

Overview

In recent years, successive New JNCHES negotiating rounds have been conducted against a backdrop of considerable challenge. The last two negotiating rounds took place while the higher education sector and society in general reacted to, coped with and helped to address the severe problems created by the Covid-19 pandemic.

This year's New JNCHES negotiating round begins at a time of significant economic uncertainty. The precarious global situation has led to significant reductions in economic growth projections.

Investment in HE staff

Staff have been the strong foundation for the sector's magnificent response to the pandemic. The sector has adapted and met the many challenges that it faced and continues to face through the quality and commitment of staff. Despite the picture within the wider labour market, HEIs have worked hard to minimise the impact of the pandemic on jobs. The value placed upon staff by their employers in the sector is reflected in the fact that, in the most recent year for which data is available and not counting the budgeted expenditure on pension provision, HEIs' investment in staff increased by 6%. When excluding changes to pension provision and other pension adjustments, which distorted staff spending in both academic years, the total amount spent on staffing increased from £21.5bn (2018-19) to £22.7bn (2019-20) across the sector (HESA, 2019-20).

In addition, median earnings remain competitive across the sector with almost all comparable occupations, earning at least the same or more than their counterparts in the rest of the economy. Many staff in HE benefit from pay progression in addition to any uplift to the pay spine. Around 50% of staff are eligible for an increments, which are in the region of a 3% increase, in addition to last year's overall base uplift, which tapered from 3.6% at Pay point 3 to the 1.5% for those on Pay point 22 and above.

Continuing financial pressures for HEIs

These investments in HE staff have been achieved despite the sector facing growing financial difficulties. The proportion of English HEIs with an in-year deficit has grown six-fold over the last five years.¹ In addition, the UK Government's very recent response to the Augar Review, which includes a freeze on the fee cap until 2024–25, will place further significant pressure upon HEIs, which has to be recognised by all parties. The fee cap has been frozen for eleven out of twelve years, and by 2024-25 will only be worth £6,600 in 2012-13 prices. In addition, National Insurance

¹ www.nao.org.uk/wp-content/uploads/2022/03/Regulating-the-financial-sustainability-of-higher-education-providers-in-England.pdf

Contributions for employers will add 1.25% to the pay bill for all HEIs, which UCEA calculated could cost the sector £131 million.

Different HEIs are experiencing different challenges to admissions. In addition, the policy environment is set to become increasingly difficult for HEIs and this could subsequently impact the financial position of HEIs. For example, the DfE has recently announced consultations on undergraduate student number controls and minimum eligibility requirements. The Office for Students (OfS) has also published a consultation on its minimum acceptable outcomes for students². This approach could see HEIs investigated and fined if they fall below targets for drop-out rates, course completion and graduate employment objectives. There is also continuing uncertainty about international student recruitment and whether overseas student numbers will return to pre-pandemic levels.

Employee experience in HE

Despite these challenges, HEIs remain committed to rewarding and developing their staff. Pay is only one of many areas in which employers look to develop the experience of employees in the sector. The final offer from employers during both the New JNCHES 2020-21 pay round and the 2021-22 pay round included elements to conduct joint work on contractual arrangements in the sector. Overall, the number of zero-hour, fixed-term and hourly paid contracts continues to fall. Across the sector, action is also being taken to address the gender pay gap. Many of these build upon the UCEA report [Caught at the Crossroads](#), which identified the importance of an intersectional approach to pay gaps. UCEA also initiated ethnicity pay gap reporting in the sector in 2020-21, and is currently running a series of workshops on gender, ethnicity and intersectionality.

There are areas in which employers and unions can work together to bring forward further improvements. This might include, for example, addressing the compression of the pay spine caused by targeted increases in recent years to the lower pay points.

Challenging negotiating round

There will be challenges as we enter the 2022-23 negotiating round. Chief among these is the inflationary environment coupled with ongoing financial pressures for many HEIs. Although inflation generally fell during the Covid-19 pandemic, the trend reversed from the second half of 2021. Inflation, as measured by the Consumer Price Index (CPI) is at its highest level since March 1992. According to the ONS the most comprehensive measure of inflation is CPIH³ (which includes housing costs) which reached 5.5% in February 2022. This of course causes severe pressures not only for staff, but also for their higher education institutions (HEIs) and their needs to be a local understanding of the situation between leadership and employees.

This negotiating round also opens at a time of ongoing dispute over the 2021-22 pay round and a failure to close the preceding two pay rounds. Employers enter this New JNCHES round in good faith that we can work with the sector's trade unions to reach a

² www.theguardian.com/education/2022/jan/20/ofs-publishes-plans-to-punish-english-universities-for-poor-value-for-money

³ www.ons.gov.uk/datasets/cpih01/editions/time-series/versions/20

meaningful settlement and restore trust in sector-level collective bargaining. It is unprecedented to be holding a negotiating meeting for a new round while there is a live ballot over the previous round. This means great care and precision will be needed in communications to prevent confusion and misunderstanding.

1 Challenges and change in higher education

This section covers the main financial challenges facing higher education relating to sources of income, Covid-19, planned increase in National Insurance, pensions and Brexit.

1.1 Financial challenges

According to the National Audit Office, the proportion of providers with an in-year deficit, even after adjusting for the impact of pension deficits, increased from 5% in 2015-16 to 32% in 2019-20⁴. The number of HEIs with an in-year deficit of 5% or more of income has also grown each year, from just 1% in 2015-16 to 15% in 2019-20. A quarter of the HEIs reporting an in-year deficit in 2019-20 had been in deficit for at least three years. These HEIs range in size from 200 students to more than 30,000.

The OfS reported in July 2021 that 133 HEIs in England, together with two in Northern Ireland, had an aggregate in-year deficit of £2.8 billion for 2019-20, double the deficit of £1.4 billion that was reported in 2018-19. During 2020-21, 13% of HEIs had forecast liquidity, the number of days the sector's available cash balances would last, of less than 30 days. This included at least one HEI from each tariff group⁵.

Although, short-term financial risks are dominated by Covid-19, NAO suggests that medium- and long-term risks are systemic. Publicly funded teaching and research make a loss across the sector once the full economic costs of those activities are taken into account. This makes the financial viability of some HEIs highly dependent on cross-subsidy, primarily from fees paid by international students. For most providers, the cost of research activity also exceeds the value of research grants.

The adoption of centre-assessed grades in place of examinations in summer 2020 resulted in significant A-level grade improvements and more students eligible for places at their first-choice HEI and on high-tariff courses. As a consequence, some high-tariff universities were oversubscribed while lower-tariff universities were undersubscribed. Further improvements in A-level grades in summer 2021 exacerbated this situation, increasing financial risk for some HEIs in the medium as well as the short term⁶.

1.1.1 Augar Review

In February 2022, the Department for Education (DfE) published its response to the Augar Review. As Universities UK has noted, freezing the fee cap at £9,250 until 2024-25 will add significant pressure on universities to do more with less. Since 2012-13,

⁴ www.nao.org.uk/wp-content/uploads/2022/03/Regulating-the-financial-sustainability-of-higher-education-providers-in-England.pdf

⁵ *ibid.*

⁶ *ibid.*

there has been only one inflationary increase to the fee cap in England. The £900 million of investment announced is positive but it is not all new money and it does not make up for the £2.2 billion in income that universities will lose from a freeze in the fee cap over 2022–23 to 2024–25. The fee cap has been frozen for eleven out of twelve years, and by 2024–25 will only be worth £6,600 in 2012–13 prices. A continuing fall in income per student will take its toll on university finances and the student experience⁷.

The DfE's response also announced consultations on student number controls and minimum eligibility requirements. Student number controls could apply to the sector as a whole, to individual providers, or to specific areas of study. These options each present different financial challenges to providers in the sector. Minimum eligibility requirements may include a 4 in GCSE Mathematics and English or 2 Es at A-level. Though such measures aim to ensure high-quality provision, such measures would harm the ability of disadvantaged groups to access higher education.

1.1.2 Minimum acceptable teaching standards

In January 2022 the Office for Students (OfS) published a consultation on its minimum acceptable outcomes for students⁸, which could see English HEIs investigated and fined if they fall below targets for drop-out rates, course completion and graduate employment objectives.

The new regulations would create thresholds requiring 80% of full-time, first degree students to continue past their first year, with 75% completing their degree over four years. Additionally, the OfS expects 60% of graduates to go on to further study or "professional employment" and suggests undergraduate courses should be assessed for a Teaching Excellence Framework (TEF) award every four years with gold, silver and bronze ratings to incentivise teaching excellence.

1.1.3 Tuition fees

Since the introduction of £9,000 tuition fees in 2012, HEIs' reliance on tuition fees as a proportion of total income has risen. In the 2009-10 academic year tuition fees and other educational contracts made up 31% of income in the sector, compared with 52% in 2019-20 (the most recent HESA data). This is the first year in which over half of the sector's funding is from tuition fees and other educational contracts alone. In 2019-20, income from tuition fees alone totalled £21.7bn and income from residences totalled £1.5bn⁹.

Fees from international students comprised 34% of all fee income in 2019-20 and 16% of total sector income and are, therefore, a vital source of revenue for UK HEIs. In the years leading up to this academic year, international student numbers have been rising much faster than UK domiciled students. This rise stagnated in 2020-21 when both UK domiciled students and internationally domiciled student numbers rose by 9% year-on-year. That said, the intake of non-EU domiciled students rose by 11% while the intake

⁷ www.universitiesuk.ac.uk/latest/insights-and-analysis/what-do-government-changes-education

⁸ <https://www.theguardian.com/education/2022/jan/20/ofs-publishes-plans-to-punish-english-universities-for-poor-value-for-money>

⁹ www.hesa.ac.uk/data-and-analysis/finances/income

of EU-domiciled students rose by only 3%. This means that EU students now make up a smaller proportion of overall student numbers even if there is an absolute rise.

While we do now have accurate information about the first year of students following the UK's departure from the EU, this has been another year of uncertainty. Both in 2020-21 and 2021-22 academic years students have had to grapple with hybrid learning and a discouraging job market which could have impacted their decision to stay in Higher Education. Until this returns to normal the sector will face continuing volatility in their admissions. Different HEIs are experiencing different challenges in admissions, with some experiencing very real drops against targets in 2021. Hence only looking at averages and totals from the sector can be misleading and the financial position is increasingly diverse.

1.2 Research & Development

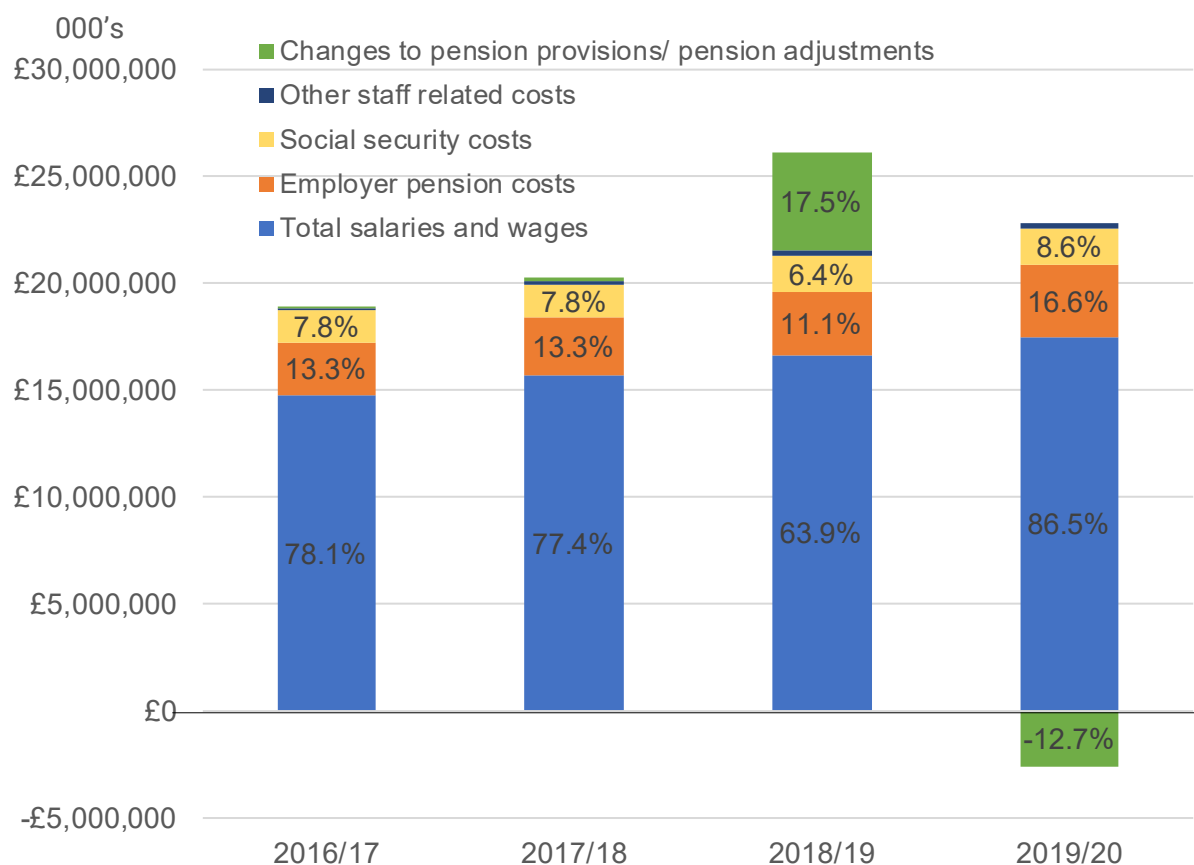
The Chancellor recognised a need for the private sector to focus on training and innovation in order to lift the UK's growth and productivity. The Tax Plan therefore views people, capital and ideas as elements to be priorities in investment. The Spring Statement announced a research and development (R&D) tax reform from April 2023 that will enable relief for data, cloud computing, and pure mathematics. The Statement also reiterated the R&D investment that was originally announced in the Autumn Budget 2021. Investment will reach a record level with £20 billion per year being invested by 2024-25 in line with a target of £22 billion by 2026-27. While such funding is welcome, the basis on which research is funded by Government within HEIs at below full economic cost (FEC) means increased research decreases the cash flow position and the implications this has.

Elsewhere, the Government will also launch a new Innovation Challenge. This scheme will be held across a range of departments in central government, seeking to crowdsource ideas which would enable greater effectiveness in the way in which these departments operate. A total of £117 million will also be invested in Centres for Doctoral Training which are focussed on PhD studentships in AI. A total of 1,000 students will be funded across eight years by partnering with industry and academia. This scheme will build upon the sixteen existing centres with a view of developing AI research in areas such as healthcare, climate change and commerce.

1.3 Staff investment

Staff investment comprises the largest element of expenditure for any HEI and in the 2019-20 academic year it made up 51.6% of total expenditure. This is a fall from the 2018-19 academic year in which many HEIs had to account for changes to pension provision and other pension adjustments. However, when excluding changes to pension provision and other pension adjustments, which distorted staff spending in both academic years, the total amount spent on staffing increased from £21.5bn (2018-19) to £22.7bn (2019-20) across the sector (HESA, 2019-20). This is important to note because all areas of capital spending fell. In the academic year 2019-20, capital expenditure on buildings fell year-on-year by 19.7% (£4.1bn to £3.3bn) and capital spending on equipment fell year-on-year by 21.9% (£1.1bn to £0.9bn).

Figure 1: Percentage of total staff costs for each category, HESA, 2019-20



Source: HESA 2019-20

When considering each individual category of staff investment, there has been an annual increase in total salaries and wages of 4.9% from 2018-19 to 2019-20. Likewise, social security costs increased by 3.7% year-on-year, and employer pension costs rose by 15.6%. Overall, not counting the budgeted expenditure on pension provision and adjustments in 2018-19 which was credited in 2019-20, staff expenditure increased by 5.8%, an additional £1,254,560,000 in staff investment.

1.4 Student numbers in 2022-23

1.4.1 Undergraduate applications for 2022-23

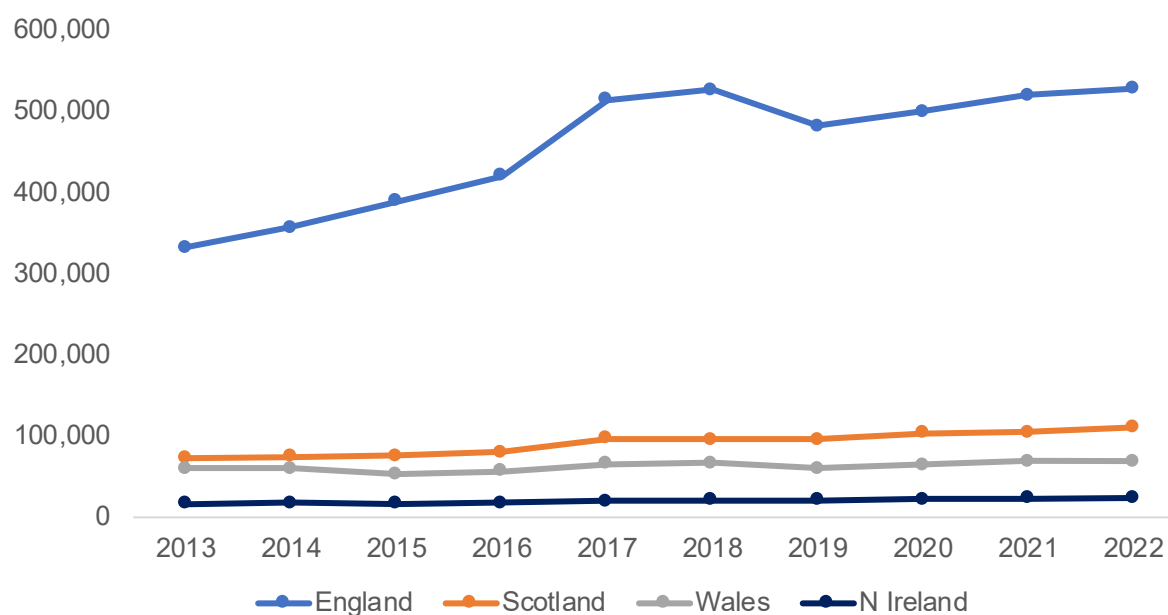
Undergraduate applications for the January deadline of Cycle 22 have continued to grow steadily since 2013, increasing from 689,880 to 785,740. The large rise (10%) in 2021 in response to the Covid-19 pandemic appears to have plateaued (0.6%).

The year-on-year increase for all undergraduate applications to UK universities was 0.6%, an increase of 4,490. This increase was not consistent across the four nations within the UK. Though undergraduate applications to institutions in Scotland have declined by 0.7%, institutions in England have seen an increase of 0.5%. Further increases in the number of applications were seen in Wales (2.9%) and Northern Ireland (2.6%).

These increases were notable given that undergraduate applications in both Wales and Northern Ireland have declined from 2016. The lowest rate of applications was

seen in 2019 for Wales (58,900) and in 2020 for Northern Ireland (20,540). The increases seen in the latest round build on the large rise that was seen in 2021, where the number of applications increased by 16.8% in Wales and by 14.6% in Northern Ireland.

Figure 2: Undergraduate applications 2022-23, 26 January



Source: UCAS Cycle 22, January deadline

1.4.2 International students for 2022-23

There is continuing uncertainty about international student recruitment and whether overseas student numbers will return to pre-pandemic levels. Lockdowns in response to new Covid-19 variants are still occurring around the globe (e.g. Shanghai), discouraging travel abroad.

1.5 Covid-19

One of the consequences of additional costs in responding to the Covid-19 pandemic was the deferral of maintenance of estates. This leaves many HEIs facing additional expenditure in 2022-23 to ensure the infrastructure is safe, secure and functional. New ways of working, including more remote and hybrid working for staff results in a greater need for investment in digital infrastructure, cited by 57% of HEIs¹⁰.

1.6 Employers' National Insurance increase

The planned increases in National Insurance (NI) announced by the Chancellor in the Autumn Budget and Comprehensive Spending Review aims to raise £12bn a year and will be used to ease the financial pressures on the NHS until April 2023 when a proportion will be moved to the social care system.

The NI Increase will take 1.25 percentage points from employees' pay packets, although employer NI for under-21s and Apprentices will be zero for earnings below £967 per week or £4,189 per month (£50,268 per annum). In his Spring Statement the

¹⁰ UCEA research

Chancellor raised the threshold for NI contributions (NICS) in July 2022 to £12,570 to match the tax threshold. The new NICS threshold is an increase of 30.6% from £9,568. This is intended to help workers earning less than £30,000 with individual savings of up to £330. It will benefit 70% of workers, and represents a tax cut worth a total of £6bn.

Crucially it adds 1.25% to the pay bill for all HEIs, which UCEA calculated could cost the sector £131 million based on the 2018-19 HESA FTE figures.

1.7 Pensions

USS employer contributions increased to 21.4% in October 2021, and are due to increase again by a small amount (around 0.2%) following conclusion of the recent consultation on benefit reforms. Participating employers in SAUL will see their contributions increase in April 2022 and again in April 2023.

Valuations for TPS and NHSPS as at 31 March 2020 are progressing, however there is no indication yet on whether employer contributions will increase. The next cycle of LGPS (E&W) valuations effective 31 March 2022 will lead to employer contribution changes from April 2023 onwards. We understand that individual LGPS funds remain well funded, however the cost of future service is likely to have increased which may put upwards pressure on the LGPS employer contributions paid by HEIs.

Table 1: Employer contribution rate changes, 2022-23

	2022-23 contribution rate	New contributions effective date
Teachers' Pension Scheme (TPS)	23.68%	April (or potentially) September 2024
Scottish Teachers' Superannuation Scheme	22.4%	April (or potentially) September 2024
NHS Pension Scheme	20.6%	April 2024
NHS (Scottish)	20.9%	April 2024
Universities Superannuation Scheme (USS)	21.4%	A further small increase comes into effect from April 2022
Superannuation Arrangements for the University of London	19%	A further increase to 21% effective January 2023

USS – Employer contributions increased from 21.1% to 21.4% in October 2021 and are due to increase again by a small amount (around 0.2%) following conclusion of the recent consultation on benefit reforms. Member contributions also increased to 9.8% from October 2021.

LGPS – Employer costs have remained fairly stable following the 2019 valuations in England & Wales and the 2020 valuations in Scotland. The next valuations in England & Wales take place during 2022 and new contribution rates will come into effect from April 2023. The rising cost of future service may place upwards pressure on employer contributions, though funding levels across the LGPS remain fairly stable.

TPS - HEIs in England and Wales do not receive any government funding support for increases in their employer contributions unlike schools and colleges that participate in the TPS. In Scotland universities initially received partial funding support for their TPS contributions, but this is no longer the case. UCEA is aware that some HEIs have become concerned about the increases in their TPS costs.

McCloud & Sargeant – Work to address age discrimination in the public service schemes resulting from the McCloud & Sargeant cases is progressing, with changes in regulations currently being consulted on. While, overall, rectifying age discrimination is expected to increase scheme liabilities and costs, initial indications are that this may not necessarily be as significant as first thought. However, other factors, for example the SCAPE discount rate are more likely to place upward pressures on employer contribution rates in TPS and NHSPS across the UK.

2 Inflation

2.1 Inflation forecasts

Rising prices have both a direct impact on the standard of living of staff working in the sector and on the ability of HEIs to fund their operations. However, the main sources of income in HE have not risen in line with inflation with real-terms cuts to grant funding and tuition fees. In terms of 2012-13 prices, undergraduate tuition fees in England would now be worth £7,913. This not only causes large financial pressures for HEIs, but also means that there is not a straightforward path to meeting the inflation aspirations of employees.

The official government target for CPI, set by the Bank of England (BoE), is 2% and the majority of the forecasts predict CPI to be close to this level in the long-term. In the short-term, however, inflation is expected to be much higher than this with the OBR forecasting CPI to increase by 7.4% in 2022 and remain high into 2023 due to the impact of the ongoing conflict in the Ukraine on global prices, especially fuel, along with some raw materials and foodstuffs. There is a general consensus that the effect of this high inflation falls disproportionately on the lower paid.

Table 2: CPI forecasts (year-on-year %)

Source	2021	2022	2023	2024	2025	2026
OBR (March 2022)	2.6	7.4	4.0	1.5	1.9	2.0
MPC, Bank of England (February 2022)	5	5.75	2.5	1.75		
NIESR (February 2022)	2.6	5.9	3.3	1.9	1.7	1.9

Source: ONS, OBR HM Treasury, Bank of England and NIESR.

2.2 Interest rates

In November the BoE's Monetary Policy Committee (MPC) estimated that it would be necessary to increase interest rates over the coming months in an effort to return CPI to the 2% forecast.

Interest rates increased by another 0.25% to 0.75% in March 2022, with the next meeting of the MPC scheduled for 5 May. Higher interest rates will affect all HEIs

which increased borrowing in response to the pandemic, as well as those with necessary investment plans.

2.3 Economic growth

The precarious global situation created by the Russian invasion of Ukraine has led to significant reductions in economic growth projections in the UK. According to the most recent modelling by the OBR forecast UK growth assumptions have now almost halved, down from 6.0% in 2022 to 3.8%. The war in Ukraine is predicted to reduce global growth by 1%¹¹. This will impact on UK tax receipts and slow the repayment of Government debt, which will be £83bn next year. This slower economic growth and increased interest rates will reduce available funds for Government investment in public services.

2.4 Public sector pay awards

Following the pause in public sector pay awards in 2021-22, the Chancellor announced that public sector workers would receive a pay award for the next three years. Public sector pay policy is reflected in the remits that are issued to the PRBs and Government departments. The Chancellor of the Exchequer cited the expectation that public sector pay would broadly reflect private sector pay awards while remaining affordable for the public finances.

3 Pay and conditions in higher education

In order to attract the best talent, HEIs need to continue to offer competitive salaries relative to the wider UK economy and, for academic staff, international competitiveness is a factor. The following section offers a macro-level overview, but obviously individual employers will always face varied circumstances that such macro-level analysis cannot capture.

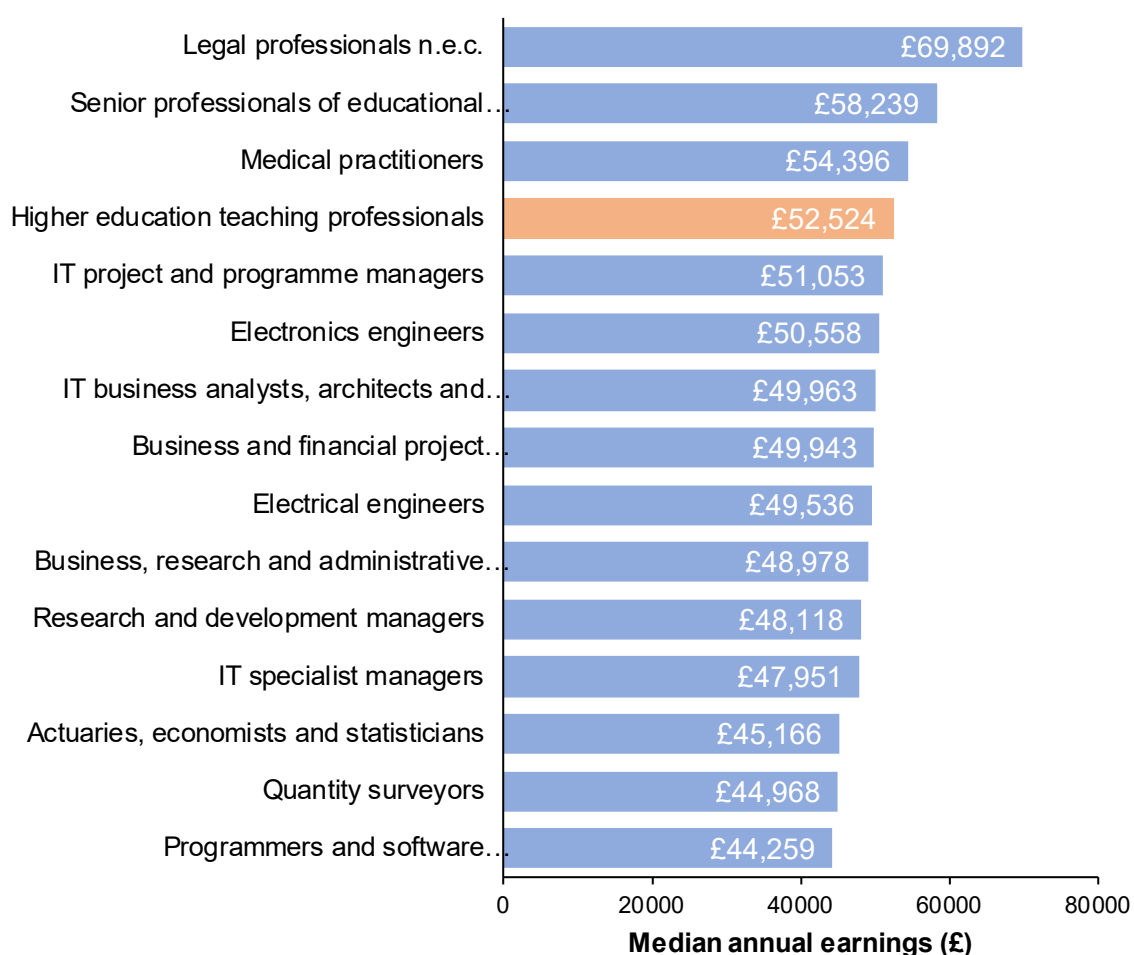
3.1 Occupational pay comparisons

Median earnings for higher education teaching professionals (academic staff with teaching duties such as lecturers and tutors, excluding researchers) are ranked 4th of 71 professional occupations included in the ONS' data collection. They have remained in a similar ranking position for a decade - Figure 6¹². HE teaching professionals continue to have a significant pay premium over secondary and further education with secondary teachers earning approximately 79% and FE teachers earning 72% of an HE teaching professional's salary.

¹¹ OECD,

¹² The relative position in this group is more important than the absolute position as these data exclude self-employed and partners in other sectors and exclude researchers in the HE sector, which means that early career staff are excluded.

Figure 3: Full-time annual earnings, professional occupations (SOC 2), 2021 (top 15)



Source: ONS ASHE. Based on full-time weekly gross earnings in 2021.

Note: Self-employed and firm partners are excluded. N.e.c = not elsewhere classified.

Occupations with small sample sizes have been excluded (Dental Practitioners).

Whilst premiums afforded in the HE sector have been narrowing in some occupations, median earnings remain competitive across the sector with almost all compared occupations earning at least the same, and possibly more than their counterparts in the rest of the economy. The only exception is Natural and Social Science professionals who are likely to earn 98% of what they could earn in other parts of the economy. Table 5 shows the difference in median salaries between employees in certain occupations in HE compared with employees in the same occupations working in the rest of the economy.

Table 3: Comp-ratios by occupation, higher education and rest of the economy, 2020

Occupation	Full-time	Part-time
Secretarial and related occupations	128%	108%
Managers *	121%	
Caring, leisure and other service occupations	120%	118%
Personal assistants and other secretaries	112%	121%

Occupation	Full-time	Part-time
Administrative occupations	110%	114%
Kitchen and catering assistants	107%	110%
Business and related research professionals	107%	134%
Skilled trades occupations	106%	
Science, engineering and production technicians	104%	113%
Information technology technicians **	103%	166%
Cleaners and domestics	100%	103%
Natural and social science professionals n.e.c.	98%	

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.
Note: * Full-time earnings of this category are estimated with the mean due to small sample size.
** Part-time earnings of this category are estimated with the mean due to small sample size.

3.2 Fixed term contracts, hourly-paid and zero-hour contracts

UCEA has, in the New JNCHEs 2020-21 pay round, included offers to conduct joint work on contract types in the sector. This statement included expectations that, with some legitimate exceptions, indefinite contracts should be the general form of employment relationship between employers and employees in HEIs. It also stated that HEIs should minimise the use of hourly-paid employment to situations which are genuinely short-term and unpredictable or where such arrangements are mutually agreeable to both parties, and that local discussions take place between HEIs and trade unions with a view to eliminating or phasing out the use of zero-hours contracts where possible by establishing alternative flexible employment arrangements.

Furthermore, the revised [Concordat for the Career Development of Researchers](#) includes an expectation that 'all stakeholders need to address long-standing challenges around insecurity of employment and career progression'.

Table 4: Terms of employment and academic employment function, academic staff, 2019-20

Terms of employment	Teaching only	Research only	Teaching and research
Open-ended/Permanent	40,315	16,485	90,970
Fixed-term	32,135	35,025	7,065
Total	72,455	51,510	98,040
% Fixed-term	44.35%	68.00%	7.21%

2019-20 data will be available from 12 February 2020

In an effort to modernise the HESA staff record and improve evidence for discussions regarding the use of casual staff in the sector, UCEA and the trade unions worked with HESA to introduce new markers for hourly-paid and zero-hour contracts. However, from 2019-20 data on "non-academic" (i.e. professional services) staff became an

optional part of the staff record with approximately two-thirds of HEIs choosing to submit. This means that year-on-year comparisons for professional services staff should not be used.

In Table 7, we see that overall numbers of zero-hour contracts have fallen by 14% for academic staff on substantive contracts with 1.6% of academics on zero-hour contracts in 2020-21 (down from 2.4% of academics in 2018-19). Those on hourly paid contracts have fallen by 2% in the same time period.

Table 5: Zero hours & hourly paid contracts for academic staff, headcount, 2018-19 to 2020-21

	2018-19	2019-20	2020-21	Change since 2018-19
Zero hours	4,240	3,545	3,650	-14%
Hourly paid	29,150	30,335	28,550	-2%

Source: HESA 2020-21

4 Pay gaps

Across the sector, actions are being taken to address the gender pay gap. Many of these build upon the UCEA report [Caught at the Crossroads](#), which found that an intersectional approach to pay gaps was necessary.

Last year UCEA reported that the gender pay gap between the median woman and the median man working in HE in 2019-20 had fallen to the lowest percentage in a decade. This was welcome news. It is regrettable that this progress has not been maintained in 2020-21.

According to the Office of National Statistics' Annual Survey of Hours and Earnings, the gender pay gap in HE has widened both in terms of mean earnings and median earnings. This is the first year in the last decade in which the HE sector's gender pay gap is wider than the average across the wider economy (see Table 8). Progress on such a headline measure will be incremental and the ASHE captures data at a snapshot in time.

Table 6: Gender pay gap in higher education sector

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Mean	15.5%	16.1%	15.9%	17.7%	18.3%
Median	14.3%	15.0%	15.5%	13.6%	16.2%
All sectors (median)	18.4%	17.8%	17.4%	15.5%	15.4%

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

UCEA has also initiated ethnicity pay gap reporting in the sector in 2020-21, and is currently running a series of workshops on gender, ethnicity and intersectionality to promote participation, and encourage action planning to address pay gap issues.

5 Pay structures and living wages

5.1 Pay progression in HE

Increases to pay spine rates are supplemented in a majority of cases by pay progression in the form of service-related increments or contribution-related awards, in addition to the possible promotion through the career structure. According to UCEA's research, 51% of academic staff and 46% of professional services staff will be eligible for incremental progression in 2022-23. UCEA/XpertHR survey data shows that this progression resulted in an average within-grade pay increase of 3.6% for academic staff and 3.4% for professional services staff in pay spine grade levels.¹³

5.2 Living wages

The National Living Wage (NLW) will rise by 6.6% to £9.50 an hour from April 2022.

National Living and Minimum Wage rates	New rate (April 2022)	Current rate (April 2021)	Percentage increase
23 years and older (NLW)	£9.50	£8.91	6.6%
21 to 22-year olds	£9.18	£8.36	9.8%
18 to 20-year-olds	£6.83	£6.56	4.1%
16 to 17-year olds	£4.81	£4.62	4.1%
Apprentices	£4.81	£4.30	11.9%
Daily accommodation offset rate	£8.70	£8.36	4.1%

The NLW is also forecast to rise to £10.14 in 2023.

Eligibility for NLW (NMW)	2021	2022	2023	2024	2025	2026
23+	£8.91	£9.50	£10.14			
21+	£8.36	£9.18	£8.86*	£10.54	£10.88	£11.27

Source: OBR, October 2021. Forecasts in with grey background. *Forecast before the 2022 rates were announced therefore it is lower than 2022 rates.

In the supporting statement for the Budget 2021 the OBR set out forecasts for future increases of the NLW and NMW which are lower than previous forecasts, suggesting an increase of 3.7% in 2022, rising to 5.1% in 2023 before reducing to 4% and below from 2024.

¹³ These figures refer to the average (mean) increase received by staff not the increase in paybill. Paybill increases will typically be lower due to employee turnover and new staff starting on lower salaries.

Table 9: National Minimum Wage and National Living Wage, OBR forecasts (March 2021)

	£ per hour					
	2020	2021	2022	2023	2024	2025
National Minimum Wage (NMW)	7.92	8.36	8.48	8.6	n/a	n/a
National Living Wage (NLW)	8.72	8.91	9.24	9.71	10.1	10.46
NLW annual increase		2.2%	3.7%	5.1%	4.0%	3.6%

In recent years, the lowest point of the pay spine has increased by significantly more than the top pay point. The higher increases targeted to the lower pay points have resulted in issues of pay spine compression.

Spine point 3 is compliant with the NLW for HEIs operating 36 contracted hours or fewer, and UCEA has issued guidance to HEIs using longer contracted hours on the additional allowances required to lift the lower pay spine points to adjust pay. UCEA research indicates that just over a third of HEIs operate 35 contracted hours per week. An equal proportion use a 37-hour week. Around a quarter use 35.75 to 36.5 hours per week for staff on the lower pay scales. Nine out of ten HEIs operating longer contracted hours are opposed to standardising on a shorter working week, citing difficulty in the delivery of services, reduced productivity and increased staff costs.

Not all HEIs use the lowest available pay spine point, as HEIs have autonomy over how the pay spine is used. In recent research four out of ten started their lowest pay grade at pay point 3. More than six out of ten started their lowest pay grade at pay point 3 or 4, and over a third started their lowest pay grade at pay point 5 or above. Almost half of HEIs have made changes to the bottom of the pay spine.

5.3 Voluntary living wage

The Living Wage Foundation announced the new Voluntary Living Wage (VLW) rates of £10.85 in London and £9.90 across the rest of the UK in November 2021. Accredited employers have until May 2022 to implement the award.

6 Concluding remarks

As the HE sector emerges from a period in which HEIs have made significant and substantial efforts to balance the provision of high quality education to students, while maintaining the safety of staff and students, it is clear that much uncertainty still exists. Although the preceding two New JNCHES negotiating rounds took place against similar levels of uncertainty, employers are keen that this year's round offers the possibility of both progress and jointly agreed outcomes. The current global context clearly impacts upon the difficulties which many HEIs continue to face following the pandemic. However, we hope that we can engage in productive and constructive negotiations on a meaningful pay uplift recognising the real difficulty inflation poses for all parties. We are also committed to positively exploring other areas of the claim which fall within the New JNCHES remit.