New JNCHES Negotiations 2019-20 Employers' Statement

26 March 2019

1 Introduction

UCEA, acting on behalf of the participating employers, looks forward to engaging with the HE trade unions under the auspices of New JNCHES to reach agreement on an uplift to the national pay spine that all parties can view as fair and sustainable. This year's discussions take place during an acutely challenging financial period for the majority of HEIs. The announcement of substantial increases in employer pension contributions during 2019 has created a very real challenge in all institutions. This is compounded by the as yet unknown changes to undergraduate funding in England, carrying implications also for other nations. These pressures add to already stretched institutional finances with 47 HEIs reporting deficits in 2017-18 – the worst position seen in at least a decade - and the median surplus falling again, from 2.9% in 2016-17 to 2.4% in 2017-18.

Extraordinarily, we start the 2019-20 negotiating round in the position that none might have expected; that the UK still does not know either the nature or the timing of its exit from the European Union and a sudden exit with 'no deal' remains a genuine scenario.

Employers understand the importance of maintaining the competitiveness of pay within the comprehensive total reward packages they offer to their academic and professional services staff. This is true for all employees covered by the JNCHES negotiations and we can see this in the steps that are taken in relation to pay at lower levels in their workforces. Over the past five years the base uplifts reached at New JNCHES have succeeded in maintaining the value of the pay spine in real-terms and those paid on the lowest pay point will have actually seen its value increase by 5% in real terms. These outcomes, reached during times of significant change in the sector and increasing divergence between funding systems in the UK's four nations, mean that pay levels remain competitive on an occupational basis according to both official statistics and sector benchmarking surveys. While competitive pay is important to sustaining the quality of everything HEIs do, from teaching and research to student services and administration, the wider reward package offered by HEIs is also important and contributes to the low employee turnover we continue to see in the sector. Despite record-low levels of unemployment across the UK, HE employers report few significant recruitment difficulties outside of a handful of specific functions and academic disciplines.

The sector has also made strides on equality and diversity with the gender pay gap falling from 24% to 15% over the past decade. This progress has not bred complacency and the *Taking action* report produced earlier this year demonstrates the serious commitment within institutions to actions and interventions to continue the trajectory.

The employers remain open to exploring ways in which the parties to New JNCHES might contribute to maintaining this momentum on gender pay and supporting institutions in their work in addressing pay gaps related to other protected characteristics such as ethnicity.

This statement from the employers presents the main issues that participating HEIs have identified as influencing their views on a sustainable pay uplift for 2019-20. Although we have sought to illustrate here the considerable diversity among participating HEIs, the variability in the circumstances of individual HEIs in the sector at the present time cannot be overstated. The document draws on the latest available data and we will continue to monitor any updates to this information as negotiations progress. We hope that this serves as a useful briefing for the trade unions as we enter the 2019-20 pay round.

2 Maintaining a competitive employment package

The sector's multi-employer pay negotiations through New JNCHES are essential to maintaining a competitive total reward package in HEIs. The negotiations balance the importance maintaining good living standards for staff and the needs of institutions to recruit and retain staff in international, national and local labour markets while maintaining financial sustainability. Following a challenging series of settlements in the immediate aftermath of the 2008-09 recession, New JNCHES has maintained the value of the pay spine over the past five years. As Table 1 shows, there was a 5% real-terms increase in point 2 between 2013 and 2018 while higher points maintained their value in real-terms.

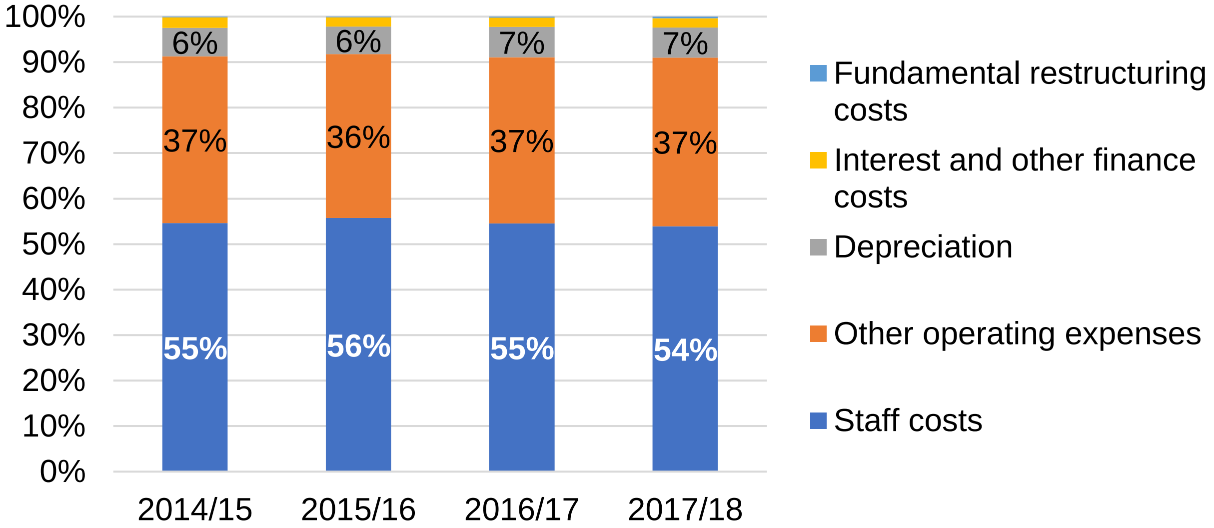
Table 1: Real-terms change in pay spine points, 2013-14 to 2018-19

Spine point	2013-14 (real-terms 2018)	2018-19	Real-terms change to 2018-19
2	15,128	15,842	5%
30	33,257	33,199	0%
51	61,726	61,618	0%

Source: UCEA calculations based on CPIH inflation as at August.

Sustainable investment in staff is fundamental to the ongoing success of the sector. Of the £37.2 billion spent by HEIs in 2017-18, 54% was invested in the remuneration of staff – Figure 1 – with this ratio being broadly maintained for the past five years. Full-time equivalent employment grew by 2.3% in 2017-18 from 353,813 to 362,045 while investment in staff increased by 6.3% from £18.9 billion in 2016-17 to £20.1 billion in 2017-18. Average staff investment per FTE increased by 3.9% from £53,353 to £55,438.

Figure 1: Staff costs as a percentage of total expenditure, 2014-15 to 2017-18



Source: HESA.

3 Increases in employer pension contributions

Pension provision in the sector is an important part of the employment package for employees and HEIs are facing an unprecedented set of increases in pension contributions in 2019. These include significant planned increases in public sector schemes and staged increases for USS employers following the 2017 valuation. The financial consequences of these increases are significant and as things currently stand there is no indication of funding being made available to the sector to cover the public sector scheme contribution increases.

> "We are very concerned about the increased costs for TPS members which was something we had not anticipated and will have a real impact on our budget for next year." Post-92 England

- For **TPS in England and Wales**, an employer contribution increase of 7.2% of salary is scheduled to apply from September 2019. Institutions had been expecting increases in the order of 2%. Despite sector lobbying there is no indication from either Westminster or the Welsh Government that any additional money will be found to support universities with the increase.

- For **TPS in Scotland**, an employer contribution increase of 6% of salaries is scheduled to apply from September 2019. There is similarly no indication of any additional money being found to support Scottish universities with the increase. We understand that an increase of 7.4% will also apply to the **Northern Ireland TPS** from April 2019.

- For the **NHS Pension Scheme** in England and Wales and Scotland, the employer contribution increases are 6.2% and 6% respectively and will be applicable from April 2019. In **Northern Ireland** the rate will also increase by 6.2% from April 2019.

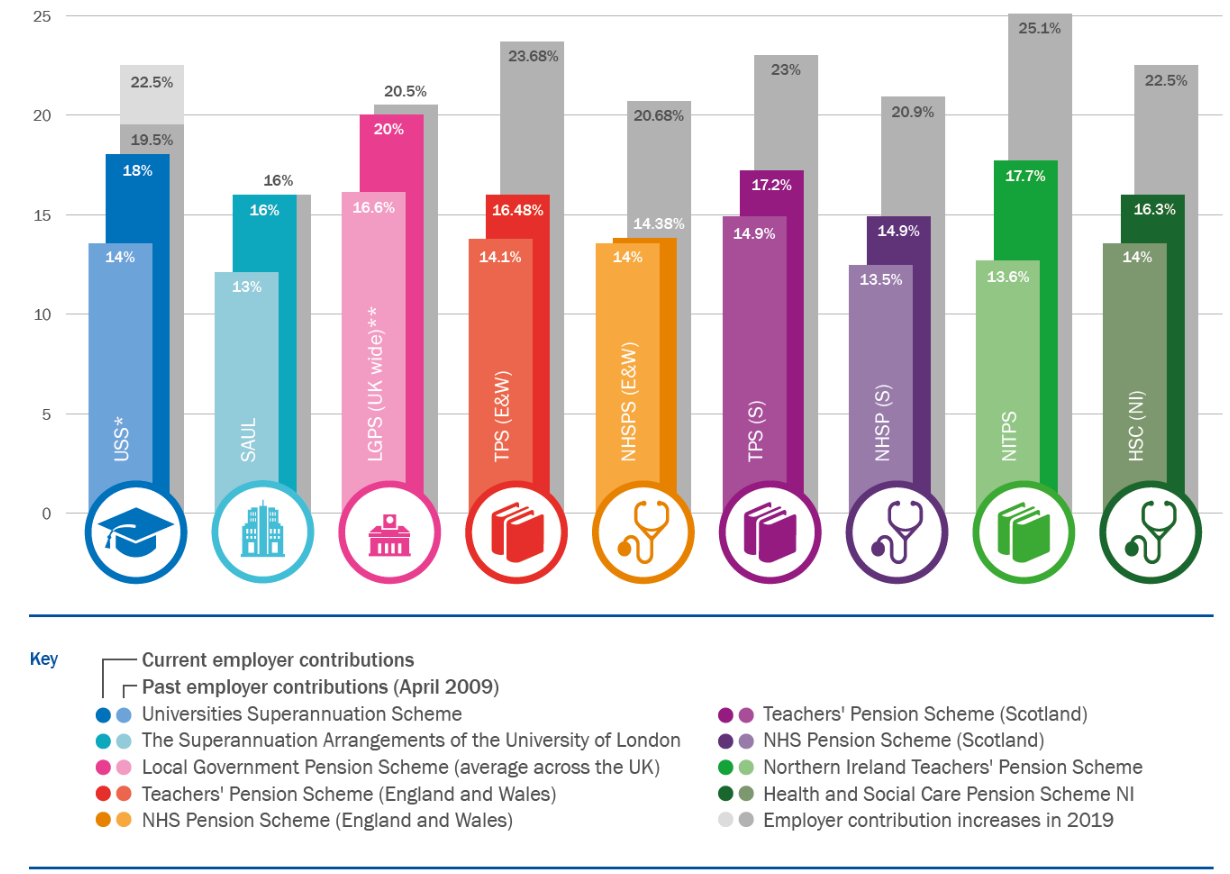
- For the **LGPS**, a separate valuation process applies which means that the discount rate changes and cost cap issues will have a different effect. In **England & Wales** there is a scheme specific cost management process which has buffered the scheme against the impact of the HM Treasury's cost management process so there should be limited impact.

> "The increase in employer contribution rate in the STSS is a major concern for us in terms of affordability…our hands are effectively tied in respect of controlling these costs." Post-92, Scotland

- In **Scotland and Northern Ireland** there are no scheme specific cost management processes and so they will be hit by the full impact of the HMT changes which are likely to increase the cost of each scheme overall by around 3%. However, the exact local impact on employer contribution rates will depend on the individual fund valuation results. In Northern Ireland the valuations also take place as at 31 March 2019 and in Scotland the valuations are one year later on 31 March 2020 (with employer cost increases becoming effective from April 2021).

- For **LGPS in England & Wales** we are aware of a further issue arising for some employers regarding the individual Funds' preparatory processes for their 2019 valuations. This entails the Funds undertaking reassessments of the covenant strength of the individual employers, often arriving at a judgement that the employers in their Fund that are not local authorities (with tax-raising powers) and/or do not have any kind of Government guarantee are deemed to have a weaker covenant.

- For **USS** institutions, the employer contribution increases arising from the 2017 valuation are due to be implemented in three phases. The first of these increases for employers is from 18% to 19.5% effective from April 2019; employees who are members of the scheme will also see an increase in their contributions to 8.8%. The work on the 2018 valuation continues. Until this is concluded and the Trustee has indicated the next steps, it is not possible for USS employers to know whether or not they are likely to have to implement the October 2019 increase (to 22.5%), or what kind of provision they would need to make in order to be able to support a scheme for contingent contributions. These uncertainties mean that USS employers are having to plan for the possibility of the October 2019 increases coming into play.



* The October 2019 increase arising from the USS 2017 valuation could be modified in light of the 2018 valuation.
** The LGPS contribution rates shown are UK-wide HE averages drawn from UCEA survey results. The actual LGPS contribution rate for each HEI is set by each Fund and in 2019 currently varies from 15% to over 30%.

4 Other funding challenges and uncertainty

The final report of the Government's review of post-18 education in England is due by May and there is a strong possibility that HEIs in England will face a cut in the headline undergraduate fee. If implemented without equivalent substitute funding, then English HEIs will be facing difficult choices to maintain the delivery of their world-class teaching and learning programmes. The review covers the breadth of post-18 education and is looking at choice, accessibility, skills for the economy and value for money. Last July the review Chair Philip Augar said that the funding disparity between FE and HE was a central theme in the responses to the review's public consultation. While the review will not affect fees and funding for 2019-20, our members in England tell us that the outcome of the review is their top

"We are also facing a potential decline in income as a result of Brexit and the Augar review, and increased competition in relation to student recruitment." Pre-92, England concern with regard to income in the medium and long-term.

The recent reclassification of student loans is also significant as it adds considerably to the UK's public deficit. The Office for National Statistics announced in December 2018 that it is reclassifying the proportion of loan that is not expected to be repaid by the individual as public spending. Provisional data will be published in June 2019, but it is expected to increase the public deficit by around £13-18 billion over each of the next five years, according to the Office for Budget Responsibility (OBR). The change will potentially eliminate nearly all of the buffer that has been achieved against the 2% of GDP deficit target in 2020-21. The impact on public finances is so considerable that this announcement has contributed to a delay in the report from the Review of Post-18 Education and Funding.

Funding changes and difficulties are not limited to England with HEIs facing challenging funding settlements in Northern Ireland, Scotland and Wales. In Scotland, the Government's budget delivers a 2% real-terms funding cut to HEIs' core research and teaching budgets. Since 2014-15 grant funding has fallen by 12% (£130 million) in real-terms according to Universities Scotland.[1] Capital funding will fall in cash terms by £4 million. The sustained funding cuts in Scotland featured in a report by the European Universities Association which says there had been 'sustained decline' with a 14% fall in real-terms public funding between 2010-2017.[2] The report concludes that 'the system is facing significant challenges to its sustainability and competitiveness'. In Wales, the Welsh Government has set aside a £141 million for higher education in 2019-20 up from £130 million in 2018-19. Additional funding totalling £11.4 million is being invested in degree apprenticeships, a postgraduate bursary scheme and the Global Wales programme. While the resource budget represents an increase for Welsh HEIs, Universities Wales noted in its budget submission that the increases in 2018-19 and 2019-20 followed seven consecutive years of budget reductions and that the "current levels of funding continue to present significant challenges for universities in Wales".[3]

The lack of clarity related to the UK's withdrawal from the European Union (EU) presents additional uncertainties that have implications for funding. While it is still unclear how events will unfold, the decision to leave the EU will have consequences for international student recruitment, research collaboration and income, and the recruitment and retention of international staff. While the Government has made commitments in the short-term to cover Horizon 2020 research projects, maintain and guarantee arrangements for EU students and ensure a right to remain for existing staff, arrangements in the long-term are uncertain. Foremost of these is the UK's participation

[1] Universities Scotland, 2019. 'Universities Scotland Briefing on Scottish Government Draft Budget 2019-2020'. Briefing paper.
[2] Country sheets – Public Funding Observatory, EUA, 2019.
[3] Universities Wales, 2018. 'Universities Wales response to the Committees of the National Assembly for Wales' call for information on Welsh Government's draft budget proposals for 2019/20'.

in Horizon Europe, the £100 billion EU research fund. It is promising that the UK Government has expressed an intention to establish ‘a far-reaching relationship’ on science and innovation with the EU and explore options for associate involvement in Horizon Europe, Euratom and Erasmus among others. However, until a deal is reached, there is no certainty that the sector can rely on the benefits of these programmes in the future.

The immediate impact of these challenging financial circumstances is evident across the sector at the present time. UCEA is aware that a significant proportion of its members are already engaged in cost reduction exercises and that many of these will unfortunately lead to job losses either as a result of severances or redundancies – or indeed have already done so. Trade union colleagues will be aware of these issues as they work with employers during consultation periods and provide important support to affected staff. For example, UNISON reported in December 2018 that a Welsh university undertaking a voluntary severance programme is facing an £10.6 million loss in 2018-19 on top of a £22.8 million deficit in 2017-18.[4] Similarly a Guardian report featuring UCU covered an English university that posted a £20 million deficit in the last financial year with voluntary redundancies part of cost saving programme.[5] The same article noted another English university likely to reduce its headcount by 100 as a consequence of the demographic fall in the 18-year old population and ‘increasing competition for recruitment’.

“The University is already considering a savings exercise which will reduce expenditure for both non-pay and pay expenditure including the offer of a voluntary leavers scheme.” (Post-92, England)

“Our institution is already seeking savings in operating expenditure and has notified the Unions of posts as being at risk.” Pre-92, England

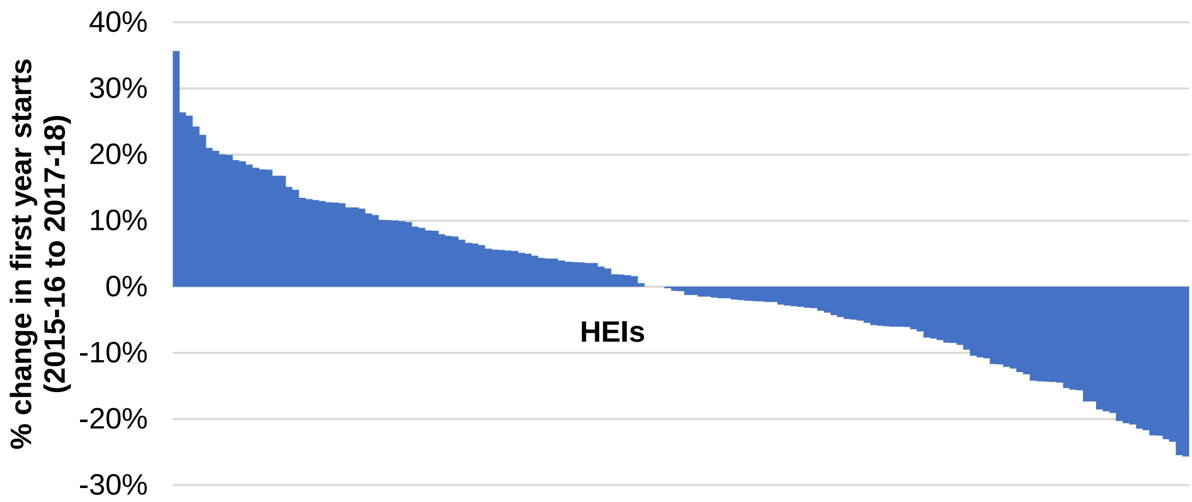
Although the Teaching Excellence Framework (TEF) introduced an inflation-link for undergraduate tuition fees they have been frozen again for 2019-20. The undergraduate fee for 2018-19 is now worth around £8,300 in 2012-13 money based on CPI inflation and its value will fall further in 2019-20. HEFCE estimated that the fee freezes will reduce the sector’s projected income by £113 million in 2018-19 and £333 million in 2019-20, reducing surpluses by 0.3% in 2018-19 and 1% by 2019-20.

“Staff costs as a percentage of income are now approaching 60% and are not sustainable in the current economic environment with no inflation on Home/EU undergraduate fees and reducing student numbers.” Post-92, England

[4] ‘Redundancies raise their heads’, UNISON website, 5 December 2018.
[5] ‘Struggling UK universities warn staff of possible job cuts’, *The Guardian*, 11 December 2018.

There has been significant variation in student recruitment in England in recent years with student number controls no longer in place for undergraduate places. This diversity of outcomes is illustrated in Figure 2 which presents nearly a perfect mirror image between those HEIs that have increased first year student enrolments since 2015-16 and those HEIs that have seen a decrease. The median change in first year student enrolments between these years is -0.7% with a lower quartile of -7.8%. The HESA data show that 33 HEIs experienced a fall in first year enrolments in 2017-18 of 10% or more when compared to 2015-16.

Figure 2: Change in first year undergraduate students, 2015-16 to 2017-18 (HESA)



UK HEIs are operating in the midst of a decline in the domestic 18-year old population which is estimated to fall by a further 1.8% this year. The impact of this demographic change can be seen in the application numbers for the 2019-20 academic year. According to UCAS data, UK domiciled applications have fallen by 0.7% with total applications 5.4% below the previous peak of 593,700 in 2016. Including international applications, the total number of applications to start an undergraduate course in 2019 has remained the same as last year (+0.4%) – Table 2. The 9% increase in non-EU international applicants masks the falls in applications from those in UK domiciles with significant falls from applicants domiciled in Scotland (-3.5%) and Northern Ireland. Applications from other EU countries are at their highest level ever, increasing by 0.9% to 43,890 which could be inflated by individuals bringing forward applications ahead of Brexit.

Table 2: Applicants by domicile group, 2018 and 2019

Domicile of applicant	2018	2019	% difference
All	559,030	561,420	0.4%
UK	457,070	453,840	-0.7%
– England	374,440	373,730	-0.2%
– Scotland	44,900	43,340	-3.5%
– Wales	19,100	18,850	-1.3%
– Northern Ireland	18,630	17,910	-3.9%
EU (excluding UK)	43,510	43,890	0.9%
Not EU	58,450	63,690	9.0%

Source: UCAS, UK application rates by the January 2019 deadline.

5 Recent financial performance

The financial and funding challenges facing HEIs in 2019-20 compound already stretched finances within institutions. HEIs are autonomous not-for-profit institutions which are responsible for their own financial sustainability. This fact was brought into sharp focus in 2018 when the Chair of the regulator of English universities stated that 'The OfS will not bail out providers in financial difficulty' in response to reports of three institutions alleged to be close to bankruptcy.[6] These reports focused on a small number of at risk institutions, but the overall picture across the sector is one of significant variability and surplus levels that are not sufficient to cover the full costs of teaching and research delivery. The data presented here do not show the impact of increases in employer pension contributions that feature in Section 5.

The most comprehensive set of financial data available shows a deterioration in the sector with significant variation in HEI sustainability between and within nations. The median HEI surplus[7] has fallen from 2.9% in 2016-17 to 2.4% in 2017-18 - Table 3. The number of HEIs in deficit has increased from 40 in 2016-17 to 47 in 2017-18 (23 in 2015-16), with more than half of HEIs in Scotland a deficit. In England there is a wide spread of financial performance with a quarter of HEIs reporting a surplus (as a percentage of income) at or below 0.6% while the top performing quarter reported surpluses at 6.1% or above.

Table 3: Differences in HE between the UK's nations – surplus / deficits as a % of income, 2017-18 (2016-17 in brackets)

Nation	Lower quartile surplus / deficit	Median HEI surplus / deficit	Upper quartile surplus / deficit	Number of HEIs in deficit
England	0.6% (0.9%)	2.6% (3.4%)	6.1% (6.8%)	32 (24)
Northern Ireland	-	4.8% (4.5%)	-	1 (1)
Scotland	-3.9% (-2.3%)	-1.9% (-0.3%)	2.6% (2.8%)	10 (10)
Wales	-6.4% (-6.1%)	1.1% (-1.7%)	3.3% (1.7%)	4 (5)
Total	**-0.5 (0.1%)**	**2.4% (2.9%)**	**5.1% (6.3%)**	**47 (40)**

Source: HESA.

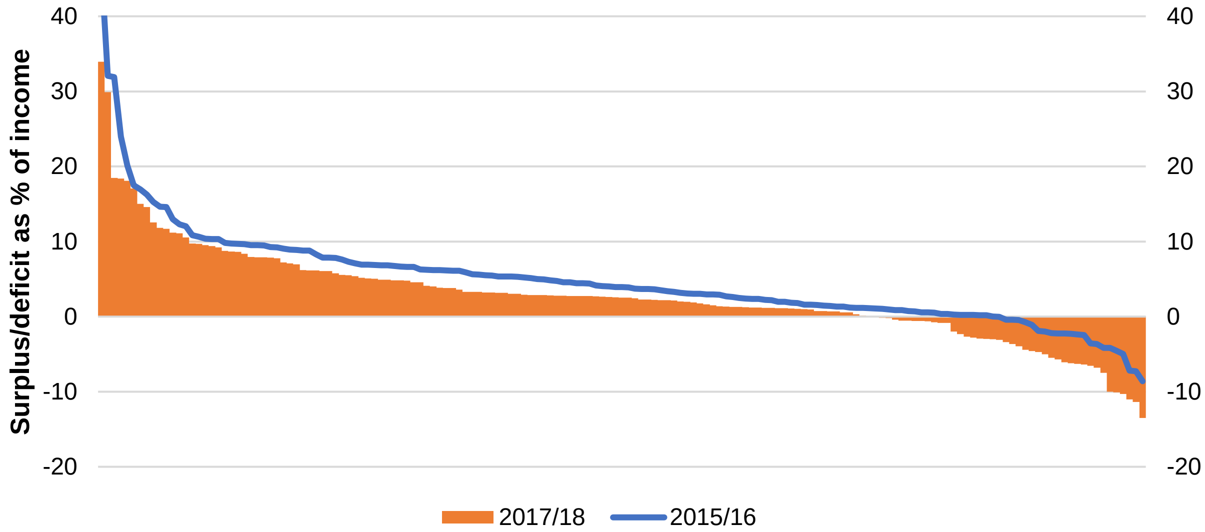
This shift in the distribution of surpluses/deficits is even more stark when we look at comparison with 2015-16. The orange bars in Figure 3 show the distribution of surpluses in 2017-18 with the blue line indicating the distribution in 2015-16. We can

[6] HEPI, 2019. *Students back bailouts: Students' views on the financial health of universities*, HEPI Policy Note 11.

[7] Surpluses have historically been used as an indicator of HEIs' financial health, but changes in accounting procedures as a result of FRS102, mean that surpluses are a less reliable measure of financial sustainability and must be viewed alongside other metrics as well as a greater understanding of financial activities within institutions.

see that the overall distribution has shifted down significantly with nearly double the number of HEIs in deficit in 2017-18 and the magnitude of deficits much greater.[8]

Figure 3: Distribution of surplus/deficit as % of income, by UK HEIs, 2015-16 and 2017-18



Source: HESA.

Reduction in publicly funded capital grants across all four nations has led to institutions needing higher surpluses in order to directly finance capital investment in the estate, deal with financial uncertainty and demonstrate financial health to lenders. In 2017-18, capital expenditure on buildings (excluding catering and residences) increased by 4.3% with 64% funded from internal funds and only 10.6% coming from funding body grants. While capital investment is typically associated with visible new campus developments, in 2015-16 it was estimated that the sector needs to invest £3.6 billion in the non-residential estate simply to restore it to a 'sound baseline condition'. A fifth (20.7% in 2017-18 excluding catering and residences) of capital expenditure is also invested in equipment to support research and IT infrastructure, of which 64.7% was financed through internal funds in 2017-18.

In 2016-17 the English and Northern Ireland HE sector was in deficit on a full-economic cost basis. According to the most recent analysis of Transparent Approach to Costing (TRAC) data by the OfS, there was a £1,032 million deficit (3.3% of income) in 2016-17 representing a significant deterioration from 2015-16 when the deficit was £107 million (0.4% of income).[9] The OfS cites a 6.9% increase in costs as contributing to this shift including a 4.7% increase in staff costs and 3.9% increase in other operating costs. The analysis shows that full cost recovery of both publicly-funded and non-publicly funded teaching costs has fallen with publicly-funded recovery falling below 100% to 99.7% **- Table 4**. Research shows a significant deficit of £3,398 million with only 70.6% of full costs recovered compared to 74.1% in 2015-16.

[8] 'More than a quarter of UK HE institutions post deficits', *Times Higher Education*, 22 March 2019.
[9] OfS, 2019. *Annual TRAC 2016-17 – Sector analysis*.

Table 4: Summary of TRAC data – full-cost recovery (%) 2015-16 to 2016-17

	Publicly-funded teaching	Non-publicly funded teaching	Research	Overall
2015-16	99.7%	137.2%	70.6%	96.8%
2016-17	102.4%	141.9%	74.1%	99.6%

Source: OfS. Note: Figures exclude adjustments due to RDEC.

6 Inflation

Increases in prices have an impact on the standard of living of staff working in the sector and so monitoring these increases over time is important for both employers and trade unions. Unlike funding for public services such as healthcare, HEI income has not increased in line or ahead of inflation with real-terms falls in grant funding and undergraduate fees in England. Undergraduate fees in England have been increased by inflation just once since 2012-13. Because these major income sources do not rise with inflation, there is not necessarily a straightforward path to meeting the inflation aspirations of employees.

The two official inflation rates, CPI and CPIH, are 1.9% and 1.8% respectively at the time of writing and annual rates are expected to remain at or around this level for 2019 and into 2020 – Table 5**.** A disorderly exit from the EU could have a significant impact on domestic inflation, particularly in a no deal scenario which could lead to significant increases in the prices of imported goods because of changes to import tariffs and the value of the pound.

Table 5: Inflation forecasts, 2019 to 2023

Measure	2019	2020	2021	2022	2023
CPI (%)	2.1	1.9	2.0	2.0	2.0

Source: OBR, March 2019.

We note the trade unions continue to use the Retail Prices Index (RPI) in their claim, which is no longer a National Statistic. The National Statistician 'strongly discourages' its use due to its significant over-estimation of price changes in the economy and methodological changes introduced in 2010. Official reviews were undertaken in 2013 and 2015[10] with its status as a National Statistic removed in 2013. The 2015 review included a detailed review of RPI methodology and made comparisons with inflation measures used by other countries. It concluded that the methodology was unsuitable for combining price quotes and found that none of the 30 countries it reviewed used the 'Carli' method. Commenting on the 'Carli' method used by the RPI, the United Nations

[10] Paul Johnson, 2015. *UK Consumer Price Statistics: A Review*, UK Statistics Authority.

Practical Guide to Producing Consumer Price Indices notes: *It is a formula to be avoided and some judge that it should be prohibited.*[11]

In March 2018, the ONS published a detailed article on the RPI's shortcomings concluding that 'RPI is a very poor measure of general inflation, at times greatly overestimating and at other times underestimating changes in prices and how these are experienced'.[12] As explained by the National Statistician John Pullinger:

> *The RPI is not a good measure of inflation and does not realistically have the potential to become one. I strongly discourage the use of RPI for as a measure of inflation as there are far superior alternatives.*[13]

The Government's 2018 Budget also made clear its views on RPI:

> *The government's objective is that CPIH will become its headline measure over time and that it will reduce the use of RPI when and where practicable. CPIH is conceptually the best measure of inflation.*[14]

More recently, an inquiry by the House of Lords Economic Committee, which published its findings in January, noted that the 'formula effect', which artificially inflates the RPI rate, was exacerbated by a methodological change in 2010 which increased the over-estimation from 0.5% to 0.8%.[15] The Committee was critical of ONS's methodological neglect and proposed reform of the RPI.

UCEA has noted these inflation developments in previous rounds. We also see RPI diminishing as an indicator in pay negotiations across the economy with over half of employers now using CPI or CPIH and a minority using RPI.[16]

7 Competitiveness of HE pay

Pay in HE remains competitive with the wider labour market. Looking at the occupational groups identified in the 2008 Review of HE Finance and Pay Data, we see that levels of full-time pay in HE continue to exceed those in the wider economy in all occupations – Table 6. The most recent data from the UCEA/XpertHR survey and XpertHR's other salary surveys also show that, overall, higher education average salaries in managerial and professional positions are highly competitive with the commercial sector, and in many cases, significantly higher.

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[11] 'Practical Guide to Producing Consumer Price Indices', *World Bank Knowledge Base on Economic Statistics*, 2010.
[12] ONS, 2018. Shortcomings of the Retail Prices Index as a measure of inflation.
[13] John Pullinger, Shaping the Future of Consumer Inflation Statistics in the UK, Office for National Statistics. 9 March 2016.
[14] HM Treasury, Budget 2018, London: HM Treasury, p. 12.
[15] Economic Affairs Committee, 2019. 'Measuring Inflation', 5th Report of Session 2017-19.
[16] XpertHR, Forecasts for pay awards in 2018/2019, 25 October 2018.

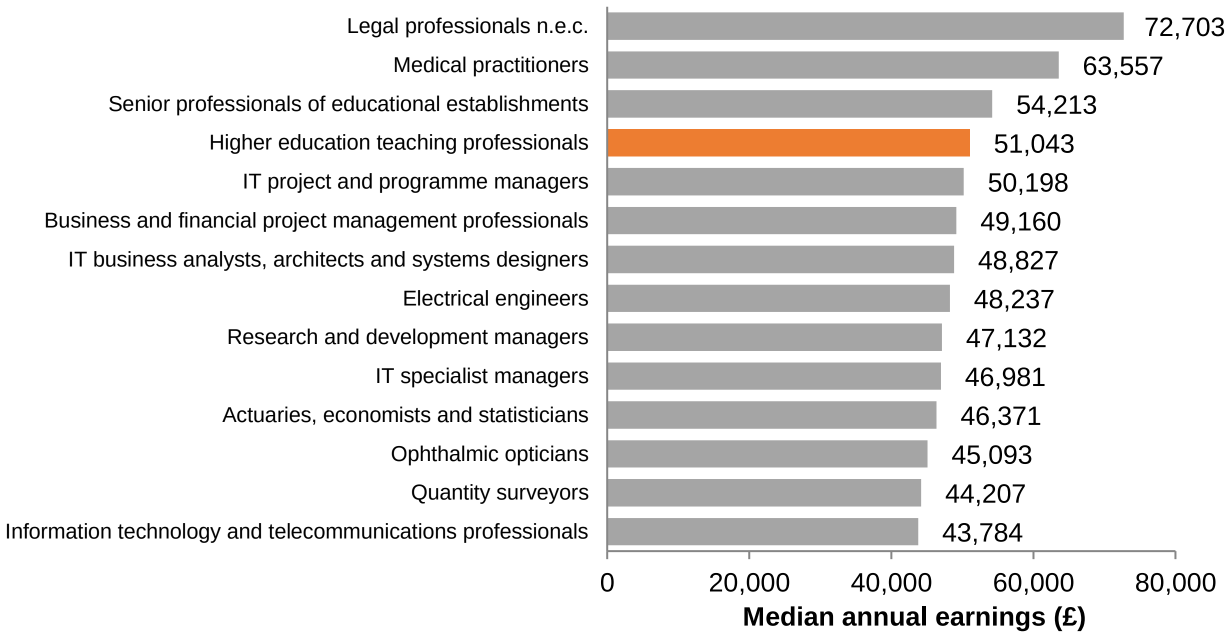
Table 6: Comp-ratios by occupational group, 2018

Occupation	HE pay as % of non-HE pay
Administrative occupations	113%
Business and related research professionals	117%
Caring, leisure and other service occupations	116%
Cleaners and domestics	105%
Information technology technicians *	113%
Kitchen and catering assistants	111%
Managers	139%
Natural and social science professionals n.e.c.	101%
Personal assistants and other secretaries	106%
Science, engineering and production technicians	105%
Secretarial and related occupations	128%
Skilled trades occupations	106%

Source: ONS ASHE. Comp-ratios calculate median full-time HE earnings as a percentage of non-HE earnings for the same occupation and mode of employment.

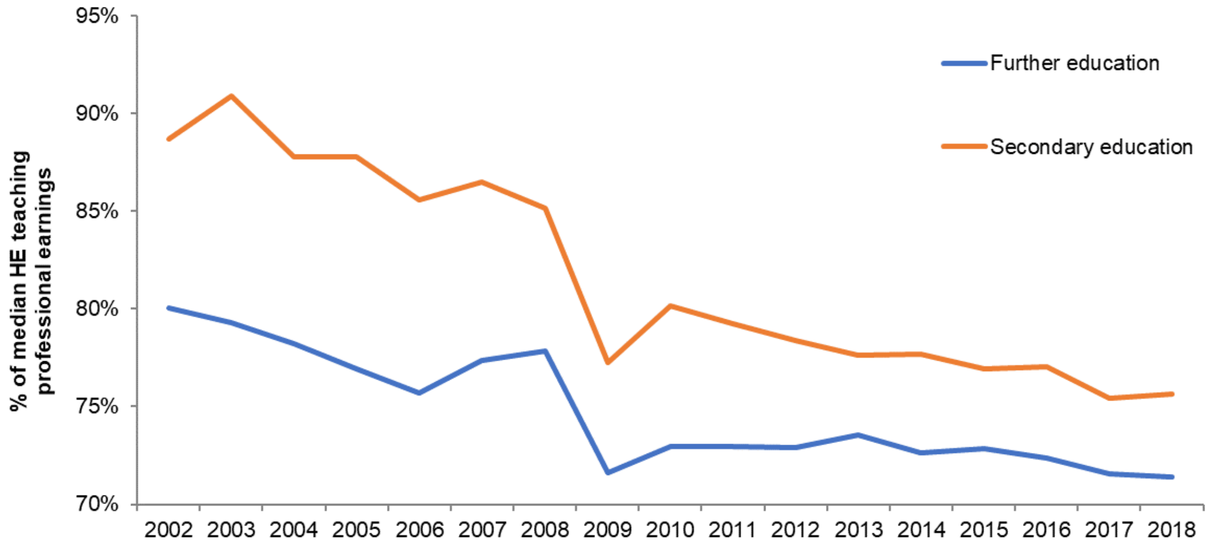
The pay of academic staff compares favourably against other professions in the UK and this group has significantly improved its position relative to other teaching professionals over the past decade. Within national statistics, the 'HE teaching professional' occupational group has the fourth highest median earnings among all 72 professional occupations - Figure 4. HE teaching professionals have also held their position relative to secondary school teachers and FE lecturers since the recession – Figure 5.

Figure 4: Full-time annual earnings, professional occupations (SOC 2), 2018 (top 14)



Source: ONS ASHE. Based on full-time weekly gross earnings in 2018. Note: Self-employed and firm partners are excluded. N.e.c = not elsewhere classified.

Figure 5: Median secondary and further education teaching professionals' earnings as a percentage of HE teaching professionals, 2002 to 2018



Source: ONS ASHE.

Retention of employees is another important indicator of the competitiveness of pay, particularly for professional services staff where there are similar jobs available in other sectors. Employee turnover in the sector remains healthy and is comparable to similar large organisations in the UK, with 6.9% voluntary turnover for employees on open-ended contracts (5.1% academic and 8.2% professional services staff).[17] Turnover for professional services staff has increased slightly in recent years reflecting the tightening UK labour market, but challenges reported by institutions are primarily limited to a small number of roles, particularly in IT and finance.

Recruitment over the last year has remained constant with the University advertising just over 1,400 vacancies and generating over 34,000 applications. In general, the volume and quality of response remains high and the majority of vacancies are filled via the direct sourcing method.
Pre-92, England

8 Pay structures and living wages

Successive New JNCHES pay awards have directed additional increases to the lower part of the pay spine with the lowest point (point 2) increasing by 5% in real-terms over the last five years. However, further forecast increases in the National Living Wage may require additional adjustments to ensure that HEIs with working weeks of 37 hours are compliant. Some HEIs that are accredited by the Living Wage Foundation or follow the rates published by it have already made adjustments or changes to grading and progression arrangements to accommodate these higher rates, but much of this has been done through temporary supplements rather than structural

[17] *UCEA Workforce Report 2018*, UCEA.

change. This is creating pressure on pay structures and HEIs have told us that they may have to revisit their grading and progression arrangements for staff to ensure that these are fair and logical.

Table 7: National Minimum Wage and National Living Wage, OBR forecasts (March 2019)

	£ per hour					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
National Minimum Wage (NMW)	7.38	7.70	7.92	8.17	8.43	8.70
National Living Wage (NLW)	7.83	8.21	8.72	8.99	9.28	9.59

The misrepresentation and failure to acknowledge the real value of progression pay increases does damage to employers' and employees' confidence in pay systems. The employers simply do not accept the trade unions' assertion that an individual is only being paid properly for their role when they reach the top of any available progression points on their grade. Were this actually true, employers would not be able to recruit as successfully as they do. The trade unions choose to calculate the amount of any pay increases for senior employees in full but then to disregard the substantial progression pay increases that go to non-senior staff; these increases are real money in real people's pockets. In the sector we normally have expected to see that half of the employees covered by the JNCHES negotiations will additionally benefit from pay increases from progression. This year the figure is actually higher at 54%; within this figure employers have identified that 3 in 5 of their academic staff paid on the pay spine will be eligible for progression giving them a pay increase of 3% in addition to the outcome for the base uplift negotiated through JNCHES[18].

9 Tackling the gender pay gap

HE employers are committed to reducing the gender pay gap in higher education which stands at 15% based on median hourly earnings excluding overtime for all staff – Table 8. By comparison, the gender pay gap for the whole economy was 18% in 2018. Last year saw the introduction of the statutory requirement to publish gender pay gaps in organisations with more than 250 employees and this has put an important spotlight on the differences in the overall levels of pay received by men and women. According to these statutory reports, the median HEI pay gap in England in 2017 was 16.7% (based on median). The second round of statutory gender pay gap reports, covering April 2018, will be published by HEIs in England by 31 March.

Table 8:The gender pay gap in higher education, 2012-13 to 2017-18

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Median	19.4%	16.0%	15.0%	15.3%	14.0%	15.0%
Mean	19.1%	16.9%	16.3%	14.5%	15.4%	16.1%

Source: ONS ASHE. Based on hourly earnings excluding overtime for all employees.

[18] Data from HEIs show that in 2019-20, 59% of academic staff and 51% of professional services staff will be eligible for service-related progression pay increases. In 2018-19, half of staff covered by the New JNCHES negotiations received a 5% pay increase. According to XpertHR/UCEA data, the average increase received across all staff on the pay spine was 3.5%.

While there is still work to do, the sector has made significant progress over the past decade with the median gender pay gap falling from 24% in 2008 to 15% in 2018. As UCEA's recent report on gender pay gap action planning shows, this remains an area of significant institutional focus.[19] This survey covers the content of action plans across over 100 HEIs in the UK and led to the creation of an action planning checklist developed by UCEA. UCEA continues to support HEIs on this agenda and has developed a gender pay gap toolkit for its members which includes a wide range of resources and benchmarking data. The Athena SWAN award programme is also currently under review and we expect that this important scheme will be reinvigorated to ensure that the sector continues to make progress.

Employers are also awaiting the outcome of the consultation on ethnicity pay gap reporting which could require employers with more than 250 employees to publish the ratio between ethnic minority staff and those of White British ethnicity. The sector is in a good position to move forward with this reporting as many HE employers already include ethnicity pay gaps in their equal pay reviews and data collection on ethnicity is very high compared to other employers. However, it is likely that this reporting will show a significant overall pay gap as work undertaken in 2018 by UCEA has illustrated.[20] Research on the experiences of Black professors by UCU[21] also shows that there is progress to be made in addressing career development and progression for Black academics and like the gender pay gap this is an area where trade unions and employers should be able to work together constructively.

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[19] UCEA, 2019. *Taking action: Tackling the gender pay gap in higher education institutions*.
[20] UCEA, 2018. *Caught at the Crossroads -An intersectional approach to gender and ethnicity pay gaps*.
[21] Nicola Rollock, 2019. *Staying Power - The career experiences and strategies of UK Black female professors*, UCU.