

MANAGEMENT BOARD

CALCULATING STAFF NUMBERS

Paper from the Director General of Resources

Purpose

1. In January, the Board asked for a paper on methods for calculating staff numbers. There have been differences of view among the Board about the accuracy of staff numbers data and their suitability for management needs. The aim is to provide the Board with staff data which all Board Members accept as appropriate.

Recommendations

2. I propose that we compile four regular reports showing:
- a. number of employed staff in post in the House of Commons broken down by department. These reports should be calculated on the basis of full-time equivalent numbers.
 - i. A monthly tabular report comparing current staff in post by band compared to the previous month and a baseline figure (1 April each year).
 - ii. a quarterly graphical report showing the 12-month rolling average staff in post over the previous 12 months (similar to the sickness absence figures).
 - b. total cost of employment or alternatives to employment (basic pay plus ERNIC and Employer pension contribution, overtime, secondees, agency, contractor costs) broken down by department.
 - i. A monthly tabular report comparing expenditure, financial year to date against budgeted expenditure.
 - ii. A quarterly graphical report showing the 12-month rolling annual cost over the previous 12 months (again, similar to the sickness absence reports).
3. We could also compile a report on the use of indirectly-employed staff. If this is to be useful, Directors General will need to ensure that work is done in departments to provide accurate and complete information on a standard basis.

Methods of calculation

4. There are two broad methods of calculating “staff” usage:
 - counting staff numbers or
 - counting the financial cost of labour.

These are more fully explained in the Annex.

Issues

5. Key issues are:
 - what information do departments need for effective management of their staff resources?
 - how should numbers be reported to the Board for management information purposes?
 - how should staff numbers be reported externally, eg in parliamentary answers and published reports?
 - should staff numbers be controlled and, if so, how?

Discussion

6. The areas that could be monitored by both departments and the Board are:
 - a. the cost of labour. This needs to be considered in its widest form with direct staffing budgets and indirect staffing budgets being monitored.
 - b. the outright numbers of directly employed staff (both headcount & FTE). This needs monitoring because it can represent a more permanent financial commitment only manageable over the longer term. Employment also brings with it various legal and moral responsibilities that are less relevant with agency or contract staff.
 - c. numbers of “staff substitutes” such as casuals, agency staff, consultants and contractors. I gather that the Administration Committee have expressed concern about long-term indirectly-employed staff, so gathering information on this could be helpful. However, this category is a very broad church: at one extreme they can be a straightforward substitute for permanent employees, taking up desk space, management time etc just like permanent staff; at the other, the relationship might be non-managerial or might not involve presence on the Estate. Departments would have to keep accurate records of such usage, and the information would need to be collated on a consistent basis if it was to be of value. This would be a significant and probably quite difficult task.

7. There are a number of reports that could be used to monitor staff numbers and expenditure and each could be broken down into department, and by pay band and account code. This could potentially result in information overload, particularly given that information on other areas of HR, finance and performance is also planned in the future.
8. I suggest that the Board is given summary reports as set out in paragraph 2. This combination should be sufficient to track any likely short-term problems of uncontrolled costs. More detailed reports can be developed in parallel for use by departments, and for the Board where it is necessary to provide more detail to shed light on an apparent issue in the top level graphs or tables.
9. The monthly tabular reports (2.a.i. and 2.b.i) can be produced from 1 April 2008. The quarterly graphical reports (2.a.ii and 2.b.ii) would require a year's worth of data for the departmental breakdowns and are unlikely to give worthwhile comparisons before 1 April 2009. However, we could investigate with PICT the technical feasibility of producing the quarterly graphical reports earlier.
10. The reports could be further developed to provide additional analysis (e.g. departments, pay bands, account codes) for use by departments.
11. If the Board wanted to pursue collation of information about non-employed resource as set out in paragraph 3 above, departments would need to provide us with usage information on the basis of an agreed template, as there is currently no standard basis for counting usage.

Control of staff numbers

12. My last paper to the Board on this topic addressed the question of control of staff numbers. The measure I favoured was FTE usage, against the background that such usage has increased significantly over the past few years. (This in my view remains relevant even though some Board members felt that other measures of manpower should be used. It is, for example, the basis generally used for manpower planning and reporting, and by government departments in answer to PQs.) The reasons for the growth are varied: much of it has been in response to initiatives by the House, eg to increase select committee staffing, and to provide visitor welcome services. Against this, there has been no particular pressure to bear down on either manpower costs or numbers in recent years, and the consequent growth is not, therefore, surprising.
13. If the Board want to exert downwards pressure on staff numbers and costs in future, I suggest that we concentrate on both:
 - FTE usage and
 - costs for both directly-employed staff and staff substitutes.

And, as suggested in my earlier paper, there could be tighter budgetary controls on manpower.

Actions

14. The Board are asked to consider the recommendations in paragraph 2. DR will work jointly with PICT and OCE to develop the necessary reports, subject to any changes requested by the Board, in time for initial reports in April.

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Director General of Resources

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ANNEX

Methods of calculating staff numbers

A wide variety of measures could be devised and reported for different purposes, but it is important to use a consistent currency. For example, staff numbers reported in historical Commission's Annual Reports have varied from spot-date headcount, through spot-date full-time equivalent (FTE) usage, to annual average FTE usage. The variation has made comparability over time very difficult. The standards currently in use are:

- average annual employed FTE usage for most reporting purposes (eg answers to PQs about staff numbers, and tables in the Commission's Annual Report)
- headcount of directly-employed staff for diversity purposes, where average staff usage is meaningless
- resource usage on labour, both directly-employed and contracted (used for budget and costing purposes)

The methods are described in more detail below

1. Counting the number of staff - Headcount

The simplest method is to count the number of people employed at any given point in time. This method was used for reporting in the distant past, but has the disadvantage that it is easy to "hide" actual staff usage if staff in post is only being counted, say, at the end of the year. It was a favourite ploy in the Civil Service some years ago to run numbers down in time for the end-year count, and then build them up again quickly.

This approach also ignores other sources of labour such as contractors, interims and agency staff.

A specific disadvantage of the headcount is that this takes no account of whether a person works part-time or full-time, and so does not give an accurate accounting of the resource employed for productivity purposes.

The headcount does, however, have two uses. It is the preferred method of calculating statistics about diversity as it allows organisations to count part-time staff (who tend to be women in disproportionate numbers) and full-time staff equally. It is also helpful to use headcount for accommodation purposes unless an organisation has a hot-desking policy.

2. *Counting the number of staff – full time equivalent*

A refinement on headcount is to count employees in proportion to their weekly hours. This is the normal method used by organisations to report their staff-in-post for most purposes, and is also used as a basis for calculating other HR statistics such as turnover and absence.

3. *Counting the cost of directly employed staff*

The most common financial control of staff is to compare the actual amount of money spent on salaries and related costs with the budgeted figure. The advantage is that it monitors staff budgets, but allows managers more flexibility to change the band mix within the budgeted amount. However, it also ignores sources of labour other than directly employed staff.

4. *Counting all sources of labour.*

Each of the foregoing ignores other sources of labour such as contractors, interims or agency staff. For some management purposes such as use of space it can be useful to know about *all* labour usage. In headcount terms this might in our case add anything up to [1,000] extra bodies over and above directly-employed staff at some times of the year, depending on which contractors are included in the figures. Accurate information on this is not readily available. Counting the *cost* of such manpower substitutes is, however, more straightforward. Aggregating this with the cost of directly-employed labour would give an overall picture of labour-related expenditure

Department of Resources

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