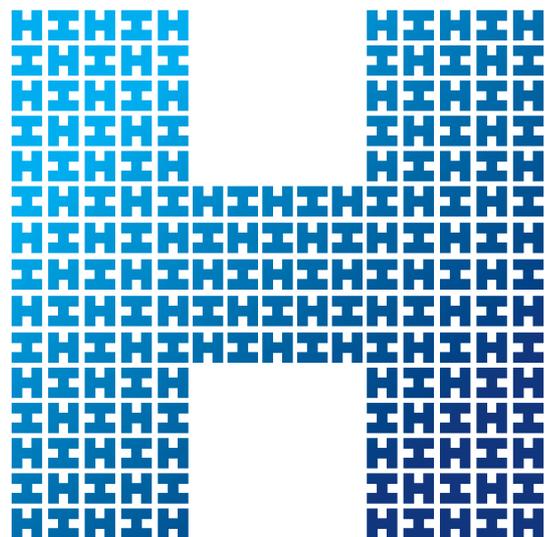


THE CHANGING FACE OF THE PUBLIC SECTOR HOW EMPLOYERS NEED TO ADAPT

November 2012



Methodology

In July and August 2012, we carried out a survey among public sector staff across the UK. This included local and central government, the NHS and social housing, as well as managers working for private sector firms servicing the sector.

It was conducted online. A total of 1,102 people responded to some or all of the questions. Of these, 561 were responsible for recruiting staff. Almost a third of the total worked in organisations larger than 1,000 staff.

FOREWORD



Andy Robling

Public Services Director, Hays

Two years ago the presentation by Chancellor George Osborne of the Comprehensive Spending Review marked the beginning of profound change in the way public sector services are staffed and managed.

The health reforms are overhauling the structure and operation of the NHS, civil service departments are being reshaped and performance management is being strengthened, local government is cutting jobs and services in the face of losing almost a third of their budget, the private sector role is growing and there is a push to move more staff into mutuals and social enterprises.

Against this backdrop, recruitment experts Hays Public Services has surveyed over 1,000 public sector staff to assess how the financial and policy pressures have changed the way the sector recruits and motivates its staff, and how it is adapting to the bigger role expected for the private sector.

The research examines pay, career prospects, changing demand for skills, private sector collaboration and predictions for further change. We hope this research will help public sector leaders understand what attracts people to work in the public sector, what might discourage them, and how to develop and motivate them once they are in post.

The staff who participated in our survey have provided some powerful insights which have important implications. They have shown how the public sector recruitment market is changing, highlighted the strengths and weaknesses of the public sector's ability to attract and develop talent, revealed a complex relationship with the private sector, and pointed the way to what needs to change for public sector organisations in order to survive a squeeze on funding which could last a generation. But perhaps the strongest message of all is that, despite the pressures, public sector staff overwhelmingly find the work challenging and rewarding.

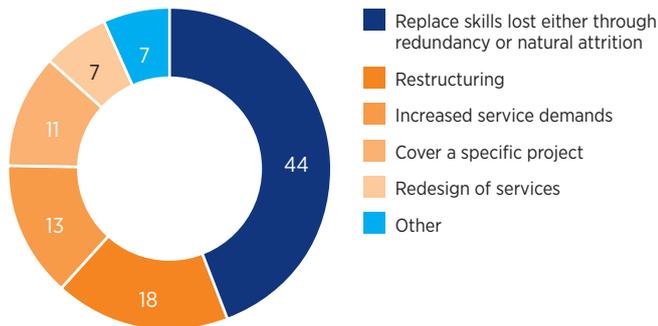
We would like to thank Robert Quick, associate director of people and organisation development at a NHS Foundation Trust; Graham Simner, director of estates, at the University of the Arts; Mark Wiltshire, head of regulatory services and community safety at the London Borough of Ealing; who all provided invaluable insight into the effects the changes have had on their organisations. We would also like to thank the journalist Richard Vize, who drafted the report and David Brindle, public services editor at the Guardian.

We welcome your thoughts and views on these issues; please write to me at andy.robbling@hays.com

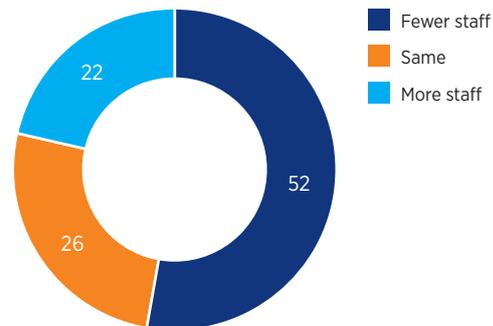
KEY FINDINGS

Hays surveyed public sector employers and employees to examine what impact financial and policy changes have had on pay, benefits and career prospects. The findings offer insight into how the sector needs to adapt to a new way of working.

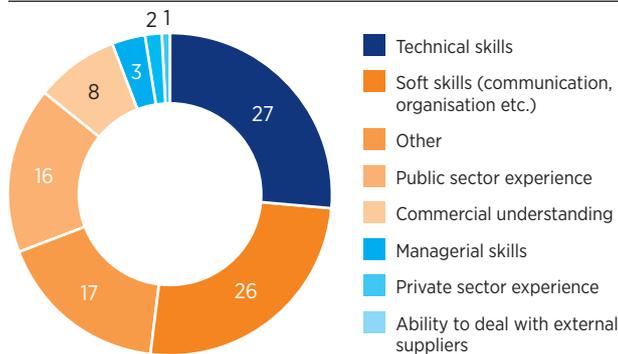
What is the main reason for recruiting new members of staff?



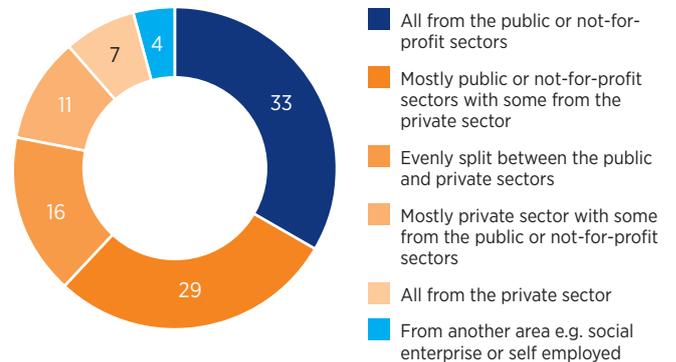
How do your staffing levels compare with last year?



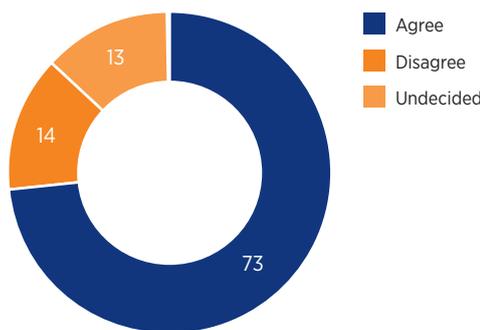
Which of the following is the most important skill set you look for when recruiting in the current climate?



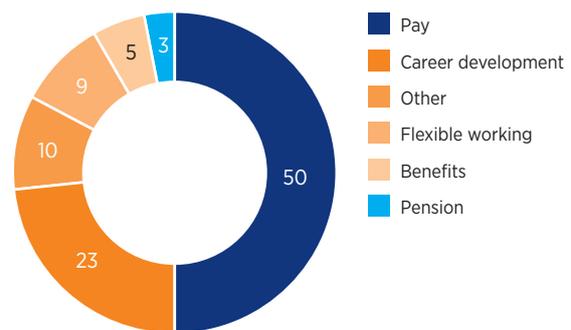
Which statement would best describe the background of staff you have recruited?



The public sector needs to do more to attract top talent



If you could improve one offering to help you attract top talent to your organisation, what would it be?



Staffing levels and recruitment

- Over half of respondents (52%) report having fewer staff in their organisation compared with last year. However, 84% have recruited in the past year
- Restructuring (18%) and replacing skills lost through redundancy or natural attrition (44%) were the main reasons employers recruited
- 7% recruited because services were being redesigned, and 13% to cope with rising demand
- Nearly two-thirds (62%) recruited their staff entirely or mostly from the public sector or from not-for-profit organisations
- The most important skills that employers looked for in potential recruits were technical skills (27%) and soft skills (26%)
- Staff believed uncertainty surrounding job security (29%) was most likely to stop professionals looking for work in the public sector over the coming year. Half (49%) said there were no aspects of working in the public sector which would stop them
- Other factors that might discourage people included changes to pensions and other benefits (23%) negative perceptions of the public sector (19%), scrutiny over pay (17%) and lack of career prospects (17%)
- Two thirds (67%) of employees said the public sector was losing its top talent and 73% believed it needed to do more to attract the best people
- 41% agreed there was a choice of jobs available in the public sector, while 42% disagreed
- While 65% agreed their skills were in demand now, only 55% believed their skills would be in demand in the future

A flexible workforce

- Of those who recruited staff, 20% appointed exclusively to temporary posts, with another 15% using only fixed term contracts. 54% only recruited permanent staff, while the remaining 11% used a mixture
- The major reason for recruiting temporary staff, cited by 61% of respondents, was to work on a short-term project. Half (49%) were influenced by cost. Around a quarter (23%) were looking for a specific skill set
- 42% said the use of temporary staff had remained constant over the past year; 33% were using more while 25% were using fewer
- The introduction of the Agency Workers Regulations led to a fifth of respondents (20%) reducing their use of temporary staff. 9% said it had led to an increase and 71% said it had not made any difference

Pay, benefits and motivation

- 91% of employees said working in the public sector offered challenging work, 72% said it was rewarding and over half (51%) said the public sector offered good benefits
- Given the choice, 41% of respondents would improve pay to attract talent, while 31% cited better career development as key to recruiting high quality staff
- When given the choice to improve one aspect of their own job, 36% cited pay, 26% said career development and 11% said their pension
- 26% agreed that their pay was good, while 58% disagreed
- Two-thirds of respondents (66%) promoted benefits such as home working, job sharing and flexi-time to attract staff

Private sector collaboration

- 81% said their organisation had not changed its recruitment practices in light of greater collaboration with the private sector
- 65% said there had not been any impact on staffing levels from outsourcing, privatisation or public/private partnerships, while 31% said it had reduced staff
- 65% predicted that in five years' time outsourcing, privatisation and public/private partnerships would lead to fewer staff; 28% did not foresee any impact and 7% believed there would be an increase
- 79% believed outsourcing, privatisation of services or public/private partnerships had reduced the number of available public sector jobs, 19% said there had been no impact and 2% believed it had created public sector jobs
- When asked what they expected the impact to be in five years' time, 89% predicted it would lead to fewer available jobs, 9% said it would make no difference and 3% believed it would lead to an increase
- Over half (56%) believed that greater collaboration between the public and private sector will make no difference to their ability to recruit good staff. A quarter (25%) felt it would make it easier and the remaining 19% said it would make it harder
- Around 18% who had recruited had done so exclusively or mainly from the private sector
- When recruiting staff, 11% of people looked primarily for skills related to the private sector, such as commercial understanding, experience of working with external suppliers, or experience of working in a company

KEY THEMES

Public sector employers believe they need to do more to attract talent to the sector, but despite concerns around pay and job security, employees say they enjoy challenging and rewarding work.

Attracting talent

With fewer staff working in an ever tougher environment, it is imperative the public sector is able to attract high performing staff. Yet two-thirds of respondents believe redundancies and attrition are stripping the public sector of some of its best people. With three-quarters stating they need to do more to attract talent, the factors helping and hindering that task are critical issues for public sector organisations.



Considering the cuts, redundancies and accusations of excessive pay, the image of the public sector has held up surprisingly well. Just one in five recruiters said negative perceptions of the public sector would discourage people from applying, although this rose to over a third who stated that uncertainty surrounding job security would prevent professionals looking for work in the public sector. These figures could be a great deal worse. Nonetheless, they highlight the importance of ministers choosing their words carefully when discussing public sector staff – for example, by avoiding lazy references to ‘bureaucrats’ – while the public sector more generally has some distance to travel to convince the public of the value for money and effectiveness of public servants.

It would be easy to assume from media headlines that very little public sector recruitment is taking place. Whitehall departments are looking to cut up to 40% of their posts, NHS primary care trusts and strategic health authorities are being abolished as part of an overall target of a 40% cut in administration costs, and local government has to cut its spending by around 28% by 2015.

But the recruitment pattern was not as bleak as might be inferred from such huge cuts, and there is clear if modest evidence of recovery in public sector recruitment after the plunge in 2010-2011. While just over half (52%) of organisations had fewer staff than last year, a total of 84% had recruited in the past 12 months and 22% had more staff. This reveals that blanket recruitment freezes, where they were imposed, have proved short lived. Such bans serve the sole purpose of showing management is ‘getting tough’ on costs. In the process they can harm effectiveness by depriving organisations of key talent and lead to cuts being made arbitrarily rather than strategically, preventing the organisation from taking a long term view of where savings can be made and where investment is essential.

The relentless pressure of rising demand for services was strongly evident, with the need to meet demand cited as the reason for 13% of appointments. This was broadly similar across the sectors – local and central government, the NHS and social housing.

Organisations are recruiting staff to new posts. Almost 9% of respondents reported that their departments had recruited to a new role in the past year, while another 35% had recruited to both existing and new posts. This could indicate that these organisations are responding to the tough climate by reassessing the skills they need. It may also be a result of some public sector bodies initially being overzealous in making staff redundant and now looking to replace lost talent.

Restructuring has also generated some new roles. This may be combining a wider range of responsibilities in one post, balancing the loss of numbers with more seniority, or reassessing priorities.

However, just under 7% of respondents said they were recruiting because of service redesign. If this figure rises in future years it would imply the public sector is adapting to new ways of working. If it does not, that could be taken as evidence that the public sector is being slow to change, despite the pressures.

“Restructuring has also generated some new roles. This may be combining a wider range of responsibilities in one post, balancing the loss of numbers with more seniority, or reassessing priorities.”

This focus on headcount reduction has meant that there has only been a modest increase in the number of organisations using temporary staff. Financial flexibility was the overriding reason for recruiting a temporary staff member, although almost a fifth of respondents cited the lack of a permanent candidate as the reason.

Budget cuts can have two opposing effects on the numbers of temporary staff; cutting temporary staff reduces costs quickly, while increasing them increases flexibility and can cushion the immediate impact of making full-time staff redundant. In government some temporary staff may have been shed because they were, in effect, long term consultants, which risked attracting the attention of the Cabinet Office.

The Agency Workers Regulations, which came into force in October 2011, ensure temporary staff have the same basic employment and working conditions as permanent staff after 12 weeks in the same job. About a fifth of respondents said this had led them to cut their temporary staff, but more than two-thirds said it had not made any difference.

“The survey revealed one aspect of public sector employment which trumped pay and benefits by a wide margin – the work itself.”

The relentless downward pressure on public sector salaries appears to be damaging the sector’s attractiveness. But judging whether employers are losing a competitive edge as a result of pay restraint is complex. With almost two-thirds recruiting entirely or mostly from the public or not-for-profit sector the extent to which the downward pressure on salaries is affecting the ability to attract the best staff is open to question. If the public sector provides all the required skills from within then externally competitive salaries are less important. But if pressures such as the need for stronger performance management and more commercial skills make private sector staff attractive, the relative decline in public sector pay and the rapidly widening differential between the pay of the most senior staff and their private sector peers – as new management leaders are recruited at lower salaries – becomes an issue.

It is striking that over half (52%) of those who recruited most or all of their staff from the private sector cited increasing pay as the one thing they wanted to change to attract talent.

There is another angle to the remuneration issue. Around 9% felt public scrutiny over pay would discourage people from applying for public sector jobs, and this jumped to 17% when it came to respondents looking for public sector work themselves over the coming year. This implies people are beginning to avoid the top jobs because they fear being pilloried in the media.

With posts being stripped out and the higher reaches of the job pyramid contracting rapidly, it is no surprise that career development was seen as a problem by over a quarter of employers. Combined with the downward pressure on salaries, potential employers are increasingly short of options when it comes to attracting recruits.

To compensate, the public sector heavily promotes options such as flexible working, job sharing, flexi-time and home working. It will take time to judge the impact of the cuts on these features. For example, the push by the Cabinet Office to significantly reduce the size of the government estate across the country could make home working a more common option.

But the survey revealed one aspect of public sector employment which trumped pay and benefits by a wide margin – the work itself. More than nine in ten staff found it challenging, while almost three-quarters described it as rewarding. Employers need to convey the intrinsic satisfaction of working in public services at every stage of the recruitment process.

The picture that emerges is that, despite the risk of uncompetitive salaries and problems around job security and perceptions of the public sector, employers have low cost strengths they can exploit to attract top staff – flexible working and the attractiveness of the work itself.



KEY THEMES

Motivating talent

If weak career development opportunities are a deterrent to recruitment, it matters even more when it comes to staff motivation. The survey revealed evidence of widespread dissatisfaction with career development. When pay is falling in real terms and job security is weak, it is essential that staff believe their talent is being nurtured and their prospects are being improved.

There is no intrinsic reason why the falling number of posts should impede staff development. On the contrary, every part of the public sector has to develop new skills – from strengthening civil service leadership and performance management to councils integrating health and social care and supporting local economic growth. Organisations need to be investing in staff development to ensure the smaller teams that are now in place have the skills and culture to meet these challenges.

Training, succession planning, leadership development and talent management are not luxuries for times of abundance; they are essential if the public sector is to continue to be effective during years of austerity. They will determine which public sector organisations are able to adapt, survive and improve in the toughest imaginable climate, and which ones slowly haemorrhage talent, quality and public confidence.

When asked what aspect of their job they would like to change, career development was beaten to first place by pay. But there is strong evidence in a number of academic studies that pay tends to have a modest influence on motivation to change roles compared with issues such as the freedom to make decisions, the importance of staff being consulted on issues that affect them and opportunities for career progression. Employers therefore need to give close attention to every non-pecuniary opportunity to motivate staff.

Insecurity around career prospects may be eroding motivation. While 65% of people feel their skills are in demand now, this dropped to 54% when asked if their skills would be in demand in the future. To address this insecurity employers can encourage staff to be adaptable, to train for new skills and to apply their soft skills such as communications and leadership in new environments, such as through secondments and job swaps. With fewer than half of respondents agreeing with the proposition that there is a choice of jobs, adaptability will be an increasingly important trait for career public servants.

“Training, succession planning, leadership development and talent management are not luxuries for times of abundance; they are essential if the public sector is to continue to be effective during years of austerity.”

Collaboration with the private sector

In the prevailing political climate there is a high expectation among the survey respondents that more services will be outsourced and fewer staff will be directly employed by the public sector. But while two-thirds anticipate more outsourcing will reduce public sector staffing over the next five years, a similar number said that so far privatisation, outsourcing and public/private partnerships had not led to posts being cut. So while there is much talk it is slow to happen.

There is little evidence that the anticipation of greater use of the private sector is being matched by an assessment of what this means for the public sector. A resounding 81% said they had not changed their recruitment practices to meet the needs of working with the private sector. This is a cause for concern.

Moving services into the private sector could lead to poor service for the public and poor value for the taxpayer if the client side does not ensure it has the skills to manage contractors and contracts. Commercial acumen, negotiation skills, relationship building, securing a shared understanding of objectives, and risk management are just some of the attributes required.

The survey reveals that public sector recruiters value these so-called “soft skills”, but the precise mix of skills required for working effectively with private sector partners will be very different to those needed for a traditional, internal, management role.

The likely effect of closer links with the private sector on the ability to attract staff was unclear. About a quarter thought it would make it easier, a fifth said it would make it harder and the rest did not expect it to make any difference.

This adds to the perception of a reluctance to change despite the likelihood of more private sector involvement. It might be reasonable to expect that, with public sector organisations increasingly searching for private sector skills to complement their own, this would open up the recruitment pool for the public sector. But so far the evidence for this is weak.

Overall, the attitude of the public sector towards the private sector can reasonably be described as muddled: it expects lots more privatisation but not much is currently being privatised; there is little attempt to prepare for this profound change by looking for different experience or skills when recruiting staff; and there is no clear signal as to whether more private sector involvement will lead to more recruits from the private sector. Procrastination on this matter won't serve the sector well.

Commissioning services from the private sector and managing private sector contracts is far easier to do badly than it is to do well. If the public sector is serious about going down the private sector route, managers across the system need to assess what that means in terms of recruitment, staff development, succession planning and leadership.



ADAPTING TO THE CHANGES ACTION REQUIRED

Given the changing environment, employers need to adapt if they are to continue to secure the right skills to drive their organisations forward. We have outlined key actions that employers should take.

1 Re-evaluate skills regularly

Replacing people who leave on a like-for-like basis might not always offer the skills you need in the new environment. Consider each role individually and pay particular attention to the skill set needed and the type of person who will be successful in the role.

2 Focus on non-financial benefits

Organisations need to play to their low cost strengths when looking to attract new staff. As it becomes tougher to market public sector jobs on the basis of pay, benefits and job security, public sector organisations should stress their values and build their recruitment strategy around the intrinsic rewards of public service. Flexible working is an attractive benefit and should be highlighted to prospective employees.

3 Strengthen the organisation's reputation

The term 'brand' still sits uncomfortably in the public sector, but an organisation's reputation and the values and achievements that are associated with it are crucial to attracting the best staff. Intelligent investment in promoting the organisation more than repays itself if it means getting the right staff in post.

4 Develop digital recruitment strategies

Using digital channels to build a relationship with potential staff offers a cost-effective way of building reputation, conveying the benefits of your organisation and attracting talent. This includes using bespoke social media campaigns and creative messaging to promote both the organisation in general and specific roles.

5 Invest in staff development

Developing staff remains crucial for the organisation and the individual. With material benefits being squeezed and job security being eroded, it is more important than ever that staff feel their skills and opportunities are growing. Be clear about how they can develop their careers within the organisation, put the necessary processes in place to monitor and evaluate their success.

6 Work with the private sector

Many parts of the public sector still need to face up to the likelihood of greater private sector involvement, understand what that will mean in terms of how their role, organisation and operation will change, and ensure they have the right skills and experience to make its relationship with the private sector work. If this is not done, it is inviting a serious risk of service failure.

7 Provide leadership

The importance of first-rate leadership cannot be overstated. Leaders who engage staff, respect them, listen to them and give them autonomy to make decisions and carry responsibility will secure rich rewards in terms of their organisation's performance, resilience, motivation and ability to adapt.

These actions can't be taken in isolation. The way public sector organisations recruit is undergoing fundamental changes. Fewer managers and smaller central HR teams mean there is reduced capacity to manage recruitment, while at the same time the pressure to find the right people becomes increasingly important as headcount falls. Support from professional recruiters offers a highly effective solution to shaping a role, understanding the skills required, and sourcing and selecting the best candidates.

Critically, organisations can't hold on for a time when the sector returns to a pre-recession structure and way of recruiting. Employers need a long term people strategy aligned to the needs of the organisation, rather than staffing solutions that are a short term reaction to budget cuts. The cost cutting and staffing restrictions won't be in place forever, but the need to attract and retain the right people and skills in the most effective manner will continue to be prevalent and dominate the agenda.

CASE STUDIES

Three senior professionals from the public sector explain how the changes are affecting their organisations and how they are addressing some of the issues raised within this report.

NHS Foundation Trust

Robert Quick, associate director, people and organisation development at a NHS Foundation Trust, outlines that many NHS trusts have already undertaken redundancies and are preparing for several years of financial uncertainty.

“It’s the same throughout the health sector – it’s very difficult at the moment. Because a lot of organisations are cautiously offering jobs on short-term contracts it is causing a bit of a slowdown,” says Quick.

Recruitment of clinical staff varies dramatically. While graduate nurses are finding it tough as vacancies are filled by existing staff at risk of redundancy, the same trusts have also needed to recruit internationally to find middle rank doctors.

As hospital trusts increasingly compete for business, some of them are turning to staff with private sector experience.

“We have [occupational health] contracts with a significant number of private sector and third sector organisations, as well as other public bodies. We are competing with other NHS organisations in a restricted market, so there have been various initiatives to recruit people with private sector experience,” Quick said.

Skills the trust have been looking for include formulating business strategy and marketing. It has also been reshaping its HR service to ensure its people management has a sharper focus and can deal with issues such as transferring staff under TUPE regulations.

“A number of NHS organisations are seeking people with private sector HR experience because modelling the workforce is now along much more commercial lines,” Quick said.

London Borough of Ealing

Mark Wiltshire, head of regulatory services and community safety at London Borough of Ealing, is making significant changes to his teams to adapt to the tough financial climate.

Reductions in middle management mean he is looking for frontline staff – such as environmental health and trading standards officers – who can work with less supervision. “People with the right qualifications and experience that can work with autonomy– that’s the challenge,” he said.

But reducing management has helped fund the expansion of some services: “We just [recruited] 24 posts. It’s not all bad news – against the backdrop of cuts there is also a local investment. We have introduced a new extended hours service to respond to noise and antisocial behaviour, and we have [another new team for] an emerging issue with illegal outhouse development.”

He is using both full-time and fixed term contracts to provide a balance of stability and flexibility. This enables his services to cope with seasonal peaks – noise in the summer and tenants complaining about landlords in the winter.

Most staff are hired from elsewhere in the public sector. It is difficult to differentiate from other employers on pay, so promoting the content of the role becomes more important: “One of our challenges is how we make ourselves attractive to people when there is quite a rigid salary framework.”

Buying in services from the private sector has to be an option at the moment. Mr Wiltshire says contracting out is an issue, which he keeps constantly under review. But he stressed the need to retain sufficient in-house expertise to ensure services are well run, whoever provides them.

University of the Arts, London

Graham Simner, director of estates, says the University of the Arts is still attracting impressive candidates despite the pressure on the public sector. He has just appointed five senior staff through Hays, including a contracts manager, energy and environment manager and building surveyor.

The packages he has been offering compete well with the private sector, but the work itself – overseeing the estate of an internationally renowned, design-focused institution – is key to attracting top people.

“Salary packages are still quite good, especially when you add on the pension as well,” Simner says.

“On the property side we are doing quite exciting stuff the in the next five years; we are looking at consolidation and rationalisation of the estate - buying and selling buildings and refurbishing.”

Security, cleaning and maintenance are outsourced. Simner is changing the skills in his team to meet the need to work with the private sector.

“This year we recruited someone whose sole job is contract management. That’s the key skill we didn’t have so we decided to restructure.”

The recruit came from the private sector. More staff with these skills may be needed: “If we decide to outsource other parts of the function that may then require us to look at strengthening that part of the team.”

More contracting out “is an option we will always be looking at”, if it will improve efficiency or quality.

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