New JNCHES 2026-27: Employers' Statement

Introduction

As we begin the 2026-27 New JNCHES pay round, employers wish to reflect on the profound sense of uncertainty which has characterised each successive pay round in recent years. This includes negotiating rounds which have taken place while reacting to the Covid-19 pandemic, a precarious geopolitical situation, significant reductions in economic growth projections and unexpected increases in inflation.

In each pay round employers have worked hard to deliver a meaningful uplift to staff without increasing the existing pressures to reduce workforce numbers. Our willingness to be innovative to support our staff included bringing forward the 2022-23 pay round, recognising the anxieties facing many members of staff as inflation pushed up the price of energy and everyday necessities. Even at that point, 30% of New JNCHES employers reported an in-year deficit.

Since that time, though, the financial pressures on the sector have only intensified. In addition, new global tensions have emerged which bring yet greater uncertainty. The humanitarian tragedy resulting from such conflicts should be preeminent in our thoughts. However, from a purely economic perspective, this is bound to lead to greater financial uncertainty for higher education institutions (HEIs). This uncertainty will do nothing to improve an already precarious financial situation for many HEIs.

Financial pressures facing HEIs

Financial pressures in the sector have been increasing substantially over recent years, due to a range of factors, including:

- The Office for Students (OfS) reports that the financial outlook for HEIs continues to deteriorate. Updated student recruitment data shows performance below sector forecasts, delaying expected recovery from 2025–26. Modelling now shows a £437.8m tuition-fee shortfall for 2025-26, leaving around 45% of providers in deficit, compared with 35% in their own forecasts. Liquidity pressures have also worsened, with 45 providers expected to fall below 30 days' cash in 2025-26, rising to 71 in 2026-27.[1]

- Aggregate UK undergraduate acceptances rose 3.1%, below the 4.1% forecast. International recruitment has stabilised but remains below expectations: Confirmation of Acceptance for Studies (CAS) issuance rose 6.3% (vs 8.6% forecast). Overall international student numbers remain 10% below 2023 levels.

- The government's inflation-linked undergraduate fee uplift from 2026-27 provides up to £438.7m extra income, but only partially offsets recruitment underperformance. Even with the uplift, 41% of providers are still projected to be in deficit in 2026-27, and sector-level surpluses remain far lower than previously forecast.[2] Although the Government plans are for the tuition fee to rise with forecast inflation, it is envisioned that the fee will differ depending on TEF and Access and Participation Plan (APP) standards as assessed by the Office for Students (OfS) with only 'high quality' providers' having access to the full inflationary uplift and the OfS having a potentially higher quality threshold and being able to impose student caps where student growth might risk quality.[3]These changes in the regulatory and student demand fields create further

[1] Financial sustainability of higher education providers in England: November 2025 update

[2] Financial sustainability of higher education providers in England: November 2025 update

[3] Changes to tuition fees: 2026 to 2027 academic year and 2027 to 2028 academic year - GOV.UK

financial uncertainty. It is also worth noting that the domestic undergraduate tuition fee in England rose by 3.1% for 2025-26 and this is only the second time that fees have increased since the introduction of £9,000 tuition fees in 2012 (c.£13,062 in today's prices).

- Whilst higher education policy is devolved, the long-term erosion of the English tuition fee still affects the funding of all nations as English students study in all nations.

- Increased employer contributions to the Teachers' Pension Scheme (TPS): Approximately 100 HEIs participate in the TPS. TPS employer contributions in England and Wales rose from 16.5% in 2019 to 28.7% since 2024, which increasingly less resilient employers are continuing to absorb.

- Changes to National Insurance (NI): The 1.2 percentage point increase in employer NI contributions with lowering the threshold at which employers start to pay NI, added around £372m to the sector's pay bill – equivalent to 2.1%. Currently, this largely negates any impact of an increase in student fees.

- In addition to cost pressures resulting from an uplift to the pay spine, approximately half of staff employed in HEIs have access to incremental progression, most receiving an increment of around 3%.

Wider labour market context
There continue to be clear signs of weakness in the wider UK economy and labour market. According to the latest GDP First Quarterly Estimate from the Office for National Statistics (ONS), UK real GDP increased by only 0.1% in Quarter 4 (October-December) 2025, and growth over the whole of 2025 is estimated at 1.3%, slightly above 2024's 1.1%. Real GDP per head fell by 0.1% in Q4 but was 0.6% higher than a year earlier and grew 1.0% over 2025.[4]

Labour market indicators show continued softening. ONS vacancy estimates for December 2025 to February 2026 show 721,000 vacancies, essentially flat on the previous quarter but down 76,000 (-9.5%) compared with a year earlier, which is below pre-pandemic levels.[5] In the three months to January 2026, the UK unemployment rate reached 5.2%, the highest since 2020, up from 4.4% a year earlier, with 1.86 million people unemployed. Youth unemployment has seen sharp increases. The rise in unemployment is consistent with evidence of weaker labour demand and reduced hiring intentions across sectors.[6]

In its February 2026 Monetary Policy Report, the Bank of England noted that economic growth remains subdued and that labour market slack is increasing. While CPI inflation is expected to fall back towards the 2% target from April 2026, the Bank revised down the near-term GDP outlook, citing weak household spending and softer labour demand.[7] International events have since cast doubt upon those forecasts.

Commitment to enhancing the employee experience
Supporting HE employer aspirations to enhance the employee experience of their staff is a key strategic priority outlined in UCEA's strategic plan, the detail of which is outlined in UCEA's EX Five Pillar Programme of Work. HE employers are continuing to prioritise work in areas which matter to staff including pay gaps. UCEA's latest Benefits of Working in HE

[4] GDP first quarterly estimate, UK: October to December 2025 (12 February 2026)
[5] Vacancies and jobs in the UK - Office for National Statistics (19 March 2026)
[6] Employment in the UK - Office for National Statistics (19 March 2026)
[7] Monetary Policy Report - February 2026

report shows that policies within the higher education sector continue to be competitive, with annual leave, family friendly policies, flexible working arrangements, sickness absence pay allowances, and pensions schemes being the most attractive benefits relative to other sectors.

In our full and final offer for the 2025-26 New JNCHES pay round, we set out clearly our position that we would pause joint work if any union balloted for industrial action in respect of any element of our offer. Since that time UCEA has continued to work with employers to develop principles and approaches to help HEIs to improve their own individual approaches to contract types, workload or reducing pay gaps. The Joint HE Trade Unions will be aware, from UCEA's presentation at the Autumn 2025 New JNCHES meeting, that UCEA has been progressing our work in each of these areas. HE employers remain committed to enhancing the experience of their employees but, as this work has now concluded, employers believe that there is little more which can be meaningfully done in these areas.

Higher Education Funding
UCEA is committed to working with sector representative agencies and the Joint HE Trade Unions to develop, with stakeholders and governments, a business model which underpins financial sustainability. It should be noted that a separate exercise has already been established in Scotland. Any exercise at a UK-level should do nothing to duplicate or undermine the approach being undertaken in Scotland.

Commitment to UK-wide collective pay bargaining
While we note, as stated above, that mechanisms exist at a Scottish-level for policy discussions between HEIs and trade unions, in UCEA's view there is nothing within the remit of New JNCHES which requires discussion at a devolved administration level. The core purpose of New JNCHES is to determine the uplift to the pay spine and UCEA is committed to a UK-wide approach to collective pay bargaining. As a sign of this commitment, UCEA and the Joint HE Trade Unions will begin the process of reviewing the New JNCHES agreement and we envisage that this review will report in Summer 2026.

Conclusion
As we enter the 2026-27 New JNCHES pay round, it is clear that there is still much uncertainty surrounding the sector and the current global context clearly impacts upon the difficulties which many HEIs continue to face. Employers remain committed to working with the Joint HE Trade Unions and it is in the interests of staff and students, as well as the wider communities we serve, to do our best to support the sector through this difficult period. We hope that we can engage in productive and constructive negotiations on a meaningful pay uplift and matters within the scope of JNCHES. However, any discussion of a pay uplift or any other aspect of the Joint Unions' claim for 2026-27 should recognise the limited financial capacity of HEIs as well as the reality that they are striving to minimise the impact on staff of the current financial challenges.