

Submission to the Education Select Committee on Value for Money in Higher Education

1. Executive summary

- The Universities and Colleges Employers Association (UCEA) is a membership body funded by subscriptions from 163 HEIs in the UK (in addition to 8 sector associate members). UCEA's submission to the Committee covers senior management pay in universities and quality and effectiveness of teaching. We also refer Committee members to the submissions from Universities UK, CUC and GuildHE which cover the full range of value for money issues within the sector.

Senior management pay in universities

- There were just over 3,000 senior managers in higher education in 2015-16 representing 0.8% of the total substantive workforce and 1.5% of total sector expenditure. The largest group of senior staff in HEIs is senior academic which includes all professors (18,580) and academic managers.
- Recent coverage of the sector has tended to use a figure of £280,000 as the average 'salary' of a Vice-Chancellor in the UK but this figure is over-stated because it includes employer pension contributions. The two publicly available sources for the average head of institution salary in 2015-16 state this as £246,149 (THE) and £229,300 (HESA).
- Figures for Hol and senior staff pay rises are also generally presented against just the base uplift to the national pay spine. In recent years a majority of staff have been eligible for pay progression which augments the average pay growth for non-senior staff by 1.5 percentage points.
- The sector-level pay ratio between heads of institution and median employee pay was 6.5:1 in 2016 which has increased from 6.3:1 in 2008. This sector-level pay ratio (and those in HEIs) remains broadly in line with those seen across the public sector and far below those seen in the private sector.

The quality and effectiveness of teaching

- The sector has a diverse range of staff that lead and support the delivery of teaching and learning in the sector. This submission focuses on the diversity of employment practices in the sector and trends in different types of contracts in use to underpin the quality of teaching and the student experience.
- Looking at total staff resources devoted to teaching in HE, 76% of teaching staff are employed on open-ended/permanent contracts. Atypical/casual staff, which include those staff who work for short-periods and/or with a high degree of flexibility (including some on variable or zero hour contracts) comprise 6% of the total FTE.

We trust that the Education Select Committee will find use in the information provided in making its assessment and drawing conclusions from the range of submissions we expect it will receive.

2. Introduction

- 2.1. UCEA is a membership body funded by subscriptions from 163 HEIs in the UK (in addition to 8 sector associate members). Our purpose is to support our member organisations in delivering excellent and world-leading higher education (HE) and research by representing their interests as employers and facilitating their work in delivering effective employment and workforce strategies. UCEA acts as the employer representative for the 148 HEIs that take part in multi-employer bargaining on the value of the HE pay spine through the Joint Negotiating Committee for Higher Education Staff (JNCHES).
- 2.2. UCEA's submission to the Committee covers senior management pay in universities and quality and effectiveness of teaching as they are relevant to our role within the sector. Our submission is primarily focused on the provision of facts and evidence that the Committee can use in making its judgements rather than offering an assessment of value for money. We refer Committee members to the submissions from Universities UK and GuildHE which cover the full range of value for money issues within the sector. Although this submission covers senior management pay in universities, UCEA plays no direct role in determining senior salaries. We understand that the Committee of University Chairs will be making a submission to the Committee and this will cover issues relating to governance and remuneration decisions relating to senior staff in higher education. A further value for money consideration is that most Chairs and independent members of University Councils receive no remuneration with respect to their roles. Chairs or non-executive directors of equivalent sized private sector organisations are often well rewarded and indeed the same is the case in many public sector organisations such as NHS Foundation Trusts. This is in an era where increasing obligations are being placed on Higher Education governing bodies.

3. Senior management pay in universities

- 3.1. In assessing the pay of senior managers in universities it is important to understand how pay levels are determined in higher education and the levels and trends in pay in the wider workforce.
- 3.2. The New JNCHES negotiations cover base pay increases for staff on the single pay spine from point 2 (£15,417) to point 51 (£60,410) at 148 participating HEIs. The pay spine points are used by each HEI in their grading structure and these structures will vary by institution. HEIs in London either pay a London allowance or use higher pay spine points that incorporate a consolidated London allowance. Point 51 is the professorial minimum and all salaries above this level are determined by HEIs. The approach taken to determining senior staff pay varies by HEI depending on its size and the number and type of staff that are included in that group. As Table 1 shows, there were just over 3,000 senior managers in higher education in 2015-16 representing 0.8% of the total substantive workforce. The largest group of senior staff in HEIs is senior academic which includes all professors (18,580) and academic managers.

Table 1: Senior staff in higher education, 2015-16

| | Total staff | Proportion of all staff | Proportion of salary bill | Proportion of total sector expenditure |
|------------------|--------------------|--------------------------------|----------------------------------|---|
| Senior managers | 3,070 | 0.8% | 2.8% | 1.5% |
| Senior academics | 23,750 | 5.9% | 15.6% | 8.5% |
| Non-senior staff | 374,630 | 93.3% | 81.6% | 44.5% |
| Total | 410,450 | 100% | 100% | 54.6% |

Source: HESA.

Average pay for heads of institutions

- 3.3. The most common focus of senior pay in the HE sector is the head of institution (typically Vice-Chancellor or Principal) who is usually the highest paid employee in an HEI. Recent coverage of the sector has tended to use a figure of £280,000 as the average 'salary' of a Vice-Chancellor in the UK but this figure is over-stated because it includes employer pension contributions which are not salary and which all academic employees receive in proportion to their salary. Any comparison of this figure to other public figures should also take account of the value of their pension contributions.
- 3.4. There are two public sources of data which provide information on the salary levels: Times Higher Education (THE) and the Higher Education Statistics Agency (HESA). The 2017 THE analysis, conducted by consultancy Grant Thornton, is based on annual accounts for 2015-16 and finds an average annual salary of £246,149. HESA data for the same year show an average (mean) basic salary of £229,300 and a median of £235,990.¹ As stated, UCEA plays no role in determining the level of these salaries, but we do have a concern that any judgements, analysis or comparisons make use of correct or like-for-like data.
- 3.5. Figures for Hol and senior staff pay rises are also generally presented against just the base uplift to the national pay spine. The uplift to the pay spine is one part of the increase an individual might receive in a given year. In recent years a majority of staff have been eligible for pay progression typically worth an additional 3% increase – this typically augments the average pay growth for non-senior staff by 1.5 percentage points.

4. Overall pay levels in HE

- 4.1. Although the sector has gone through a period of pay restraint similar to the public sector, it is not subject to the public sector pay policy. Overall, pay remains competitive with the wider economy, as can be seen from UCEA's annual review of pay benchmarks. The median basic full-time salary was £36,672 in 2015-16 with academic staff below the level of professors receiving £46,414 at the median –

¹ The lower HESA figure is due to the fact that the THE includes the sum of salaries where two individuals have been in office in the same year whereas HESA only reports the full-year salary for the head of institution as at the survey census date.

Table 2. The median basic salary for professors was £72,263. Since these figures were released there have been headline base pay awards of 1.1% and 1.7%.

Table 2: Median pay by staff group, 2015-16

| Staff group | Median full-time basic salary |
|---------------------------------------|-------------------------------|
| Professors | £72,263 |
| Academic staff (excluding professors) | £46,414 |
| All staff | £36,672 |

Source: HESA.

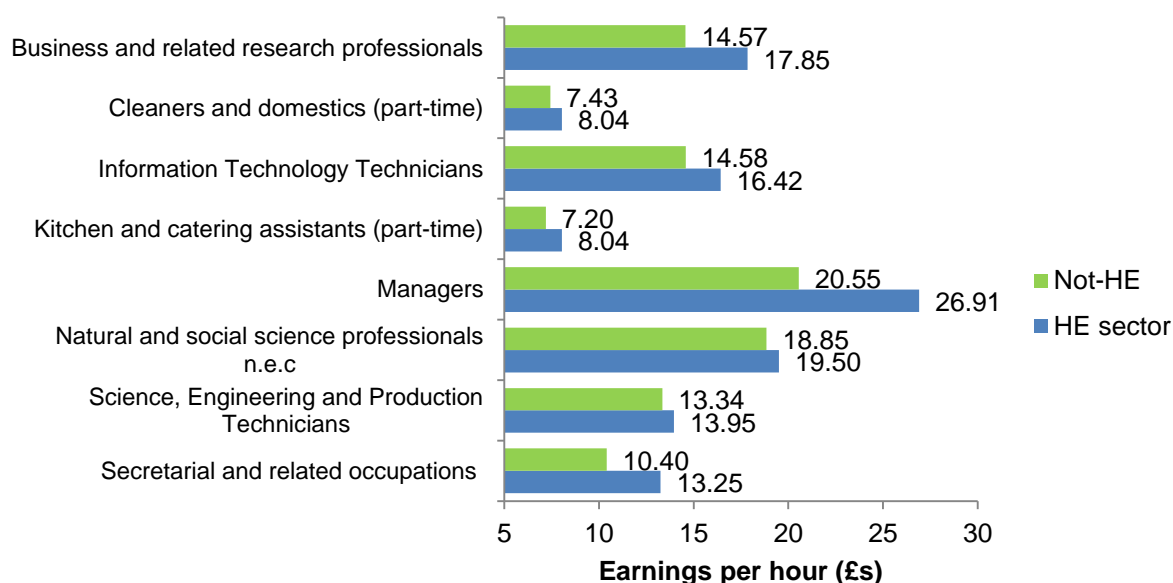
4.2. Based on median full-time earnings, HE teaching professionals have a healthy premium over secondary and FE teaching professionals which has remained consistent since 2009 – Table 3. The main occupations for other staff are also in line or ahead of comparators in the wider economy as shown in figure 1.

Table 3: Median full-time earnings, teaching professionals, 2016

| Occupational group | Median full-time earnings |
|----------------------------------|---------------------------|
| FE teaching professionals | £35,827 |
| Secondary teaching professionals | £38,205 |
| HE teaching professionals | £49,197 |

Source: ONS.

Figure 1: Median full-time earnings by occupational group, selected occupations, 2016



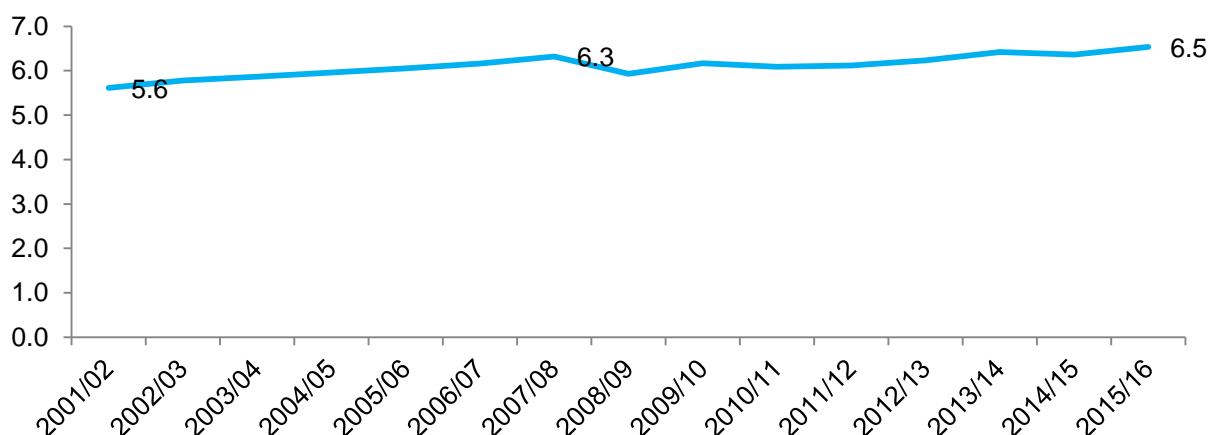
Source: ONS.

5. Pay ratios in higher education

5.1. The higher education sector was covered by the Hutton Review of Fair Pay in the Public Sector in 2010-11. UCEA supported CUC in responding to the Review's evidence request including pay ratios based on the ratio between the heads of institution and median full-time pay for all employees. Figure 1 updates Chart 2.A on page 33 of the Hutton Review Final Report which used UCEA and ONS data. At that point in time the pay ratio in the sector appeared broadly in line with other public

sector and public service employers which were typically between 5.5:1 to 7.5:1 in 2008 with the exception of further education. As shown in Figure 1, the pay ratio has increased slightly since 2007/08 from 6.3:1 to 6.5:1.²

Figure 2: Pay ratio trend in higher education, head of institution to median full-time employee pay



Sources: UCEA, ONS. Head of institution figure based on the median total pay of heads of institution in higher education. Employee pay based on full-time weekly gross earnings from the Annual Survey of Hours and Earnings.

5.2. This sector-level pay ratio (and those in HEIs) remains broadly in line with those seen across the public sector and far below those seen in the private sector. For example, the ONS's analysis of pay ratios finds that the ratio between median earnings and the highest earner in the civil service is 11.1:1, with individual departments and agencies including the Department for Work and Pensions and the Ministry of Defence at or above 7:1.³ Our analysis of NHS pay data⁴ found that the ratio is 7.3:1 and in local governments⁵ it is 6.0:1. In the FTSE100 the average pay ratio between average staff pay and the CEO was 129:1 in 2016 (CIPD, 2017).

6. The quality and effectiveness of teaching: Teaching contracts in higher education

6.1. The sector has a diverse range of staff that lead and support the delivery of teaching and learning in the sector. This submission does not seek to cover the areas of teacher training and accreditation which are significant and will be covered by other sector responses. Instead we wish to focus on the diversity of employment practices in the sector and trends in different types of contracts in use to underpin the quality of teaching and the student experience.

Contract profile

6.2. Across the sector there were 118,700 full-time equivalent (FTE) staff on teaching contracts in 2015-16 with 76% on teaching and research contracts and 24% on teaching-focused contracts. As teaching and research staff do not spend 100% of their time teaching we have weighted these as 40% FTE teaching assuming a basic 40/40/20 model.⁶ This changes the split to 44% teaching-focused and 56% teaching and research. Based on this re-weighted FTE, Table 4 shows that 76% of teaching

² Using the HESA basic salary data quoted in sections 1 and 2 gives a similar ratio of 6.4:1.

³ www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/datasets/medianpayannexb

⁴ Based on data from NHS Digital.

⁵ Based on the average of ratios reported in annual reports from 128 local authorities.

⁶ This assumes 40% time on research, 40% on teaching and 20% on management and administration.

staff are employed on open-ended contracts. Atypical staff, which include those staff who work for short-periods and/or with a high degree of flexibility (including some on variable or zero hour contracts) comprise 6% of the total FTE. This figure has been falling in recent years in terms of both FTE and total number of contracts with the atypical academic FTE falling from 3.7% of all academic work in 2011-12 to 2.9% in 2015-16.

Table 4: Contract diversity of teaching in higher education, weighted FTE, 2015-16

| | | Teaching-focused | Teaching and research | Total |
|--------------|----------------------|------------------|-----------------------|-------------|
| Full-time | Open-ended/Permanent | 17% | 47% | 64% |
| | Fixed-term | 4% | 3% | 7% |
| | Atypical | 0% | 0% | 0% |
| Part-time | Open-ended/Permanent | 7% | 5% | 12% |
| | Fixed-term | 10% | 1% | 11% |
| | Atypical | 6% | 0% | 6% |
| Total | | 44% | 56% | 100% |

Source: HESA. FTE for teaching and research is based on 40% of total FTE.

Fixed-term and casual employment

6.3. HEIs aim to be employers of choice in their local areas and are committed to good employment relations both individually and collectively. The sector has relatively high trade union density at 27% (2013) with higher density among academic staff (34%). Employment practices related to staff employed on fixed-term and on casual contracts have received significant attention in recent years. However, consideration of these staff in the sector goes back much further. In June 2002, UCEA and the five main HE trade unions⁷ agreed guidance on fixed-term and casual employment for HEIs which included principles for the employment of fixed-term and casual staff. In particular, the guidance recognised that indefinite contracts are the general form of employment relationship and noted that there should be objectively justifiable reasons for using casual contracts. The guidance gave the following examples:

- the post requires specialist expertise or recent experience not already available within the institution in the short term;
- to cover staff absence as appropriate;
- to provide input from specialist practitioners;
- where the student or other business demand can be clearly demonstrated as particularly uncertain; and
- where there is no reasonably foreseeable prospect of short-term funding being renewed nor other external or internal funding being available or becoming available.

6.4. This guidance was reviewed and reissued following a joint working group with the trade unions in 2014-15 which published its report in 2015.⁸ The guidance continues to be relevant to the sector and recent work by UCEA to understand the types of

⁷ GMB, UCU, UNISON, Unite and EIS

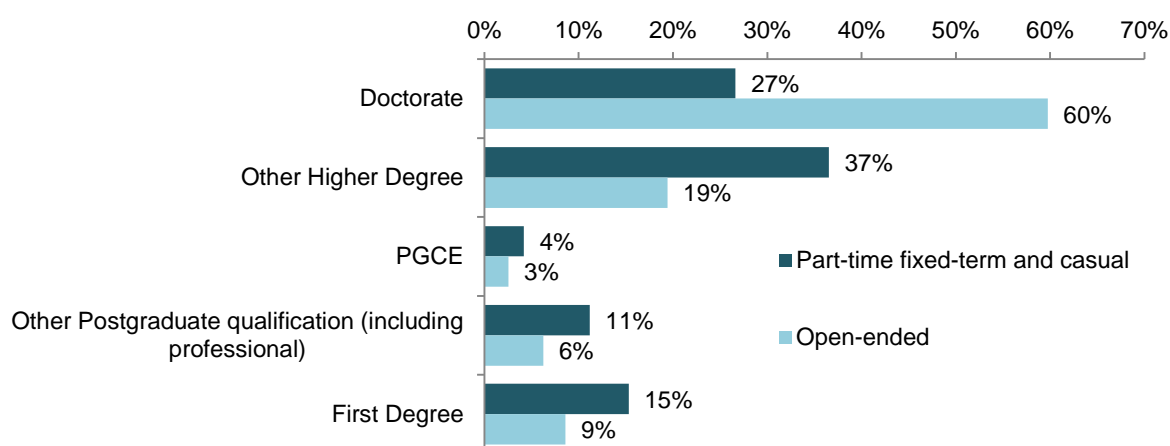
⁸ www.ucea.ac.uk/en/publications/index.cfm/nihpcwgr

individual covered by such contracts found that the typical groups covered by such contracts include:

- Temporary teaching cover for permanent academic staff who are undertaking research or who are absent for other reasons (long-term sickness, sabbaticals, maternity or parental leave).
- PhD candidates and post-doctorate researchers being provided with opportunities to contribute to teaching and learning, which is valued as part of their career development.
- Specialist teaching in specific areas such as architecture, law, music or art where professionals from industry are required (including for professional body accreditation of the course) to deliver particular classes or studio work within a course, e.g. civil engineers, oil industry experts, barristers or practising artists.
- Language tutors in certain circumstances, for example where the level of demand for a minority language cannot be predicted ahead of students enrolling.
- Teaching input where a permanent contract is not appropriate and usually where the breadth of the full academic role is not required, for example in summer schools.

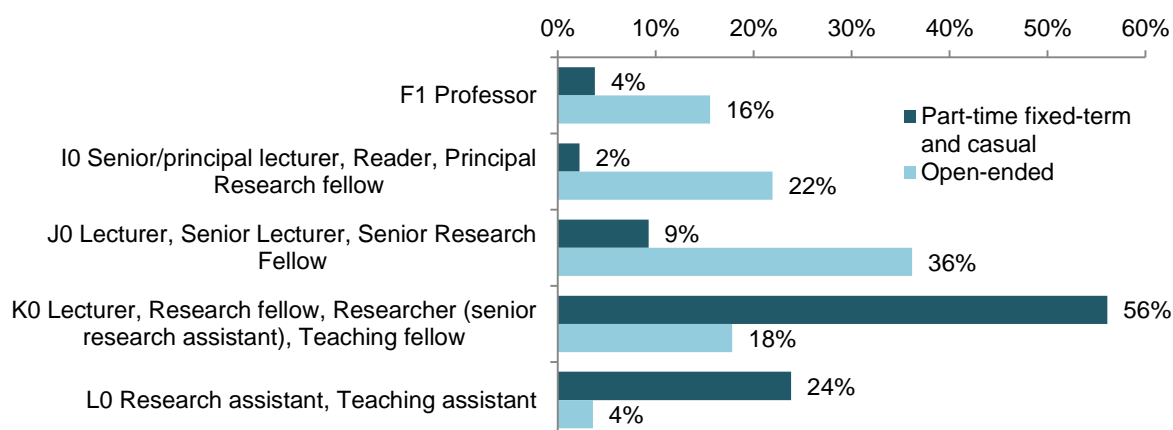
6.5. The different profile of these examples is reflected in the qualifications and contract level profile of these staff as compared to those on open-ended contracts. As Figure 3 shows, 60% of staff on open-ended contracts hold a doctorate compared to 27% of part-time fixed-term and casual staff (comprising 10% of FTE). This reflects the examples above given that industry professionals are less likely to hold doctorate-level qualifications and PhD candidates would not yet hold that qualification. Figure 4 shows that these staff are also typically employed at different contract levels within the sector. For example, 74% of staff on open-ended contracts are employed at senior lecturer level (J0) or above compared to 15% of part-time fixed-term and casual staff.

Figure 3: Qualification by terms of employment, 2015-16



Source: HESA. Open-ended includes both part-time and full-time staff.

Figure 4: Contract level by terms of employment, 2015-16

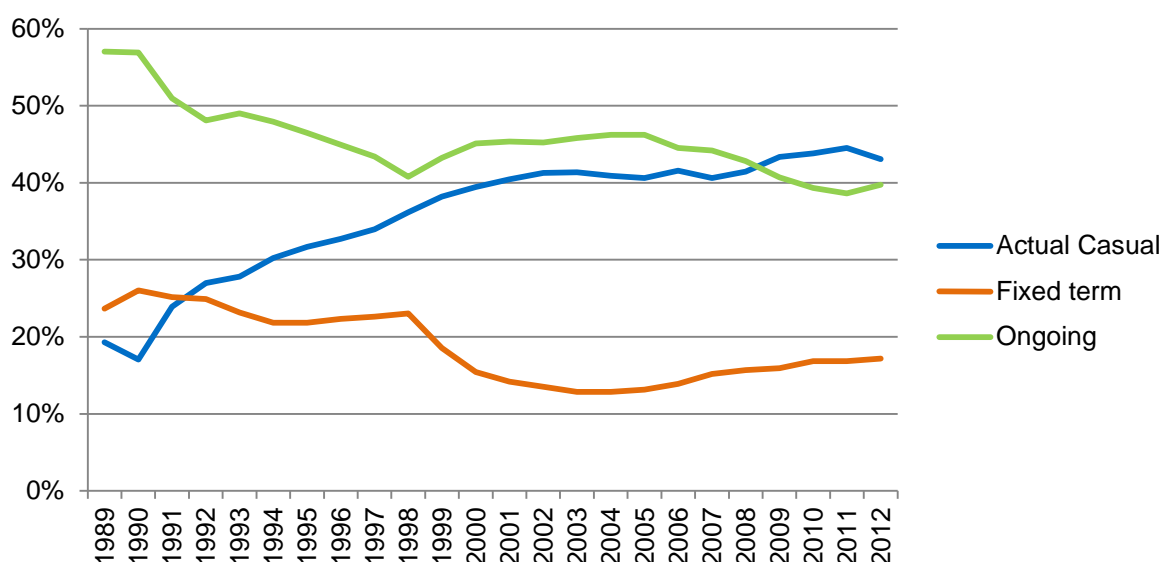


Source: HESA. Open-ended includes both part-time and full-time staff.

International comparisons

6.6. The use of fixed-term and casual faculty in the UK has been compared in the media to trends in the US and Australia, despite workforce profiles and trends being very different in these countries. Between 1989 and 2011 the proportion of staff employed on fixed-term and casual contracts in Australia increased from 30% of the FTE workforce to 57%. Figure 5 uses the same weighted FTE approach as Table 4 with teaching and research contracts weighted at 40% of FTE. In 2012, 43% of teaching FTE was employed through casual contracts compared to 6% in the UK while 40% was employed on ongoing contracts compared to 76% in the UK.

Figure 5: FTE teaching staff weighted for teaching workload by contract type (%), Australia, 1989-2012



Source: LH Martin Institute and AHEIA, 2014.

6.7. Comparisons with the US are more difficult given the tenure system, however the headline figures from the US indicate a much different faculty profile. Data from the American Association of University Professors (AAUP) show that 40% of all faculty

appointments are part-time compared to 29% FTE in the UK.⁹ Including other non-tenured (fixed-term) positions and graduate student employees increases this figure to 71% with the remaining 29% in tenured or tenure track positions. In the UK 76% of academic FTE on open-ended contracts¹⁰ which is the closest comparison to tenure-track/tenured position.

- 6.8. UCEA understands from HEFCE that extensive analysis was done earlier in 2017 for the Department for Education that looked at the nature of the contractual profile for academic staff in English institutions against measures of teaching quality. We would hope that the analysis and findings may shortly be made available.

7. Concluding remarks

- 7.1. This submission to the Education Select Committee provides facts and figures related to pay in higher education and the contractual profile of the academic workforce who deliver teaching. This submission complements responses from Universities UK and GuildHE which focus substantively on value for money issues in the sector. We trust that the Education Select Committee will find use in the information provided in making its assessment and drawing conclusions from the range of submissions we expect it will receive.

⁹ www.aaup.org/issues/contingency/background-facts

¹⁰ There is no tenure in the UK.