the sector has been to examine the provision of white collar support services such as IT support and development, payroll and other accounting functions, and personnel service delivery such as training.

New for central government (but not local, where it has been commonplace) is IT outsourcing, but this is often driven by the need to spread capital planning rather than by skill needs or politics. In central government, the supply of major IT systems by contractors has set huge management challenges, as these systems are absolutely critical to service delivery.

All of our case studies, with the exception of G2, had pursued a strategy of outsourcing to varying degrees.

Work design

There were many examples in our case studies of units within the organisation finding tactical solutions to skills issues in redesigning the way work is delivered. The objective of some of this redesign is to bring the service closer to the customer, ie more accessible, with better spread of response, eg help desks and call centres.

In one council (G3) this desire for a more responsive customer focused service has gone beyond the tactical to encompass a strategic restructuring of the entire organisation. Departments were disbanded, directors formed a strategic management team, but without departmental responsibilities, to increase the focus on the entire organisation. Meanwhile, middle managers headed up services whilst simultaneously engaged in a number of cross-service project teams. Professionalism then resides further down their hierarchy of concerns. The response of staff was to acknowledge that this devolvement of decision making and greater responsibility and empowerment had led to greater engagement and motivation.

This particular restructuring was driven by the Chief Executive's conviction of the value of empowerment and the need to change structures to make it work. Such change does, however, take enormous personal conviction and the willingness to overcome resistance, to take risks and hold firm while the change takes effect.

We saw another example of a tactical re-organisation of work that followed a period of unsuccessfully trying to cope with increasing workloads and a backlog of work, in a Housing Benefit unit (G2). For some two years a number of solutions were trialled to try and avoid increasing the number of staff. But these solutions tended to be reactive and highly short-term, such as increasing overtime to very high and eventually unsustainable levels. Only when faced with mounting customer dissatisfaction and no diminution in the backlogs, were more considered approaches brought into play. Staff felt that the section had been very badly managed and that this failure to look at the issue over such a long time had damaged the reputation of the unit.

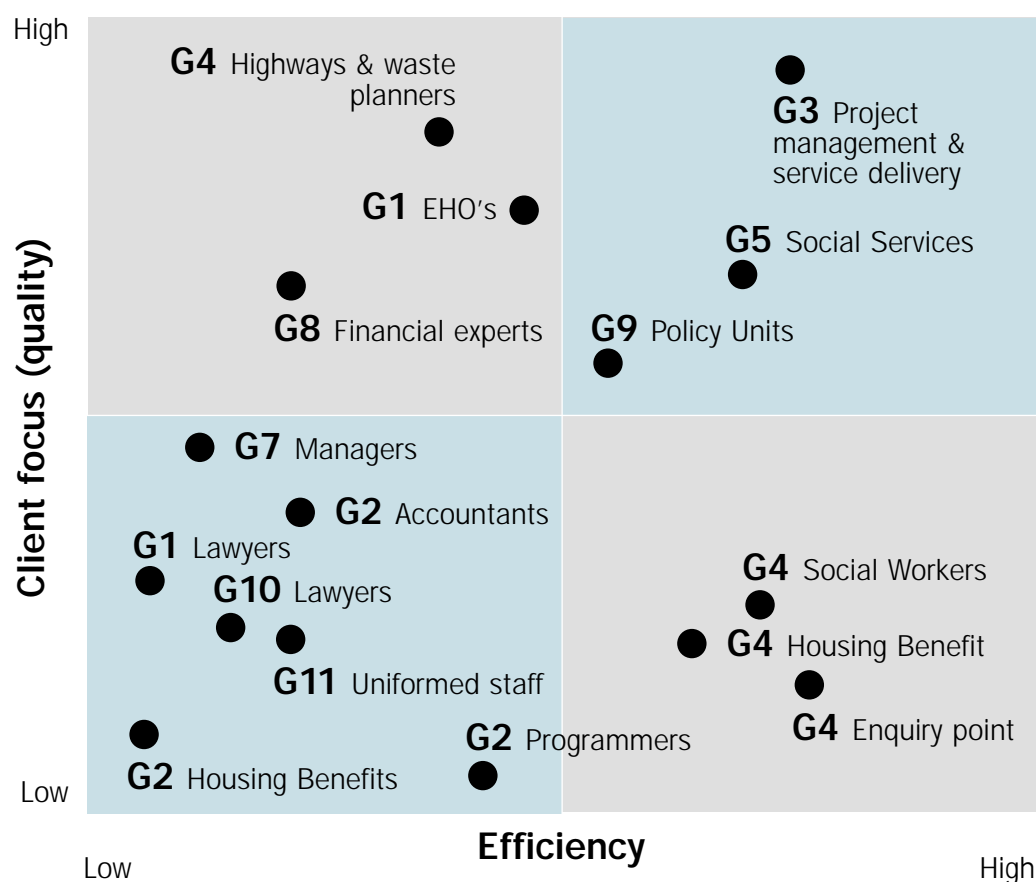
Some of these work design changes have only been possible with the concomitant development of new technology such as call centres. Some have been necessitated by new IT systems, eg moving to multi-functional teams on the implementation of a new computer system to deal with incoming 'cases'. Work design solutions had been actively pursued by G1, G2, G3, G4, G5, G6, G9, G10 and G11. For the minority of these organisations, the work design approach had been adopted strategically across the organisation (G3 and G9).

2.3 Best Practice

We found that all the above strategies could co-exist in the same organisation in different services, especially in local government where the service offer is so diverse. It was not possible to allocate the cases wholly to one of the identified strategic approaches and develop distinct models of response with any confidence. Parts of the organisations that we explored will move more towards one strategy over another, or show signs of being driven more by one strategy rather than another. Whilst not wishing to suggest that a particular strategy applies to an entire organisation, we have attempted to show how the responses of parts of the organisation map onto the broad strategies described above. In doing so, we have used the two dimensions of an emphasis on greater client focus (what might be thought of as a quality concern) and an increased emphasis on efficiency, and positioned our case studies on the resultant matrix (Figure 2.1).

We have not used our third dimension of a more holistic service offering as this does not appear to differentiate our case studies to the same extent. All were increasingly applying this strategy in response to the government agenda. What our matrix shows is that organisations can favour different strategies in different services according to both need and capability.

Figure 2.1 Positioning elements of case studies on a strategic framework



Source: IES Case Study Visits, 2000

Case G6 is excluded as our visit concentrated on management skills which do not readily map onto this analysis.

What really separates organisations in the sector is their ability to deliver any of these strategies, their ability to see the implications of a particular response for the skill needs of their workforce, and their ability to predict deficiencies and gaps and react. In this sense, some of our case studies were much better at exploring an array of solutions in line with their business plan and aligned with the needs of consumers, than others.

Having looked at the drivers facing the sector and the responses that organisations have developed, we believe that there are a number of characteristics of good strategy. We would expect the organisations to have explicitly addressed the three key components at the highest level. As the strategic plans cascade into service plans, these three 'best practice' components should be integrated into service objectives and guide both the objectives themselves and how they will be delivered.

The plans available from our case study organisations divided into three types:

- those that do indeed integrate the components of 'joined up' working, customer facing and effective working practices at all levels of their plans
- those that do so at the top level, but do not integrate these aspirations into the detail of how services will be delivered
- those that do not explicitly cover the three components at any level.

In very general terms, those organisations that do look at the three strategic components at all levels also seem to develop much better and more coherent action plans. The best plans reflected in detail the actions that the organisation (or relevant units within it) intended to take, and the ways in which people management issues impact on these aims. Certainly, some strategic plans, and the individuals responsible for them, are much clearer on the ways in which the organisation will go about achieving its aim over the coming year, and who will be responsible.

We explore the performance of our case studies on some of the key aspects in Table 2.1. This is a very broad-brush categorisation but does give some inkling of the degree to which our organisations were able to implement the three key components of good strategy.

Table 2.1: Performance of case studies in developing and implementing strategy

Strategic responses	Case	1	2	3	4	5	6	7	8	9	10	11
Holistic service	Cross-functional work	2	1	3	3	3	2	2	2	3	1	1
	Partnership	2	1	3	3	3	2	2	1	3	1	1
Client focus	Client focus	2	2	3	3	3	2	1	2	3	2	2
Efficiency	Technology	0	0	2	3	3	0	0	3	3	0	0
	Outsourcing	2	1	2	2	2	2	2	2	2	2	2
	Work design	2	1	3	2	2	2	2	2	3	2	2

Key: 0 = no data

1 = no explicit reference to key components at any level

2 = components integrated at top level

3 = components integrated at all levels

Source: IES Case Study Visits, 2000

3. SKILL IMPLICATIONS

Each of the key components of the business strategies adopted by our case studies generates particular skill needs, although many of the skill requirements are generic to all elements. In this chapter we separately examine the implications for skills of the drive towards a joined up approach to service delivery, increased attention to customers and greater efficiency. This is summarised in Table 3.1.

3.1 'Joined Up' Approach and Cross-boundary Working

Many of the cases felt they needed to work more closely with others to meet the national government agenda, partly because of resources and partly because of the need to tap into additional skills and experience. Working across functional or organisational boundaries requires genuine information exchange, the development of joint responses, and shared responsibilities and teamwork on delivery. Such partnerships are more likely to deliver better quality outcomes to consumers. However, they are not without difficulties and do require new ways of working and, consequently, different skills and approaches to work.

- Increased flexibility, ie staff need to be more willing to do different jobs and as a consequence live and work with high levels of uncertainty.
- Some employees are required to see their role more in terms of long-term programmes of activity rather than 'one-off' projects or isolated tasks. They cannot be responsible for all of such activity, so sharing the ownership and working collaboratively with others is important.
- The ability to undertake ongoing project work requires project management skills and the ability to work both in temporary project teams and in the normal day to day role.
- The cross-service nature of joined up government requires greater awareness of issues that go beyond the boundaries of professional expertise, which necessitates a degree of intellectual breadth and open-mindedness, while retaining political awareness.
- A different perspective is required, eg dealing with and viewing the public differently as both consumers of services and potential partners in their development. This may be especially marked in central government where interaction with the public has not been very common in many departments.
- There is a need to be able to work in teams and consequently to work in partnership with others including those from outside the organisation.

3.2 Greater Customer Focus

One of the skill issues arising directly from the increased client focus is a growing demand for softer communication skills, due to:

- a shift in their roles away from enforcement and regulatory responsibilities towards an advisory/educational role. In one of our local government case studies, an Environmental Services department now encourages clients to complete continuous self-assessments of risk. Many of the staff spoken to found this subtle change in the way they interact with the public a positive thing. It has placed enormous importance, however, on individuals' influencing skills. The relationships they have with 'clients' are now longer-term and the ability to win people's trust through personal integrity and credibility is seen as critical.

- the need to work in partnership and deal with information on best value, understanding and passing on information to those who are affected.
- the growing expectations of support services to be solution focused to meet the needs of the operational departments and the corporate centre. This results in a new emphasis on **facilitation and presentation** skills in areas such as audit.
- the fundamental change in orientation underpinning these developments, towards putting the needs of the client first, rather than the provision of the particular service.

3.2.1 Technical Skills

An increased client focus does not only impact on generic skills but can also lead to an increase in technical/professional skills, due to the increasing expectations and sophistication of internal and external customers. A secondary reason is an increase in the skills or competence in certain occupations, laid down in statutes, which the government has introduced in response to public concern over standards of professionalism.

The drive to greater efficiency can also affect technical skill needs. Playing the role of 'intelligent customer' in relation to outsourced services and contract management also changes the role of 'experts'. In outsourced services, specialists no longer have operational responsibilities, but it is essential that they keep up to date and fully informed about legislative changes and issues in the local community, in order to establish service delivery standards and to ensure adherence. Increasingly, professional staff are responsible for recording their time, in order to charge industry and other 'clients' accordingly.

3.3 Improved Efficiency

Getting 'more from less' imposes a further range of skill demands, including better management of resources and people and harnessing new technology.

3.3.1 Management Skills

Such a changed environment inevitably puts additional pressures on management skills including:

- moving from manager as controller to manager as coach and mentor. Getting staff to work within frameworks rather than within instructions involves a range of **people management skills**.
- **managing resources** as demand for services in many areas is constantly increasing
- **time management** because of conflicting priorities
- **performance management** skills.

In addition, some of the skill impacts are less to do with managing people better and more about being able to provide strategic leadership and being able to work and think in more creative ways, free from the straightjacket of existing cultures and systems. The impact of increasing responsibilities but with static resources is potentially to necessitate the **devolution of decision making**. This may lead to pressures to make decisions without support, therefore needing skills of strategic understanding, political sensitivity and confidence etc. This is a particular challenge to senior civil servants and senior officers in local government, who still see themselves as professionals first and managers second.

In a more demanding environment where the option of growing resources is not available, more effort needs to be given to skill mix on the resource side, and to differentiating need and access to services on the demand side.

Table 3.1: Links between business strategy and skills

Drivers	Key components of business strategy	Organisational responses	Skills implications
White Papers (best value) More for less Consumer expectations IT developments	More holistic working	Work in project teams/bigger issues/work with other organisations	Increased flexibility Working collaboratively Project management skills Team working
	Increased emphasis on consumers	Increasingly participative Increase access (temporal, locational, technological) Aligning to consumer needs	Influencing skills Negotiating skills Communication skills Customer orientation Greater proficiency/professionalism
	Greater efficiency	Technological solutions - data handling/retrieval/smart systems Outsourcing Work design (skill mix, job design, call centres)	Management skills Innovative thinking New ways of working and delivering service

Source: IES Case Study Visits, 2000

3.3.2 Using Technology

The drivers for greater efficiency have identified an increase in information technology (IT) as a potential solution in all the case studies. Most individuals were referring to an understanding of key packages (Word, Lotus Notes, Excel or a particular in-house development) ie the ability to use the tools IT provides. There is a growing realisation that nearly all employees must be IT literate. For a few there was also a realisation that IT development requires the flexibility to work quite differently, ie more openly, to communicate more, to respond faster. There was less obvious appreciation of the strategic use of IT. In one of our local government case studies (G5) there had been attempts to use IT more strategically across the organisation, including working with partners in both the public and private sector to develop an IT initiative in housing benefits. In one of the central government cases there was an internal project team developing an IT strategy to meet the organisation's espoused business plan for a more open and integrated service with increased team working and communication.

The impact of the drivers on business strategy and the resultant organisational responses and their implication for skills is summarised in Table 3.1.

4. SKILL GAPS AND SHORTAGES

In this section we explore the experiences of our case studies with regard to recognised and reported skills problems materialising either as skill gaps (ie skill problems within the existing workforce) or skill shortages (ie problems in recruiting specific skills).

The most notable feature of these discussions is the general lack of recruitment difficulties in the sector. For some of our organisations there were no recruitment difficulties. This is partly due to the low turnover and low recruitment levels - for central government it is also eased by the generic entry of staff at key points and the tendency to resource other jobs internally. Where difficulties were identified they tended to be in highly specialist areas.

The second issue to emerge from our discussions was a clear distinction between the way cases refer to skill shortages, as opposed to skill gaps in the existing workforce.

- **skill gaps** were consistently referred to in terms of soft skills rather than technical skills, and quite complex skill sets at that. Alternatively, the case study would describe gaps that were clearly attitudinal, eg the willingness to deliver exceptional service or do more than the minimum.
- however, when the organisations refer to **skill shortages** they inevitably refer to kinds of people, eg accountants or engineers. These are skills described in the broadest and crudest terms and tend to be highly technical in nature.

These two distinct articulations are a direct reflection of two quite separate experiences of skills deficiencies. There are the problems that arise from the impact of changing demands on service delivery (ie the changing government agenda) and those that arise from trying to deliver the 'day job' (ie what the organisations exist to do). **Skill gaps** in the existing workforce materialise as a result of the changing demands on how services are delivered. **Skill shortages**, ie skill-related recruitment difficulties, arise from trying to find the basic technical expertise to do what the organisation exists to do.

4.1 Skill Gaps: Impact of Changing Demands on Service Delivery

Meeting the changing character of demand for public services posed a series of skill challenges for our case study organisations. Three broad generic skill gaps emerged across all the cases:

- becoming more '**solution oriented**' - there was a large gap between supply and demand in terms of the generic people skills now required, eg working with others to find solutions, management skills, presentation and negotiation skills. This is partly a result of more demanding customer or consumer pressures and partly a result of the driver for a more holistic offering and greater consumer focus.
- developing the subtle **multiple skill** sets only visible in operation in the workplace, such as combining excellent negotiation skills with technical knowledge of waste management. It was no longer enough for individuals to be technically expert; they had to also possess excellent people skills (such as negotiation or influencing skills) to be able to achieve the kind of results expected.
- **innovation** - including the ability to think differently and to consider new ways of working, including utilising new technology and conceiving of work being delivered in different ways. This is partly the need to achieve greater efficiency and partly in response to greater demands from customers.

These skill deficiencies may be partly the result of past recruitment focussing primarily on the technical skills necessary to do the job, rather than on the attributes of the individual which will be applied to the job and, if deployed effectively, release the technical skills elements. They are also the outcome of changing pressures on delivery cascading into business plans and beginning to affect the behaviours of organisations. In doing so, they are highlighting previously unknown skill problems - ie previously latent skills gaps are being revealed.

In addition, a range of more particular skills gaps emerged from the cases, which can be seen as an outcome of the pressures on organisations and the skill implications that they cause. We have grouped these together under the key headings of:

- **more holistic ways of working** with implications for flexibility, project management skills and team working
- **greater customer focus**, creating growing demands for influencing and negotiating skills, increased demand for good communication skills, increased customer focus and greater demands for professionalism
- **improved efficiency** and demands on performance management skills and the need to think differently about how work can be delivered.

In Table 4.1 we repeat again the relationship between the pressures on the organisation and organisational responses, the skills implications and how these are reflected in skills deficiencies.

Table 4.1: Links between business strategy and skills

Drivers	Key components of business strategy	Organisational Responses	Skills implications	Skill deficiencies
White Papers (best value) More for less Consumer expectations IT developments	More holistic working	<ul style="list-style-type: none"> • Work in project teams/bigger issues/work with other organisations 	<ul style="list-style-type: none"> • Increased flexibility • Working collaboratively • Project management skills • Team working 	<ul style="list-style-type: none"> • People management, coaching, mentoring • Self development • Project management
	Increased emphasis on consumers	<ul style="list-style-type: none"> • Increasingly participative • Increase access (temporal, locational, technological) • Aligning to consumer needs 	<ul style="list-style-type: none"> • Influencing skills • Negotiating skills • Communication skills • Customer orientation • Greater proficiency/professionalism 	<ul style="list-style-type: none"> • Developing networks • Oral communication, facilitating, written communication
	Greater efficiency	<ul style="list-style-type: none"> • Technological solutions - data handling/ retrieval/ smart systems • Outsourcing • Work design (skill mix, job design, call centres) 	<ul style="list-style-type: none"> • Management skills • Innovative thinking • New ways of working and delivering service 	<ul style="list-style-type: none"> • Performance management • Project/contract management • More commercial and innovative • Managing and developing IT systems • Strategic thinking

Source: IES Case Study Visits, 2000

4.1.1 More Holistic Ways of Working

People management skills

Changing organisations inevitably expose the leader's ability to help guide people through the changes, and to change themselves. Working in more holistic ways and more flexibly requires better people management skills, managers who can support staff through coaching and mentoring, who can self-develop and who can manage multiple projects. All of our case studies mentioned people management skills as being crucial and lacking. Specifically, comments were made that:

- there is a general need for better **people management skills**; some managers were described as never being seen, others as taking an overly aggressive approach.
- managers tend to be unwilling to admit to learning needs or to engage themselves personally in **lifelong learning**. In one central government department (G7) the Permanent Secretary was sharing his development needs with the whole department to encourage a cultural acceptance of development needs. However, generally it was felt that organisations do not challenge poor management behaviour and managers do not welcome or encourage challenge.
- much work now happens across organisational structures rather than up and down organisational hierarchies. This requires the development of **networking relationships** rather than those based on power, and the ability to see the system rather than be expert in one small part. This was mentioned by all.

Working across boundaries also requires bringing together experts from different parts of an organisation, or different organisations, to form temporary project teams working on a specific issue that affects them all. Many of our case studies mentioned the problems of finding people with good project management skills who could ensure that this way of working was successful. The ability to manage complex projects with multiple partners to time and to arrive at successful outcomes was a skill set in short supply.

4.1.2 Increased Customer Focus

Communication skills

With the growth of partnership working and cross cutting project teams, and the greater engagement with the client, there is an **oral communication** skill set around working with these non-hierarchical relationships that is lacking. These skills include chairing meetings, public speaking, dealing with the media, facilitation skills, and influencing and negotiating. Those organisations that had most clearly pursued a policy of greater engagement with service users were most likely to note such problems.

Case studies were addressing communication skills through resourcing and career development considerations. Training and development work was not much in evidence, perhaps because some of the skills gaps were seen to be either fairly basic and therefore difficult to design remedial training, or to require very long-term development.

4.1.3 Greater Efficiency

In the drive for greater efficiency teams and individuals are being urged to work more effectively. There are increasing pressures to deal with poor performers and to help staff maximise their performance. There is also the need for managers to be able to think more strategically about how the service could be delivered differently. Case studies reported skills deficiencies in the following areas.

- **Managing performance** is seen as a skill many managers do not possess, even more so when managers need to deal with poor performance. New performance management systems are one solution. This skill need was mentioned by nearly all our case studies.
- For some organisations the ability to manage the workloads of teams through **effective delegation** was lacking. Managers found it difficult to identify strengths and weaknesses of staff and delegate appropriately. **Coaching skills** were found not to be embedded in the repertoire of management behaviour, and the shift from more traditional, hierarchical styles to more engaged and involving styles had not been accompanied by a development of the requisite skills. This was especially noticeable in central government case studies, and in response some had sought to develop coaching skills.
- There was generally poor ability to **think strategically**. Organisations could help by rewarding longer-term goals rather than the short-term, and senior staff are seen as needing greater responsiveness to ideas. Whilst mentioned by most case studies, there were a few where this did not seem to be an issue that was generally visible (G3 and G4).

The responses to these skills issues tended to be quite wide ranging and involve development activity, resourcing solutions, and new HR processes.

Commercial/innovative approach

Changing cultures require individuals who are more entrepreneurial and can think outside of the traditional ways of doing things.

- Finance units in local government were increasingly asked to **find innovative solutions** to deliver what the council wished to do. This change of mind set was sometimes lacking. This was an experience shared by others in delivering services to an internal customer that expected to be treated in a different way to previously, and was widespread amongst our case studies.
- Many spoke of the need to **think more commercially**. In a trading agency (G11), there was an urgent need to approach business in a more commercial way, evidenced by the fact that since its inception it had made a loss each year. The most important skills were felt to be marketing, selling, linking with financial systems, and self-confidence in a commercial environment.
- Councils need to **think more creatively** about their role in the community and what that role is and how they deliver it. Policy makers need to be able to provide radical solutions and they sometimes also need to be able to persuade politicians to accept such changes. One council (G4) commented that solutions they had proposed had been rejected because they were too radical (although in their view essential).

Organisational responses were more limited in this area. Some of our case studies were struggling with what to do about these gaps, as many of the skills were not generally thought to be amenable to traditional development programmes.

Project and contract management

There is still judged to be a lack of really good **contract management skills** eg negotiating, contracting, specifying and monitoring, plus political watchfulness, in a way that enhances partnership rather than the model of conflict and compliance that tends to dominate. There have been some notable disasters

in IT projects in central government, but local government also reports problems of projects overrunning budgets and timescale. We had one example of a widespread initiative of providing project management skills (G3). In this organisation there was considerable awareness of the importance of project management in the new environment and hence much effort to ensure staff had the relevant skills.

IT

IT skills, ie package knowledge and keyboard skills, are widely perceived as a skills gap within the existing workforce. Many experienced problems **recruiting IT** staff, and (but by no means all) high staff turnover. There is a lack of appreciation of the implications of IT systems in business terms, which is harder to develop than training to use packages.

We believe that the IT skills demanded can be seen as operating at three levels.

- At the most basic level there is a demand for package know-how and keyboard ability.
- At the intermediate level it is an appreciation of the impact of IT on work and its potential to enable the organisation to do things differently.
- At the most advanced level it is an in-depth understanding of complex computer packages used by client organisations, or the development of extremely large and complex packages to assist in the work of central government.

Response depends very much on the level of the skills gap. At the simplest level there are widespread training programmes in operation in all our case studies, at the intermediate level there was little evidence of response, and at the highest level the responses tended to be around resourcing (ie buying in experts).

4.2 Links Between Skill Gaps and Business Strategy

We have seen that there are many skill gaps experienced by organisations that have arisen as a direct result of some of the pressures for change that they have experienced. We were struck by the commonality of expression of skill gaps. All organisations, regardless of the sophistication of their business strategies, expressed similar issues of management skills, working across organisational boundaries and an increased emphasis on client skills.

Does the experience of skill gaps relate to organisational responses to business drivers? On the one hand, there were some examples of organisations being unaware of skill gaps because they were not fully implementing business plans that had picked up the key 'good practice' components. This was true of G2 with regard to strategic and project management skills. Whilst not mentioned by the organisation, there was evidence of lack of strategic thinking by unit heads. On the other hand, skills issues were not articulated in some cases because they had gone further than most in both building the key strategic approaches into business plans and in responding to them through HR processes and practices. Such organisations like G3 did not currently experience project management skill gaps because they had recognised the problems and undertaken major project management courses. Similarly, strategic thinking was not mentioned at either G4 or G3 because both seemed to have quite good skills at senior levels. However, in another case study (G7) it wasn't mentioned by senior people, but was by junior staff, perhaps because it was a skill gap unrecognised by those who were seen as lacking the skills.

This would imply that skill gaps are least likely to be mentioned both by those who are *most ignorant* of their own skill gaps (ie the least sophisticated) and by those who have foreseen the problems and *have tackled them*. They are most likely to be raised by those who are aware of the problems but have not yet resolved them. The relationship between skill gaps and business planning and organisational responses is therefore complex. Those who have furthest to go and those who have travelled the greatest distance are the organisations who are least likely to comment on the skills gaps of their existing workforce; for the former because of ignorance and for the latter because of their foresight and action. In this sense, good business strategy that is translated into organisational responses results in a better skilled workforce.

In IT we saw problems of lack of skills from both outsourced and in-house units. In some organisations they had experienced poor systems developed by outsourced units that did not fully meet needs, were often delivered behind schedule, had numerous teething problems and which were expensive to implement. This was most often true of central government, where economies of scale made new large developments possible. In local government especially, in-house units frequently lacked the resources and the staff expertise to deliver the service they wanted to, and therefore moved to 'off the shelf' solutions. In effect, for different reasons both are acting in an external 'off the shelf' rather than an internal 'bespoke' mode. Customers are likely to be happiest with the bespoke model that fully meets their needs and understands their culture.

4.3 Doing the Day Job - Skill Shortages in Technical Skills

We found a range of skill shortages in the technical or vocational skills required, largely through recruitment difficulties rather than problems of retention, although there were exceptions.

4.3.1 Finance Skills

- The ability to manage budgets is seen as an increasingly important skill and one where there is a perceived shortage. This includes the ability to set budgets, monitor expenditure, and understand what flexibility is possible, put systems in place to deal with overspends, and to be able to anticipate and plan for future needs.
- A council (G2) reported a **recruitment shortage** of accountants, they had advertised nationally for CIPFA qualified accountants and received few and poor quality applications. Some councils are not paying for training towards qualifications in part because of cost. Others also reported difficulties with finding senior accounting technicians - seen mainly as an issue of attitude dividing those who can be relied on to see what needs to be done and do it, and those who do the bare minimum.
- One central government department (G9) experienced **shortages** of economists - a contributing factor was the need to use these skills on an 'as and when' basis rather than offer careers. Another central government agency needed financial know-how in a very specific area which they developed in-house, but then experienced turnover as these experts were in high demand in the private sector.

4.3.2 Care Work

- One council had recruitment problems with 'home care' workers in rural areas and others spoke of problems in towns. **Domestic workers** in residential homes (G5 and G6) were difficult to recruit because of competition from hotels and a greater burden of police checks and higher standards of hygiene etc.
- There was a problem of the **retention of social workers**. For some councils (G4, G5 and G6) this was a local labour market problem, eg a shortage of staff in deprived areas who did not want to live in the locality. But there are plenty of signs that the problem is more endemic than this. Generally over the last few years more have been leaving the profession, and training numbers are down. This is a combination of:
 - **financial problems** - one Director of Social Services told us that part of the problem is the lack of grants combined with a mature student population who tend to have financial commitments.
 - **the attractiveness of the sector** - which may be partly why the standard of applicants is also down and the UK was described as having the lowest qualification level in Europe.

One of our councils (G5) had a comprehensive approach to the many problems apparent in care work. They were looking at training and development, resourcing, job design and pay and conditions.

4.3.3 Other Technical Skill Issues

In certain other technical roles that organisations found hard to fill, it was often the combination of particular skill sets that caused the problem. Some skills were available but the entire portfolio was not. This was exacerbated in certain professions by the private sector wanting a similar skill set and/or local government knowledge, and having the ability to pay more, eg:

- **economic development officer (G6)** - lots of applicants but low understanding of local government
- **waste disposal (G4)** - in-house people were good at contract management but did not have planning skills.

4.3.4 Clerical/Administrative Skills

One council (G2) had experienced difficulty in **trying to recruit** to a secretarial post. They had 40 applications but were judged to be of poor quality, few had the qualifications that the council were looking for, and applicants tended to have keyboard rather than typing skills. The council did not feel that this was due to pay levels being too low. Another organisation reported problems recruiting women returners who found the interview process very difficult.

4.3.5 Policy Skills

The need for high-level policy skills was very much a central government issue. When policy skills were analysed in more depth they were found to be a mix of analytical skills with very high-level communication skills across very varied audiences (eg MPs, ministers, lawyers, front line staff and members of the public). In addition, policy staff needed to understand the legislative process, both in the UK and in Europe. They need a unique mix of detailed analytical ability, political acumen and written communication skills. These skills are very complex and yet vital to the effective functioning of government. One of the difficulties is that these skills are such a complex combination of tacit and explicit skills with a long development time. The general view is that good policy skills require a

solid educational background involving excellent understanding of English grammar, coupled with analytical skills and the developed understanding of the workings of the department and the government machinery, and a growing understanding of what makes good policy.

There are also problems of **written communication** at all levels. We had comments on poor writing skills and the appalling use of grammar at the top of organisations coupled with a lack of conciseness (G7 and G8). Senior individuals were felt to be prone to write at inappropriate length and obtusely. At the bottom of the organisation there is a related problem of poor letter writing skills (G4). Again poor grammar is part of the problem but so is the inability to write to an argument and follow it through - **both are skill shortages and gaps**.

4.4 Links Between Skill Shortages and Business Strategies

Skill shortages, ie those skills that the organisation has problems recruiting, are a mix of labour market skill deficits and the organisation's inability to respond which is often quite local (ie the team or unit management fails to recognise or adapt to an issue). Some skill shortages were common across many of our case studies, regardless of their ability to create business plans that identified key issues and cascaded them throughout the organisation. These included social workers and finance experts. Some of these problems were exacerbated by professional bodies being slow to respond to the skill needs of the public sector. Some of the case studies were nonetheless attempting to develop innovative development programmes to encourage recruitment, facilitate development and maximise retention, even amongst such difficult groups (eg G5).

In other cases the organisation was capable of making a bad situation worse by failing to respond appropriately to growing demands on relatively difficult to recruit and retain groups (eg G1 and G2).

4.5 Unreported Skill Deficiencies

Other than those skill deficiencies that were reported to us by the establishments that we visited, we were also sensitive to the fact that our interviewees may not have been aware of skill shortages that they do in fact have.

Sometimes this under-reporting is a matter of perspective.

- At all levels individuals tend to report from a specific perspective, ie their department or unit and at a specific level.
- It is also true that individuals find it much more difficult to recognise their own skills shortages - in one government department we found widespread criticism of senior management from line managers and staff, but this was not reported to be an issue from senior managers themselves.
- There is a tendency to adopt a blinkered view. This shows a number of skill problems - the ability to manage the performance of the unit and the ability to plan ahead and to develop new and more radical solutions - in one council, the housing benefits department has had a chronic problem of dealing with backlogs for over two years. Only now were they beginning to 're-engineer' the process to work out an alternative, more efficient way of delivering the service.

In other cases, problems in service delivery were visible but the organisation had not attributed them to a skill deficiency. For example, we saw examples of where IT projects had failed to deliver the value expected of them. This may have been due to a lack of project management skills for IT work, or a problem of over-optimistic expectations coupled with an inability to reconsider the way the job is done.

ICT applications pose particular issues in the public sector: there were a number of work areas in local government that would appear to be amenable to an IT solution, for example data intensive areas such as housing benefits. One of the problems in developing such a solution is that local government organisations are rarely big enough or have the financial resources to do so themselves. They either have not considered partnership (this could be a lack of appreciation of a possible IT application, or lack of imagination) or simply suffer from a lack of resource. One council had attempted to develop a partnership solution with an IT provider. Two other councils had run into legal problems of setting up trading organisations and in realising the kinds of savings that would have made an IT solution worthwhile. In some County Councils, distance working had been facilitated by the creation of neighbourhood centres, with IT facilities and support which enabled peripatetic workers to spend less time travelling to base and more time in contact with clients. However, this had not been adopted universally amongst other geographically diverse case studies as a way of working smarter.

In one district council (G1) legal services had long-standing difficulties in filling posts. At the time of our visit two were unfilled and they were relying on locums at great expense.

There is no longer any opportunity to specialise in any aspect of local government at Law School. Consequently, newly qualified solicitors know little and generally see post qualification experience in private practice as far more appealing. Local government is viewed as a career-limiting move from which there are few options for progression. Planning is the one exception where there are never any problems filling vacancies, because it is seen as an attractive springboard to lucrative and specialist private practice.

Local government work is also viewed as stressful and frustrating (two of the legal team had taken early retirement on stress related grounds in the past four years). Whilst salaries are competitive with private practice initially, they have widened dramatically by partnership stage. In addition, there are a lot of evening meetings and lawyers have far less control of their own time than they might expect in a private practice.

Several attempts have been made to refocus the recruitment and selection process. But the recruitment process for recently advertised vacancies was perceived by the successful applicant to have been confusing and off putting.

Interestingly, HR disagrees that there are any problems with recruitment and see Legal Services as having retention issues of an unclear nature!

Therefore, in our view, not only were there particular problems with the recruitment of this particular group which the Council had not fully recognised, but in so doing this displayed a management skill issue in not tackling the problem more effectively.

4.6 Latent Skill Deficiencies

We have seen that our case studies have adopted strategic approaches in response to the main organisational drivers they have encountered, and these have gone on to impact on their skill needs and their experience of skill gaps and shortages. We have also seen that organisations have implemented various aspects of strategy in different parts of their service (see Figure 2.1) and have integrated such aspects to different degrees within their services and their organisations (see Table 2.1). In Chapter 2 we suggested that those organisations that were best able to fully integrate and articulate an appropriate business strategy, unit plans and service delivery plans were most likely to be able to develop better and more coherent action plans.

We have seen that the best performing organisations were also those who had least experience of skill gaps in their existing workforce, because they had already created action plans to address them. Other organisations which are performing less well are also less likely to report skill gaps or shortages because they are unaware of their skill problems, generally because they have not articulated business, unit and service plans that would make such deficiencies explicit. If these organisations did develop better and more coherent business plans it is likely that skill deficiencies would emerge. It is also likely that such organisations are already experiencing skill deficiencies that have hindered their ability to create integrated and inclusive plans. Latent skill gaps are those skills that would be needed to operate more effectively.

From our case studies it would seem that the key differences between those who had been able to develop coherent and integrated business plans were those who could call on relevant management skills such as the ability to think strategically. One of our case studies described it as the ability to break free from each individual's or team's own problems and issues to see the implications of the overall aims of the organisation and its strategies for delivering cross cutting issues. Other essential skills are the ability to drive strategy down through the organisation, for unit managers to develop their own plans that take into account the key organisational drivers, the ability to think about delivering services differently, and to challenge accepted ways of doing things.

This is just the beginning of turning better organisational strategies into practice. As more coherent and integrated strategies work their way through the organisation they result in other skill deficiencies becoming clearer, which the organisation can then tackle. The resultant impact of improvements to strategy would be to make more explicit the skill gaps that others have highlighted.

5. FACTORS AFFECTING SKILL DEFICIENCIES AND THEIR IMPACT

In this chapter we explore the factors that make it more difficult for organisations to meet their skill needs (the snakes) and those that help (the ladders). We then examine the impact of skill deficiencies in our cases.

5.1 Snakes

5.1.1 External Factors

External factors are those issues that are predominately believed to be outside the direct control of the organisation. They include labour market problems and financial constraints.

Tight labour markets and retention

Labour market considerations affect both recruitment and retention. Getting staff is more difficult in some locations than in others - pay may be poor and recruitment slow because of the various checks that much of the public sector has to go through. Some councils are located in less attractive parts of the country and tend to have difficulties in the recruitment of professional staff. Such councils generally experience recruitment rather than retention difficulties.

Many of our central government departments and agencies are based in central London where turnover is higher.

Resources

We encountered numerous comments on the resource constraints that the sector suffers from. This affects service delivery and support departments alike. Service delivery has to balance constrained resources against increasing demand, and support units experience long delays in getting the management information that they need.

Cash starved organisations often have poor infrastructure which means that staff sometimes have to work in very unattractive environments, and this can make retention harder. One council reported a much greater turnover of housing benefits staff when they were relocated to a basement office with no natural light. Offices may be in need of refurbishment, and equipment may be shabby. Sometimes this is partly because of sensitivity to the perceptions of the client group who are often in difficult financial circumstances themselves.

5.1.2 Internal Factors

Internal factors were generally acknowledged as being within the organisation's jurisdiction, ie something arising from their own actions or within their areas of responsibility. Many of these factors concerned the HR function and the systems they had put in place.

The HR function

Two main factors seemed to limit the response of the HR function to the issues we have explored.

- In central government, HR tends to be highly devolved and with weak personnel presence locally (which is not the same as local government, where it is often strong locally).
- In many central government departments, training is historically separate from personnel, which is not helpful when looking at skill issues.

Taken together, this tends to leave a vacuum in acting on skill issues quickly.

HR systems

HR systems, or the lack of them, can act as a barrier at various levels.

At the most strategic level, most of our case studies did not seriously engage in skills planning or succession planning, and we found that they generally do not all link their HR strategy/plan directly to the key drivers for change recognised in the business plan. This can lead to problems in terms of understanding skills needs or in forecasting problem areas. In local government, the small size of many employers and the absence of sector-wide planning means many organisations act in isolation. We perceive that in central government there may be a major problem accumulating for the future, because of an absence of skills planning. A growing emphasis on low skill recruitment, ie recruitment focused at the bottom of the organisation because of cost considerations, can leave the organisation short of potential for good generalists higher up. There is an acknowledgement in the Civil Service that the development of high fliers may simply be taking too long to provide the senior managers of the future. This is partly because of a move away from structured and managed job moves to an open internal labour market. There is also an acknowledgement at the centre of government that there needs to be more done to develop the kinds of managers and leaders who can embody and provide leadership on holistic 'joined up' working, a customer perspective, and find ways of working differently and more effectively. At the level of the organisation there is a sense that the pace of change has stretched organisations' ability to respond.

At the level of HR policy application, inflexibility is perceived as a possible problem. Pay would appear to be a generally acknowledged barrier. This has become more of an issue for the relative new professions that have been characterised by 'portfolio careers'. It may have become more of an issue as some of the positive benefits of working in the public sector have begun to be eroded, such as job security, well defined career ladders, an ethos of public service etc. Organisations were not using pay flexibly, and we suspect that this is because they have fairly bureaucratic job evaluation systems to assign grades to jobs, and therefore have to maintain internal relativities.

Bureaucratised selection procedures

The public sector uses more complex selection methods on both recruitment and internal appointments, than the private sector. Its selection criteria tend to be more explicit - often based on generic competencies, but they may not be universally accepted and can lead to inflexibility in their application.

For example, many interviewees commented that managers are still promoted internally without their interest in management or people skills being seriously assessed. The emphasis of the appointment is still on the technical expertise of the individual or their policy skills. This does not mean that other skills will not form part of the selection decision, but that the decision is judged by more junior staff to be overly influenced by 'technical' skills. In another case, very good quality temporary staff could not be appointed to clerical vacancies in a tight labour market because they did not meet the requirement for qualifications or pass a national written test.

Performance/staff capability

Performance is inhibited by factors at the organisational and the individual level. At the organisational level, there are a number of cultural factors that constrain optimal individual performance, exacerbated by the prevalence of long service, low turnover and depressed recruitment rates. This means that generally organisations have to work with the people they have in post. Change tends to be slow and subtle.

Related to this problem of embedded cultures is the tendency to be risk averse. Well-formed bureaucratic hierarchies and high political profile result in a tendency to attribute blame and therefore quickly dampening initiative. As a consequence, staff always refer decisions, and there is always someone to refer decisions to. Even at the top, employees can refer to politicians.

In local government, the lack of appraisal and specifically upward appraisal limits the ability of the organisation to manage performance. In central government, appraisal schemes are well embedded but have not always operated well in terms of identifying and dealing with poor performers. Undoubtedly the pressures on the sector have meant that although there are pockets of poor staff they are increasingly being dealt with.

Training and development solutions to skill problems can take a long time to implement. This may be because of the need to persuade all in a highly devolved organisation that there is a need. Sometimes the development just takes a long time because of the complexity of the knowledge set. Some professional development programmes were perceived to be a bit hit or miss; organisations couldn't always offer the full range of experience to achieve qualifications eg chartered engineers.

Internal structures and relationships

Relationship building with suppliers has traditionally been somewhat fraught in the sector, with an emphasis on contract compliance and penalties rather than developing a partnership with an emphasis on long-term relationships, trust and mutual problem solving. There are concerns that it may not be possible to develop rapport and partnership in the face of demand for probity.

Structural silos are ingrained in both sorts of organisation and reinforced by professional boundaries which limit communication and working for the good of the customer. Councillors commented that they and their constituents have to wade through councils to find the right person. A related issue is that hierarchies are so long there is little ownership of the task, or the understanding of why individuals do it, therefore there is no challenge or awareness of something being wrong.

5.2 Ladders

Our interviewees were also asked what helped them change their organisations or respond to changing skill needs. Responses clustered into three main factors:

- the capabilities of those at the top of the organisation
- the capabilities of the bulk of staff
- co-ordinating systems.

5.2.1 Leadership

There were some examples of how real leadership could make a difference. In one organisation (G3) the Chief Executive had adopted a very different style, truly empowering people to make their own decisions and persuading others to allow this to develop. He moved operational responsibility to the middle tier of the organisation, and personally encouraged an attitude of approaching failure in a way that enabled individuals and the organisation to learn lessons for the future.

5.2.2 Attitudes

In this council, the enormous effort put into engaging with the workforce and devolving real responsibility down the organisation had resulted in people's attitudes improving. Staff themselves felt that they worked much harder and longer hours, were much more motivated, and more committed.

There was general enthusiasm to do something new, helped by units being smaller and everyone being encouraged to take part in the service planning process. Roles were also more defined, with greater emphasis on building in targets and understanding performance.

5.2.3 HR Systems

This kind of clarity and beneficial attitudes can be helped by organisational and HR systems such as visions, business plans and annual appraisals. Investors in People was seen as an enabler by several organisations. Organisations also mentioned that the vision and clarity provided by business planning processes can help embed change. We would certainly endorse this. Those organisations with the most comprehensive vision of what they wanted to achieve and how they were going to do it, and which has seen this through into unit action plans and real action, were much more likely to be seeing results than those that were not.

We noted three key HR responses in our case studies that influenced the incidence of skill problems.

- **Training and development.** Organisations demonstrated a range of responses to changing skill demands or skill gaps, in their training and development responses. All of the case studies were implementing management development programmes which were seen as a key part of the organisation's response to new ways of working and other pressures. Additionally, many had training and development plans which looked to align the training and development offer to business plans. Increasingly, co-ordinated approaches to training and development have become much more common because of Investors in People.

One council (G1) had set up a well-equipped Open Learning Centre and had created a training and development and induction policy. In this authority, each department was required to produce a training plan setting out how the corporate and departmental training priorities will be met and had set up a training officers group to monitor and review activity.

- **Resourcing.** Responses included targeted recruitment, flexible resourcing, and the development of internal labour markets and outsourcing. One of our central government departments was conducting limited recruitment pitched at specific skill shortages such as commercial and finance (G11). Another was bringing people in on short-term contracts to meet specific needs (G10).
- **Performance management.** All our case studies were placing greater emphasis on performance management, primarily because of the growing emphasis on efficiency and the need to deliver services with increasingly constrained resources. Many of the central government organisations were altering schemes that had been introduced some years previously in order to emphasise new priorities. For local government, the ethos of performance management was still not well embedded and organisations were often just introducing schemes for all staff. Performance management and general management skills are strongly related.

5.3 Impact

Much of the impact of skills problems on organisations' ability to deliver their desired level of service is indirect because the organisation and some individuals within it go to extraordinary lengths to limit the effect on the client. Furthermore, sometimes the client may not realise that the service they receive is not as good as it could be. This can affect all aspects of central and local government service, from dealing with demands for refuse collection, to writing and delivering policy.

On analysis, and comparing the best examples with those that did not perform as well, the effect of the skills gaps and deficiencies is threefold:

- the impact is partly on **employees**, ie they absorb extra work
- there is a reduction in **efficiency**: work takes longer and costs more than it ideally should
- service **quality** is less than it might be.

5.3.1 Employee Impacts

Additional workloads

In many units an initial impact is that other members of staff absorb some additional work, most frequently passing up the hierarchy and placing more work on managers. People in post work longer and harder. One unitary authority commented that they had too many cases of stress to ignore.

Morale and motivation

Poor management means lower morale which in turn affects the organisation's image, as people do not deliver the service that they should. Motivated staff talk to the public better, work harder and for longer hours when necessary. Poor managers also manage performance less well and therefore can limit the outputs of people. In one council (G3), staff commented directly that they worked harder and for longer hours because they felt so committed to the service.

5.3.2 Efficiency Effects

In one council (G3), building control officers were not very competent in the use of IT to support them in their peripatetic role. The use of portable computers and packages for capturing visit notes and reporting information was not being fully utilised. This meant that the team needed to retain more support staff and therefore incurred greater cost. They were also less able to collate data, monitor performance, and consequently less able to deal with sub-standard performance.

In another council (G2), IT recruitment and retention problems meant that they had lost a lot of know-how about how the organisation works. Consequently the IT unit was not operating as efficiently as it could, they had to outsource product development, and buy off-the-shelf packages that were less than ideal. They felt that this had upset customer departments as the team could not help them with new project development.

5.3.3 Quality Issues

Service delivery

Loss of knowledge impedes service; the organisation copes but provides a poorer service and repeats mistakes.

Poor ability to liaise with the community can mean that an organisation finds it much harder to implement solutions it would wish to, but which are unpopular with sections of the community. This also means that much more time is spent on trying to solve a problem than needs be.

Access to services

As a consequence of the shortage in general social workers, Social Services departments have unallocated cases, there are children without key workers, a general lack of supervision and role conflict.

For other services too, getting a service is harder as gateways to access go up. There is a general lack of preventative work which builds longer-term costs. This includes home help, remedial work for children with learning difficulties etc.

6. CONCLUSIONS

In this final chapter we present our overview of the research and our opinions about the key findings that emerge.

6.1 Characteristics of the Sector

There are three key characteristics of this sector that should be born in mind in any analysis of skill gaps and deficiencies.

- The sector is on the whole highly **traditional**, with ingrained professionalism and structural chimneys that divide the organisations within it into distinct units. The strength of the professional services within the sector should not be under-emphasised, and this is a mutually enforcing relationship between the professional bodies and the organisations. Nationally determined syllabi strengthen the professional identity and relationship of the individual with the profession, rather than with their employing organisation. Generally the culture is risk averse which is exacerbated by the strong hierarchical character. Decisions are referred up and passed back down the hierarchy and contributions are all too frequently valued according to the grade of the contributor rather than their personal expertise. Risk aversion is also encouraged by the acknowledgement that the organisation exists on public money and any expenditure should be justified. The current emphasis on more holistic working is a deliberate attempt to break down these silos for the good of the service and its customers.
- The political nature of the sector means that the tendency is to focus on the **short term**. Changes among politicians result in changes in direction, as incomers seek to stamp their personal interests and beliefs on the organisation. Medium term priorities are always vulnerable to being subverted by immediate political embarrassments. Political sensitivities mean that managerially best solutions cannot always be implemented.
- **Change** has not come easily to the sector, with successive attempts being met by massive resistance and lowered morale. But, perhaps for the first time, real change in the sector seems much more likely in the following respects:
 - The change is being led by a vision rather than pushing change through legislative tools, ie a carrot rather than a stick approach.
 - The policy orientation has shifted towards more coherent and cohesive social policy, ie the agenda has broadened across all the traditional organisational barriers. There is a much greater focus on the customer, ie the spotlight is on the outcome of the service and its recipient rather than on the service itself.
 - There is a revived look at the effectiveness of the service, away from the edicts of competition and price and towards a more coherent framework of quality, methods, and use of IT.

6.2 Business Strategy

We have seen that the various drivers on the sector have provoked three strategic responses in terms of a more joined up approach to delivery, a greater emphasis on the customer in what is delivered, and an increased emphasis on efficiency in provision through work organisation and process enhancement.

Ideally, effective business, unit and HR strategies would reflect all these elements and feed through into service delivery and employee resourcing and development. In reality we have seen that a few organisations have fully integrated these drivers into their organisation and unit plans, some have begun to do so, and a few have not yet started on this process. Very few organisations have developed comprehensive HR approaches to the challenges they face.

Perhaps what we have seen is a snapshot of organisations at different stages of development. As organisations evolve they proceed along this chain. The rate of evolution, the distance organisations will travel along the continuum, and the quality of their vision and processes will vary. We believe that this is likely to have implications for understanding skill needs and the organisation's ability to meet those needs.

6.3 Emerging Skill Issues

We have seen that there are numerous skill gaps in the sector and some quite specific skill shortages. Skill gaps in the existing workforce tend to be primarily about soft skills and relate to the changing agenda and the consequent changing demands on the *ways people do their work*. Skill shortages are generally expressed in terms of hard technical skills and are fundamentally about *the jobs people do*. Such shortages would seem to be less dependent on the current business drivers but still affected by organisational responses.

6.3.1 Skill Gaps

The changing agenda has resulted in some widespread skill gaps being identified in the existing workforce. The most frequently mentioned skill gaps are a product of all of the three drivers of more holistic working, greater client focus and greater efficiency.

- **Managing to serve.** Management skills at all levels are felt to be poor across the sector. This is becoming increasingly crucial in the environment of greater demands and constraints. We feel that the gap is exacerbated by a number of embedded approaches: the low focus on individual performance; the highly devolved nature of management; the tendency to promote on technical merit rather than management ability; the focus on managing upwards towards politicians rather than down the hierarchy. Leadership is also not as well developed as it should be. The need is for individuals who can work across complex organisations and, increasingly, outside of them too. Tackling management skill gaps requires a concerted effort on the part of organisations. Those that have been most successful have committed considerable resource and effort to the problem.
- **Working with others.** Increasingly, those within organisations cannot find solutions to the complex issues they are being asked to tackle from within professional chimneys or via embedded hierarchies. Solutions require partnership with other experts and with the customers of services themselves. Such working requires greater skills of relationship building, influence and negotiating. Case studies tended to report those skill gaps that were most closely affiliated to their chosen response, eg those working in closer engagement with the consumers of services were most likely to mention the skills of chairing public meetings, influencing and negotiating. Those that had looked to increase cross-boundary working were likely to mention relationship building and influencing outside of a hierarchy.

- **Thinking outside the box.** Growing the senior managers of the future is likely to require some quite different thinking. As services are increasingly delivered in a mix of internal and external provision, the traditional professional chimneys are demolished and professional roles are recast in new ways, the career paths that led to senior roles are hidden under the fallout from these changes. Organisations are just beginning to see problems emerging. Potential candidates do not have the full skill set internally. They either have the in-depth sectoral knowledge but not the full technical specification, or their technical knowledge was acquired externally to the sector and hence lacks the sectoral specific aspect. The current drivers have also led to a step change in the ways the service needs to be delivered, and therefore the ability to challenge the traditional and contemplate radical solutions is in great demand.

In some ways these points reflect an underlying concern that while there is high-level professional expertise in government, functional expertise (particularly in terms of people management etc.) is at too low a level for the organisations to operate effectively.

6.3.2 Skills Shortages

We have also identified various skill shortages exacerbated by the sector's difficulty in attracting the kinds of skills that it requires.

- Skill shortages are endemic in some professions because of chronic labour shortages. Nonetheless there were a few case study organisations that were seeking to ameliorate the situation through innovative and thoughtful recruitment, development and retention practices. Generally, it was too early to see if such responses were likely to affect the experiences of skill deficits. Some case studies were seemingly unaware of the unsustainable working pressures some of their professionals were working under, which was exacerbating skills problems through retention difficulties.
- **Redefining the employment offer.** There is some evidence that attracting professionals is becoming more difficult as pay loses competitiveness with the private sector. Career paths are seen as less attractive and offer a narrower range of professional experience than that available in the private sector. Traditional values have simultaneously been eroded and the sector needs to redefine what it offers. There was also a sense that many of the professions employed by the sector had not been well served by the training available. While there have been radical changes in the training and development offered by higher education, the training available to professionals in the public sector has not shown the same flexibility and innovation, and has been slow to keep up with the needs of the sector.

We have seen that the skill problems faced by our case studies are related in a complex way to the degree of sophistication and depth of their business planning processes. Those that had aligned their business strategy closest to the key drivers, and which had cascaded this awareness throughout the organisation were most likely to have acted in response and to have resolved some of the skill gaps and deficiencies that we have reported. Such organisations were less likely to report current skill difficulties. Similarly, those that had done least in this respect, were most ignorant of the potential skills impact of the drivers and hence also less likely to articulate skill gaps.

6.4 Overview

We have tried to see if those organisations that have more coherent and developed business strategies tend to perform better and have more success in attracting, developing and utilising skills. The messages from the case studies tend to support the argument but are limited in scope. Generally, those organisations that had the most comprehensive business strategies had also thought through the skills implications of their current circumstances and had developed the most comprehensive policies to tackle them. In one local authority, coherent approaches to management development needs had impacted on the organisation and resulted in better communication, greater empowerment and generally higher morale and commitment, and therefore better performance. Another local authority had developed a wide ranging strategy to deal with shortages of social workers, but this had not been in existence long enough to test its impact. Similarly, a central government department had developed a comprehensive training and development programme to support better performance management, but this too was still in the delivery stage. It was also apparent that some organisations had not thought through the implications of their skill needs or had not looked at potential solutions to problems they were experiencing, which then resulted in a diminished service. One local authority had problems resourcing housing benefits officers and coping with a new computer system that led to backlogs in cases and hence delays. The response had been to allocate extra overtime which was adhered to over a long period, despite low success in clearing the backlog of cases. Eventually pressures forced a more considered response.

Generally, the response of the sector appears to be tactical rather than strategic. There are some quite innovative examples but these tend to be isolated. What is rare is higher level thinking across the organisation on some of these skills issues and their implications. Skills planning is almost completely absent and high level discussion on the implications and responses to the various drivers is also rare. In local government, employers are often isolated with relatively little joint planning or considerations of solutions. This is particularly unhelpful where part of the problem rests with professional training. A 'joined up' approach to skills issues is clearly called for; a coherent overview across the sector and joint representation to professions would be helpful.

Where there have been some innovative responses they have looked to change the way work is delivered, in order to enable the key players to spend more time delivering the service that they are trained and expert in. Some have been in the area of work reorganisation, looking to create cheaper first line response teams releasing highly trained professionals to concentrate on their role. Some have been in the area of applying information technology to enable such key employees to 'work smarter'.

Another set of responses has concentrated on bringing together the expertise from across organisations to deliver on specific issues that no longer fall within traditional functional areas. This brings its own stresses as particularly able individuals are co-opted onto a number of project teams and can experience high workloads and particularly complex work. Whilst bringing many advantages, cross-group working is testing the ability of organisations to adapt. This will need careful co-ordination and evaluation to ensure that projects are managed well and get the support they need in terms of people's time and commitment.

APPENDIX 1:

CASE STUDY ILLUSTRATIONS

In this appendix we illustrate some particular issues faced by case studies and their responses to them.

Multiple Approach to Skill Deficiencies

Computing Staff - Unitary Authority G2

This authority has experienced ongoing problems both recruiting and retaining IT staff, including programmers (they have had eight posts in software development unfilled for the last 18 months) and PC support staff. The authority has also tried to recruit a QA manager who was ITEL qualified so they could implement best practice guidelines from BSI. However, they couldn't find the level of recruit they wanted, on the pay level possible and so eventually appointed someone who was not qualified and needed training. They believe this recruitment difficulty arose partly from pay differentials and partly as a result of their location. They also feel that image is part of the problem, ie potential staff feel local government will be less exciting. This may not be totally fair as the diversity is considerable. Finally, a new organisation has recently moved into the area that has a high profile in local government outsourced computer services. This organisation was offering salaries of 25-30 per cent more than the council and therefore several people moved across.

Current pressures on service delivery include best value, of which the IT section is part of the best value review process. Part of the role of the QA manager is to ask clients what they want from the IT unit, and he feels that one of the impacts of the best value review will be to make the section more responsive and more customer facing.

The authority has responded in a number of ways. They have run a number of recruitment drives but have not been successful in recruiting programmers. Experienced PC support staff have similarly not been attracted to the authority and so they have resorted to recruiting these staff at a lower level and then training them for the role.

Retention bonus and career grades have been put in place, both of which have been more successful in retaining existing staff than helping attract new staff.

They have used contractors but this is a very expensive option. There is a tendency for work to pass up and to be undertaken by managers in addition to existing workloads.

On the demand side the response has been to prioritise work, hence they have not undertaken any new development work for 18 months. To deal with their existing commitments they have brought in contractors, reviewed systems and purchased externally. In many cases they have implemented an 'off-the-shelf' purchase rather than developing or repairing something internally. Maintenance of hardware is outsourced and when software is purchased they also purchase support for it.

The response of clients has not been favourable and the biggest dissatisfaction is the absence of software support. The computer managers feel this is partly a result of lack of resources (the number of PCs four years ago was 1,200 with ten to 12 support staff, the authority now has 2,500 PCs supported by 14 staff).

The impact of all these difficulties has been increasing pressure on managers in the unit, non-ideal solutions for departments and slower response times for PC support problems.

Multiple Solutions to Recruitment Problems

Social Workers - County Council G5

Recruiting new social workers and care managers for specialist services had proved difficult for a number of years, with a vacancy level consistently at 12 to 15 per cent across the council and significantly higher in one particular locality. Traditional attempts to recruit in significant numbers, including using relocation packages, have failed. An attempt to encourage 'home grown' entrants to the profession by offering bursaries to those studying for the Diploma in Social Work, has only had a marginal impact on the overall position. A professional review of the problem was undertaken.

More recently the Council introduced an HR strategy of increasing the flexibility and competence of its workforce, which in turn supports the corporate strategy of improving the delivery of services to its residents. Delivery includes the quality of service as well as the degree of individualisation. It was acknowledged that this would be unachievable in Social Services, given the recruitment problems.

As a consequence of its strategy, the council has developed an authority wide Staff Care Package of changes, which it is piloting in these specialist areas of Social Services. The overall objective of the package is to attract and maintain a well-trained workforce, which is well supported in staff care terms. The package includes health screening, membership to leisure centres, contracts for weekend only or evenings only working, introduction of whistleblowing and counselling hotlines and some carer friendly measures. However, of particular significance is the introduction of new career grades and remuneration changes, and professional training, research and development.

The costs of implementing the new package are not yet known, but it has the support of the local council members and unions.

Job Design Solution to the Increased Need for Expertise

Environmental Services Officers - District Council G1

The Environmental Services department in this district authority has significantly altered the way in which work is organised in recent years. In theory, the role of the Environmental Health Officer is supposed to be a generic one, able to handle cases in any specialism (eg food hygiene, noise pollution control, contaminated land management). Given the increasingly technical nature of the specialities, and the short supply of many of the associated occupational skills, generalist roles were no longer working. Now each officer has two main roles: (1) reactive/compliance work of a routine nature with their particular District patch and (2) a designated area of specialism. As a specialist they have responsibility for keeping themselves up to date in the area acquiring relevant post-graduate qualifications etc. In addition, they are to ensure there is an adequate level of skill exchange with other officers by way of practice notes and one to one guidance.

Whilst the re-organisation is working well on the whole, there are concerns about dependency on the specialists. Covering them when absent is a perennial problem. Perhaps more importantly, however, is development by the employer of strong relationships with one officer which can take years to re-build if they leave.

In addition to Environmental Health Officers (EHOs), the Department employs a number of Technicians. Historically they too were a resource to be used as and when, with generic skills. In recent years many of the Technicians are themselves post-graduates in a particular field (eg food science, pollution control)

and are resistant to work outside their field. They begrudge EHOs, who they perceive to be generalists, being paid considerably more. There is very little incentive for Technicians to become EHOs, particularly as there is no speedy route for conversion. The current career paths would mean that they would have to return to full-time education and re-enter as a trainee.

Job Design Solution to Skill Deficiencies

Housing Benefits - Unitary Authority 1 G2

The main cause of this authority's difficulty is rising demand for Housing Benefits coupled with the introduction of new computer systems that had teething problems. As a consequence of not matching demand, the council has been faced with large backlogs which have been a chronic problem over the last two years. There is limited freedom to act to clear these within the operational management of the section. For example, managers have to go to committee for permission to take on temporary staff. This has been tortuously slow to be granted as various other options were pursued instead. The main response has been to use overtime, at one stage this had been compulsory and staff were having to do a seven day week. Overtime is now at five hours per person per week on average. The organisation found that staff were unwilling to do the kind of overtime levels that they were using, and managers were especially discontented because they were not entitled to overtime for the first additional eight hours. The council agreed to pay special rates to managers if they were doing assessment work (ie work of the lower grade) and to waive the eight-hour rule. The council was also faced with high turnover of benefits staff, especially when the council was first created from three previous authorities as a consequence of local government reorganisation. The uncertainty and the relocation of the housing benefits section to a basement office with no natural light, contributed to large numbers of trained staff seeking alternative jobs within the new authority. This turnover problem has continued to a lesser extent since the council's inception.

The authority is now looking at the staffing structure to try and convert the overtime into staff numbers. They are also restructuring jobs to create a first line call centre staffed by more junior staff, who can field calls and collect details from callers. Over time they have found that these individuals have developed an expertise and knowledge base so that they are able to deal with more and more of the enquiries themselves without referring them on. These more fundamental solutions have been prompted by an organisational change in attitude from 'get yourself out of it' to 'we must sort it out' (this has been going on for two years).

Technological Solution to Skill Deficiencies

Housing Benefits - Authority G4

This authority, faced with very similar issues of trying to balance demand for Housing Benefits with limited resources, has tried to develop a quite different solution. Whereas in both cases there was a recognition that one of the problems was the training time necessary for such a complex role and the need to retain them for long enough to get some benefit out of them, this second authority was trying to find a solution that meant the amount of training and development was reduced. They tried to work with three other authorities and a private provider to develop a computer solution, as they believed there would be economies of scale and improved use of new technology. This ran into legal and technical problems of the council having part shares in a commercial company, and the savings were not as high as expected.

Recruitment Solutions

Solicitors - District Council G1

In one district council, Legal Services had long-standing difficulties in filling posts. At the time of our visit, two were unfilled and they were relying on locums at great expense.

There is no longer any opportunity to specialise in any aspect of local government at Law School. Consequently, newly qualified solicitors know little and generally see post-qualification experience in private practice as far more appealing. Local government is viewed as a career-limiting move from which there are few options for progression. Planning is the one exception where there are never any problems filling vacancies, because it is seen as an attractive springboard to lucrative and specialist private practice.

Local government work is also viewed as stressful and frustrating (two of the legal team had taken early retirement on stress related grounds in the past four years). Whilst salaries are competitive with private practice initially, they have widened dramatically by partnership stage. In addition, there are a lot of evening meetings and a lawyer has far less control of their own time than they might expect in a private practice.

Several attempts have been made to refocus the recruitment and selection process. But the recruitment process for recently advertised vacancies was perceived by the successful applicant to have been confusing and off putting.

Interestingly, HR disagrees that there are any problems with recruitment and see Legal Services as having retention issues of an unclear nature!

Accountants - Unitary Authority G2

Recruiting qualified accountants had proved difficult across a number of vacancies. Adverts had been placed in national public finance magazines with very poor responses.

The finance managers we spoke with believed that much of the problem was the decline in interest in studying for the CIPFA qualification. Numbers had been in steady decline for some years and this could be attributed to the poor profile of the profession in the public services. This is partly an image problem (the sector is still perceived as less exciting than the private sector), partly due to the depressed salaries compared to private sector and partly due to the more constrained career opportunities. Another reason for the decline in numbers was believed to be the rigid study opportunities that were offered for CIPFA compared to the much more flexible study routes available for the CIMA qualification. This has only recently been addressed.

As a consequence, the authority advertised several times, and eventually in a non-public accounting journal with greater success. For some jobs the successful applicant has been internally promoted, whilst acknowledging that such individuals will need more development and support to be fully functioning in their new job.

Developing Policy Skills

Central Government G7

We have earlier described the shortage of 'policy skills' in central government departments. In one department this was perceived to be a problem, and a complex one to address, because policy groups tend to be small and contain staff with diverse backgrounds and with varied skill strengths and weaknesses. One manager created a team who would support whichever sections were working on legislation. This built in flexibility to cover peaks of work, created real expertise in an area of general skill deficit, and (by keeping the team for two or three years) could rotate people through this skill area and in time strengthen the overall skill base.

Very short focused training on key knowledge areas (eg European law, parliamentary process) was given by some senior managers, and was very helpful to newer entrants to policy work. Staff also saw better delegation coupled with much closer coaching, at all levels of experience, to be crucial and not always present. The researchers observed that the internal selection of staff transferring into policy work did not really assess their high level analytical and communication skills.

Job Design and Standard-Setting Approach to the Need to Increase Technical Expertise in Front Line Staff

Central Government G8

In one central government department there was perceived to be a growing gap between the job specific skills of a major group of operational staff and the needs of the job. These staff, working in financial disciplines, interact with financial experts in companies. When companies or individuals disagree with the officials of the department, expensive legal cases can ensue. So front line staff require increasing understanding of company financial systems and complex legislation. The second problem is one of retaining such front line staff with several years experience, as these people are very attractive to the private sector.

The solutions to date have been two-fold. A major initiative has more clearly defined the technical 'standards' required in this area of work, and more formal and accredited technical training will set a much firmer base of knowledge, including enhanced knowledge of legislation. The second approach has been to pilot the creation of small numbers of more highly graded specialist roles. These people will not have people management responsibilities but will provide technical advice to other professional level staff across one or more regional areas and in Head Office.

The more general retention problem will remain difficult, as the department cannot afford wholesale major salary increases. However, it does need to sell other employment advantages (eg reasonable hours, excellent pension) alongside pay.

APPENDIX 2:

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