The higher education workforce framework 2010

Overview report

February 2010/**05**

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The higher education workforce framework 2010: overview report

Contents

Forewords

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The ability, skills and dedication of its staff are often the most important determinants of the success of a higher education institution. Outstanding staff in adequate surroundings will simply outperform adequate staff in outstanding surroundings. Individual higher education institutions know this well and work hard to recruit and develop talent. However, at the level of the higher education sector, do we know the characteristics of our workforce and how they vary between institutions and over time by such factors as age, qualifications, discipline and nationality? Are we certain that, following recent investment, our human resource policies, procedures and practices, and also our leadership, are comparable with the very best? Is our workforce well prepared for life in a much more competitive and challenging economic environment?

The Higher Education Workforce Steering Group was established to address such questions. Over the past two years we have analysed data, consulted widely, commissioned and published five consultants' reports – and now publish this outline report, giving an overview of the wealth of information contained in our main report, 'The higher education workforce framework 2010: main report' (HEFCE 2010/05a).

I trust that whatever your involvement with the higher education sector you will find this report of interest.

Professor Paul Curran
Chair, Higher Education Workforce Steering Group

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Higher education in England delivers outstanding results at national and international levels; at its heart is a high-quality workforce characterised by excellence, creativity and innovation.

This report has been produced in testing economic times. The challenge for higher education will be to maintain the momentum achieved in recent years in a more constrained spending environment. Universities and colleges face tough financial conditions and yet they are crucial to delivering the country's twin aims of a vibrant economy and a just society.

It is essential that universities and colleges are able to attract, retain and motivate talented staff if they are to remain successful within a changing national and global higher education environment. Staff in higher education must continue to adapt and change in response to the new expectations placed on them if we are to maintain the highest quality of higher education and research.

This report highlights the key achievements of higher education, the most pressing challenges for people working in our universities and colleges and the conditions required for a healthy and sustainable workforce; it also raises a number of key questions that we would like to see discussed in more detail.

Sir Alan Langlands
Chief Executive, HEFCE

Key points

- There is a clear public interest in supporting a sustainable, high-quality higher education (HE) workforce that has the capacity and capability to maintain the English HE sector's world-class performance.

- Higher education relies on its ability to attract, retain and motivate talented staff. It is important that each higher education institution (HEI) can position itself as an 'employer of choice' for the most able staff and is able to engage, develop, motivate and reward its staff competitively.

- The future workforce requirements for the HE sector will be largely influenced by the factors driving change for the English HE sector nationally and globally. Staff in HE must continue to adapt and change in response to these factors and the new expectations on staff, in order to maintain a high-quality higher education sector.

- Strategic human resource management[1] has a key role to play in supporting HEIs to develop a sustainable, fit for purpose and high-quality workforce for the future, thus contributing importantly to institutional success.

- Anticipated reductions in public and private funding will affect HE in a number of ways including: affordability of future pay rises; affordability of employers' pensions contributions; uncertainty over funded student growth; and increased volatility of international student fee income. Staffing structures and costs will need to be examined in order to respond to these pressures and to meet changing demands from students, employers and other stakeholders.

- In the drive to seek efficiencies and in a context of increasing demand (both of research, enterprise and teaching), HEIs face the challenge of maintaining standards and their international reputation for excellence in learning, teaching, research and enterprise as well as positioning themselves to play an important role in the UK's economic recovery.

- The changing nature of the HE marketplace, and the consequent increase in institutional strategic diversity in an increasingly international context, will require greater diversity in organisational capabilities and workforce requirements, placing a renewed emphasis on workforce planning.

- Views are divided among our consultees about whether sector-wide or other common frameworks (such as national pay bargaining, the single pay spine, the 'post-1992' academic contract and Model Statutes in the 'pre-1992' sector) act as enablers or barriers to HEIs/workforces becoming more flexible and agile.

- There is a greater willingness for HEIs to embrace cultural and behavioural change in equality and diversity, in line with the stronger legal framework in this area. Many HEIs are undertaking excellent work to address equality issues, but persistent patterns of under-representation and disadvantage, such as the gender pay gap, remain. Some of the areas covered most recently by legislation – such as sexual orientation, religion and age – also require more attention as we move the equality agenda forward.

- Effective performance management and high-quality leadership, governance and management are essential in forming the foundation of a successful, high-quality HE workforce.

The report concludes with five questions for debate by the sector, in response to the issues and trends identified in the report:

1. How can the sector become more flexible at a time of change while maximising the talent and commitment of its people?

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[1] The Chartered Institute of Personnel and Development defines 'strategic human resource management' as: 'A general approach to the strategic management of human resources in accordance with the intentions of the organisation on the future direction it wants to take. It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need.' Chartered Institute of Personnel and Development, 'Strategic Human Resource Management' (June 2009).

2. How can HE pay and reward remain competitive, adequately rewarding people for their contribution, and equitable while also being affordable and not threatening the sector's future financial sustainability?

3. National pay bargaining has continued to receive broad support across the sector's employers and trade unions. What is the optimum industrial relations model for the sector to create an environment where the sector's sustainability and success is driven by a motivated, well rewarded and engaged workforce?

4. How can the sector best support (and subsequently implement) the aims of the Employers' Pensions Forum to achieve sustainable pensions for the HE workforce in future?

5. To what extent do the existing contracts and university statutes require change to optimise performance management, workforce flexibility and to enable institutions to meet the diverse expectations of staff, students and employers?

This report highlights a number of key issues and HE workforce challenges which are jointly owned by a broad range of stakeholders within an autonomous HE sector. We invite the sector to decide how it would like to take these issues forward.

Introduction

1. This report provides an overview of the higher education (HE) workforce in England[2]. It offers an analysis that recognises the key achievements of the sector, the critical contributions of the HE workforce, its most pressing challenges and the conditions required for a healthy and sustainable workforce.

2. This work was commissioned by the then Secretary of State for Innovation, Universities and Skills, in his annual grant letter in January 2008[3]. In that letter he invited HEFCE to produce a workforce report, to examine labour market trends within the sector and to focus on the HE workforce's capacity and capability to respond to government priorities.

3. This report is structured around the key issues for the HE workforce that we have identified through research and consultation, and begins by setting out the current context for HE in England in 2010. The report presents an example of new financial models and investment patterns by HEIs and the implications for workforce planning. A range of specific challenges are then examined in turn, covering HE pay and pensions arrangements, the supply and demand of academic staff and the challenges of maintaining a high-quality workforce for the future. The report ends with an analysis of the role that strategic human resource management (HRM) can play in supporting higher education institutions (HEIs) at both local and national levels to meet the challenges of the future. The more detailed context and research that underpins this document can be read in 'The higher education workforce framework 2010: main report' (HEFCE 2010/05a) which is published at www.hefce.ac.uk under Publications.

Purpose

4. We regard this report's primary purposes as: to advise Government about the key issues for the HE workforce; to provide evidence to inform future policy decisions; and to assist in institutional strategic planning. Additionally, this report draws out some of the most pertinent questions about the future of the HE workforce which we believe merit greater debate and discussion in the sector.

5. HEIs are diverse and autonomous bodies with responsibility for the recruitment, retention and reward of their own staff. There is a clear public interest in supporting a sustainable and high-quality HE workforce that has the capacity and capability to maintain the English HE sector's world-class performance. The Council has drawn on a wide range of information and analysis to produce this report. We have endeavoured to capture and describe the diverse nature of HEIs in England and to acknowledge that the most effective approach to change will be based on the local response to change by each HEI, depending on the specific circumstances and drivers that affect an individual institution; we have also identified the issues and priorities that HEIs across the sector have in common and the trends affecting the whole sector. We have consulted informally yet extensively through interactions with our steering group, the HE representative bodies, professional groups, sector bodies and trade unions. The issues and pressures facing the HE workforce of the future have been strongly stated by the sector, and we have registered a general willingness by HEIs to identify and tackle them. This report aims to present a balanced representation of the facts to support an informed debate within the sector.

Context

6. Higher education in England has delivered outstanding results at national and international levels with the excellence, creativity and innovation of its workforce deserving considerable credit for this success. The measures for HE's performance are wide-ranging. For example: HEIs in the UK have provided ideas and services to business and community partners worth £2.812 billion in 2007-08, the highest level on

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[2] The report covers the whole workforce: academic and professional/support staff and those staff usually outside of national pay frameworks.

[3] Grant letters can be read at www.hefce.ac.uk under Finance & assurance/Finance and funding/Grant letter from Secretary of State.

record and a rise of 6.5 per cent on the year before[4]; 87 per cent of UK HE research activity reviewed by the 2008 Research Assessment Exercise was of international quality; the UK remains the second-favourite destination for international students (after the USA); the UK produces 9 per cent of the world's scientific papers and 13 per cent of the most highly cited, despite having only 1 per cent of the world's population; and in the 2009 National Student Survey 81 per cent of respondents said they were satisfied with their course[5]. Lord Mandelson, Secretary of State for Business, Innovation and Skills, commented in his first speech about HE in July 2009 that:

> 'our universities have been the source of a huge amount of the progressive and critical thinking on Government, education, social welfare and economics that has shaped 20th-century society'.

7. The success that HE has had in adapting, modernising and growing over the past two decades provides a strong foundation for the future. But to remain successful, HE and its workforce must continue to respond and adapt to a changing environment and expectations.

The economic challenge

8. The economic landscape in 2009 was very different to that of the recent past, with the first global recession since World War II. The reduction in overall public funding and the changes in the world economy mean that the period of rapid growth in public funding that HE has enjoyed over the past decade is unlikely to return for some time. It will be essential for HEIs to reduce costs and seek new income if they are to meet this challenge and create resource for future investment. They may do this by increasing efficiencies, focusing activity on areas of strength and exploring new markets.

9. The knock-on effects of public and private funding reductions will impact on HE in a number of ways including: affordability of future pay rises; affordability of further increases in employers'

pensions contributions; uncertainty over funded student growth; increased risk of international student fee income fluctuation; and increased margins on credit. Staffing structures and costs will need to evolve in order to respond to these pressures and to meet changing demands from students, employers and other stakeholders. Reductions in funding will increase the challenge for HEIs to deliver the full range of political and public policy priorities that are expected of them.

10. Many HEIs have already begun to implement voluntary severance/redundancy schemes and others have indicated their intentions to do so. The offer of voluntary terms has been the preferred option, but HEIs are now having to contemplate compulsory redundancies. The challenge will be to do this while retaining the commitment, engagement and creativity of staff, vital for the sector's continued success but also to carry through successful organisational change programmes. Equality impact assessments of HEIs' redundancy or restructuring processes will be important to prevent discriminatory outcomes and ensure compliance with anti-discrimination legislation. Additionally, HEIs are often significant (sometimes the largest) employers in their localities, so pressures on pay and, potentially, jobs will have varying impacts on all regions of the country.

Sustaining excellence

11. HEIs' international reputation for excellence in learning, teaching and research is crucial to their competitive position and their ability to play an important role in the UK's economic recovery. The risk to UK HE is that this international reputation for excellence, if lost or diminished, would take many years to recover.

12. The Financial Sustainability Strategy Group report on the financial sustainability of learning and teaching in English higher education[6] highlights the need to protect the quality of the student learning experience, and the sustainability of institutions. The

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[4] Figure from 'The Higher Education-Business and Community Interaction Survey: 2007-08' (HEFCE 2009/23). All HEFCE publications are available at www.hefce.ac.uk under Publications.

[5] For more information see www.hefce.ac.uk under Learning & teaching/Assuring quality/National Student Survey.

[6] 'The sustainability of learning and teaching in English higher education', JM Consulting (December 2008), available at www.hefce.ac.uk under Finance & assurance/Finance and funding/TRAC/Financial Sustainability Strategy Group.

report identifies that threats to sustainability are being felt particularly in three aspects of the student learning experience: accessibility of staff to students; physical infrastructure for teaching and learning; and student support services. Without action to address all three of these areas of cost pressure, the report argues, it is inevitable that the quality and fitness for purpose of UK higher education, and its reputation and international competitive position, will be affected adversely.

13. High-quality teaching is fundamental to higher education. The Government and HEFCE have consistently encouraged universities to recognise and reward good teaching because it is the most vital part of the student experience of higher education. This point was reiterated by the Government in its response to the recommendations of the Innovation, Universities, Science and Skills Committee on Students and Universities[7] where it further encouraged institutions to reward and recognise teaching in their performance arrangements and human resource strategies.

Technological advances and opportunities

14. Advancing technologies and technology-based services will change public experiences and expectations for accessing and sharing knowledge, requiring HEIs to rethink the ways in which they add value. A good information and communications technology (ICT) infrastructure is essential but the real challenge is for institutions to exploit ICT more effectively than their competitors (both national and international). In particular this means more online learning, better management systems, improved tools for collaborative research, more online content and more effective tools to find and use this content.

15. Technology also has the capacity to revolutionise the managerial and administrative functions of an HEI, enabling it to operate enhanced process efficiency or highly effective information and data systems (for example for student data or grant applications). The exploitation of ICT to realise cost savings and improve value for money needs leadership and culture change.

There are many opportunities to consider; the technical risks are modest but the risks to an organisation through adopting new business and pedagogic processes can be considerable. Nonetheless, funding and economic pressures require such change.

16. There are three primary ways in which the implementation and future development of ICT will impact on the HE workforce:

- the continuing need for updated skills and ICT capacity, both for academic staff (who will have pedagogic and scholarly expectations to meet around ICT use and development) and professional/support staff who will require competency in core ICT systems

- the way in which ICT will inform and shape future workforce planning, either because ICT will drive business process automation/efficiency which will facilitate shared services or workforce efficiency, or because ICT planning and forecasting tools will enable more accurate workforce planning in the future

- cultural change and leadership, required to lead HEIs into new ways of working in an ICT-enabled institution. The Joint Information Systems Committee (JISC) and the Leadership Foundation for Higher Education (LFHE) have already recognised this as a key challenge for the future and have signed a joint 'memorandum of understanding' to support the strategic use of ICT by HE senior management and future leaders.

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7 Innovation, Universities, Science and Skills Committee 'Students and Universities' 11th report of session 2008-09, House of Commons (August 2009).

New strategic models: implications for HE workforce planning

The competitive and multi-faceted nature of the HE marketplace has produced different income and investment patterns in HEIs. This section explores these and discusses the impact that strategic model change might have for its workforce. Four key questions are raised and debated about the costs and benefits to the sector in becoming ever more flexible and fast-moving.

17. The competitive and multi-faceted nature of the HE marketplace has produced different income and investment patterns in HEIs. Professor Alison Richard's speech to Universities UK's annual conference in September 2008 articulated the benefits of a diverse HE sector in the UK:

> '…our institutions clearly vary in how we combine our portfolios around a single, broadly shared purpose. Our diversity is reflected in our students, their age range and ratio of part-time to full-time students, the places they come from in the UK and overseas, the courses they study and how they learn, and what they then go on to do. As institutions we differ, proudly, in age, size, history, governance, course offerings, emphasis on research and teaching, and balance of academic and professional or pre-professional training. That diversity is a real strength for students, for society, and also for our individual institutions.'[8]

18. PA Consulting's report 'The Future Workforce for Higher Education'[9], offers a model for understanding the varied 'marketplace'[10] in which HEIs are operating, by identifying and mapping the six main income streams. These are summarised in Table 1.

Table 1 **The six main income streams for English HE**

Income stream	Covering
Public research	HEFCE quality-related research allocation and research capital, and Research Council awards.
Private research	Contracts from charities, industry, government departments and other agencies (including the EU).
Public teaching	HEFCE teaching allocation, Training and Development Agency for Schools and NHS teaching contracts, Learning and Skills Council funding and regulated home/EU student fees.
Private teaching	Teaching contracts and unregulated fees (including professional qualifications, international and continuing professional development students).
Enterprise activity	For example intellectual property commercialisation, consultancy, knowledge transfer contracts, conferences, publishing.
Other activities	Catering, accommodation, lettings and other revenue-generating services (excluding income from endowments and the like).

[8] Professor Alison Richard, speech to Universities UK Annual Conference, 'Quality, talent and diversity in the UK university system' (10 September 2008).

[9] 'The Future Workforce for Higher Education: a report to HEFCE by PA Consulting Group' (February 2010) can be read at www.hefce.ac.uk under Publications/Research & evaluation.

[10] We use the term 'market' in its broadest sense, to refer to the range of HE users and partners (including students, employers, Government, industry, NHS), their requirements and their associated funding streams that make up the HE environment.

Figure 1 Illustrative examples of institutional strategic profiles based on income

Type A

Type B

Type C

Type D
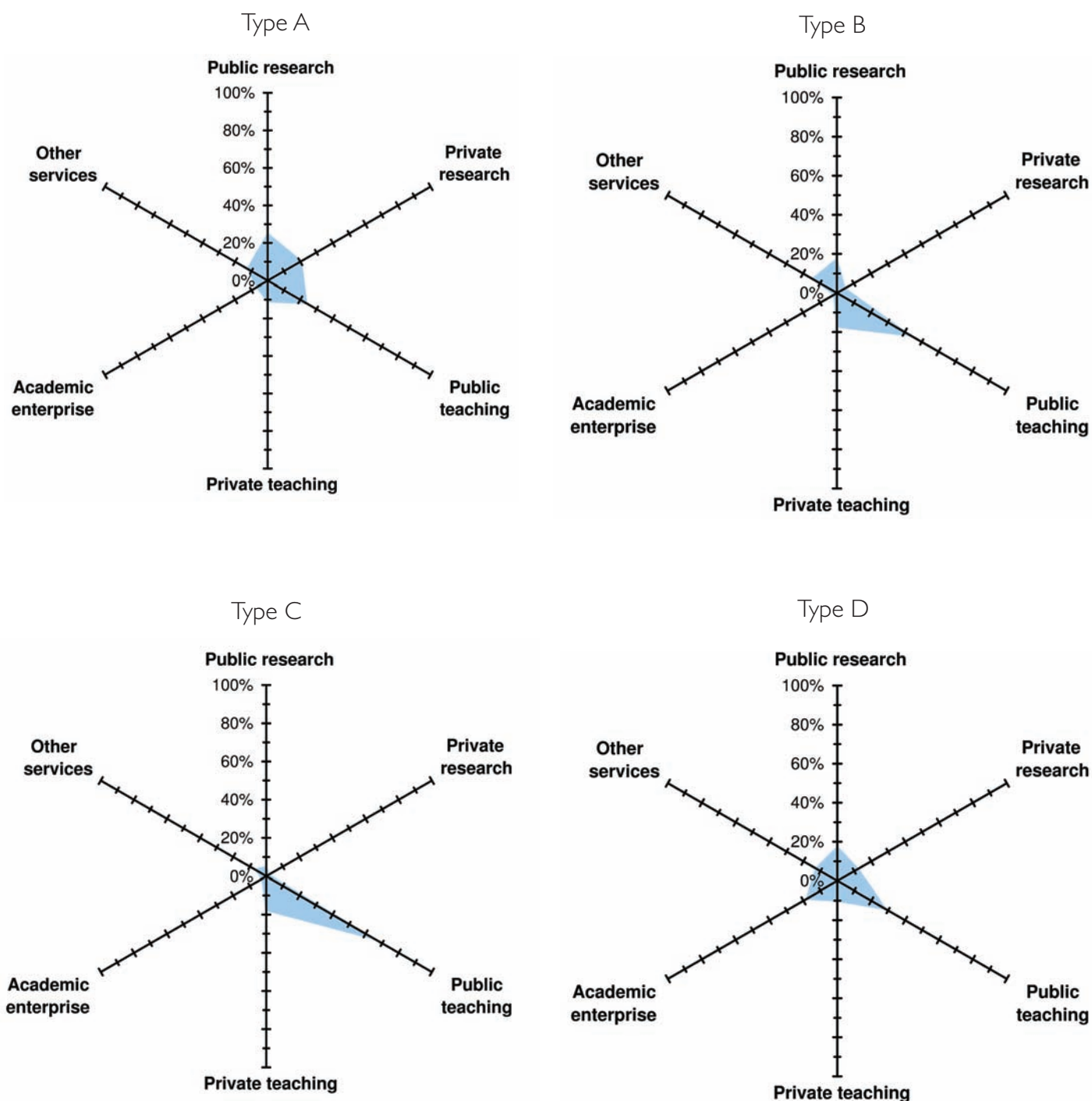
19. Mapping the diversity of the HE sector by income streams clearly shows that HEIs operate in many and diverse markets, each with different funders and with different prospects and conditions for success. Analysis of institutional income data from the Higher Education Statistics Agency (HESA) enabled PA to observe patterns in institutions' income streams. Figure 1 illustrates the diversity of the sector: each of the four groups maintains high-quality provision and presence in each of the six main income streams described in Table 1, but the relative importance of the different streams varies greatly between them. The diagrams are not intended to be prescriptive, merely descriptive of the differing approaches and choices currently being made, or those that might be made in the future.

20. To clarify the observed patterns in HE income streams, PA identified (through discussions and workshops with sector representatives) five distinct categories of HE activities, each of which maps to the income streams identified in Table 1. These can be described as[11]:

a. **Primary research** – the development and dissemination of advanced research results into the public domain, contributing to the development of national and international intellectual capital; funded mainly from the public and (some) private research streams (aligns with Type A in Figure 1).

b. **Research-led teaching** – discipline-based, undergraduate and postgraduate programmes taught by staff who are actively involved in public and private research, with the style and content of teaching strongly influenced by current research; funded mainly from public teaching sources, plus overseas student fees (aligns with Type B in Figure 1).

c. **Professional formation** – teaching provision explicitly geared to preparing or developing students for work in areas of professional practice, often including substantial elements of practical, work-based experience; funded partly through public teaching grants and also through private individual and corporate fees and contracts (aligns with Type C in Figure 1).

d. **Research-based solutions** – development of practical and commercial solutions, drawing directly on advanced research findings, to technically complex problems posed by business or government clients; funded mainly from business and government clients for academic enterprise, and also some private research (aligns with Type D in Figure 1).

e. **Specialist and niche provision** – applied teaching (often mainly postgraduate) and research services directed towards particular areas of practice such as creative arts, agriculture or bio-medical specialities; variously funded from each of the core streams, depending on the institution (hence no diagrammatic example is presented in Figure 1).

21. The changing nature of the HE marketplace and the consequent increase in institutional strategic diversity will require greater diversity in organisational capabilities and supporting workforce requirements and a renewed emphasis on workforce planning.

Implications for workforce requirements

22. One of the key challenges for the future HE environment is the continued turbulence, instability and increasingly fast pace of change being experienced. In contrast to the relative stability[12] of the historical, predominantly publicly funded model of HE, the future environment looks far less predictable; the financial/strategic models that succeed today are likely to develop further in 10-15 years' time. Consequently, institutional strategies and financial models and the workforce capabilities needed to sustain them will be subject to continuous challenge and review. Workforce strategies will need to be agile and flexible to adapt to new conditions and demands.

23. The National Union of Students (NUS) affirms that the new generation of students increasingly seek speed, control and greater personalised learning, (learner-centred teaching, taking account of personal learning styles) delivered at a time and place to suit them. Students are confident with technology, in a way that not all the workforce necessarily is. Changing student requirements and the critical importance of technology to the learning and teaching process are critical workforce development priorities for the future.

24. The demand for a more flexible higher education system will particularly be driven by the need to provide different forms of HE delivery – different to the full-time, three-year model aimed at young students due to anticipated increased demands for non-traditional student markets; for example mature students in work interested in ensuring their skills are fit for current and future needs. Alongside this, the key pressures on working patterns include the need for HEIs to deliver multi-mode teaching (for example e-learning, distance learning and experiential learning) at times and in ways that suit students. In

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[11] There is a more detailed exposition of the strategic and workforce implications of these strategic investment patterns in 'The higher education workforce framework 2010: main report' (HEFCE 2010/05a).

[12] Stability in terms of funding; HE has successfully undergone a period of large-scale change and growth in the past 20 years.

the longer term other pressures, for example climate change and carbon emission reduction, are challenging the current norm for teaching hours and 'term' times, which would require different and shifting work patterns for employees.

25. A shift towards greater workforce flexibility, institutional agility and new patterns of income raises questions for HEIs. The examples shown in Figure 1 place demanding requirements on the HE workforce of the future[13] and raise questions about the application and interpretation of sector-wide arrangements and frameworks. These questions are discussed in turn in paragraphs 26 to 37.

How do HEIs ensure they retain the elements valued by the sector, staff and students, balanced against a need to become more flexible?

26. The changes required to everyday working practices to operate new financial models can place challenging and uncomfortable demands on the workforce. For example, responding to students' demands for more flexible and personalised learning will potentially require teaching staff to work different hours, which may be in direct contrast with the flexibility staff might want. HEIs will need to consider different ways of adapting to change while retaining their most important capabilities.

Are the current sector-wide employment agreements and frameworks enablers or barriers to greater flexibility?

27. There are a range of sector-wide or other common frameworks across HE such as national pay bargaining, the single pay spine, the 'post-1992' academic contract and Model Statutes in the 'pre-1992' sector. Various HEIs and some members of sector professional associations are of the view that sector-wide frameworks and agreements constrain flexibility and create either administrative, cost or employee relations 'burdens' to resolve. The counter view is that the frameworks are fit for purpose because they can be **implemented** flexibly, which makes them neither a barrier nor an enabler. Others feel that

various customs and practices that have built up over years are now so engrained within institutional culture that they form the most challenging barrier to increased workforce flexibility. It is perhaps this lack of consensus that has contributed to the maintenance of the status quo, but issues and questions raised by our stakeholders suggest that the time is now right for debate.

28. Professor Paul Ramsden's report 'The Future of Higher Education Teaching and the Student Experience'[14] suggests that:

> 'Universities and colleges, supported by national professional associations for academics, should develop more flexible employment contracts that recognise different patterns of work. We should recognise that the academic workforce is part of the wider workforce; increased fluidity and transferability between sectors is desirable, not only for research purposes but also to ensure high-quality teaching and a common understanding of the connections between higher education and employment skills.'

29. Views are mixed within post-1992 universities and HE colleges about the extent to which the teaching contract is a barrier, with some arguing that institutional culture and management capacity are more important than the detail contained in contracts. The University and College Union (UCU) feels strongly that the post-1992 academic contract is an important standard and safeguard that protects academics' time for teaching and other scholarly activity. The UCU fears that if the contract were to be changed, workloads would increase and academics' career progression expectations would not be met. Others in the post-1992 community feel strongly that the contract is a problem that must be solved, because they see it as outdated, focusing too heavily on teaching inputs rather than the wider range of educational, research and enterprise outcomes towards which HEIs are striving. For those who find themselves in competition with private sector

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[13] See section 3 of 'The Future Workforce for Higher Education: A report to HEFCE by PA Consulting Group' (available at www.hefce.ac.uk under Publications/Research & evaluation) for a more detailed analysis of workforce requirements by strategic type.

[14] Professor Paul Ramsden, 'The Future of Higher Education Teaching and the Student Experience', submission to the Government's HE debate (November 2008) section 3.24, page 13. Available at www.bis.gov.uk/wp-content/uploads/2009/10/HE-Summary-Teaching-Student-Experience.pdf

providers, the contract is also problematic due to the lack of flexibility over the costing and pricing of teaching time and delivery because there are specified numbers of maximum hours an academic can teach in a year.

30. While there has been some movement away from the standard teaching contract in post-1992 HEIs and colleges, increasingly others have managed to re-shape their standard teaching contracts around their changing requirements (for instance, implementing different modes of working to accommodate more employer engagement teaching activity).

31. The situation is more complex for 'chartered' institutions[15] where the employment conditions of academic staff are governed by a long and complex employment statute known as the 'Model Statute', dating back to the Education Reform Act 1988.

32. In 2002 a working group made up of the Universities and Colleges Employers Association (UCEA) and Universities UK (UUK), chaired by Professor Graham Zellick, developed proposals to update the Model Statute and this was approved by the Privy Council in 2003. Although a few HEIs have adopted the revised Model Statute, it is debatable whether this is actually an improvement on the original version in terms of compliance with employment law. When we consulted with sector groups, the Model Statutes were often cited as being out of pace with employment law and a significant barrier to the effective performance management of academic staff.

33. As with all statutes, the Model Statute can only be changed by application to the Privy Council. However, in recent years a number of HEIs have moved the provisions of their Model Statutes to ordinances, thereby allowing modifications by the institution without needing Privy Council approval. The advantage of this is that HEIs can make more timely changes to their procedures as and when employment law changes. For instance the legal requirements for disciplinary and grievance procedures have changed twice in the past five years.

34. The key challenge for these HEIs is the time, complexity and expense they face if they wish to amend their Model Statutes (at the same time as protecting the essential freedoms for academic enquiry and delivery of research) as well as the need to secure trade union agreement and finally Privy Council approval. When we discussed this issue with the UCU in October 2009, it expressed discomfort over any potential changes to Model Statutes, with a concern that new arrangements could damage the relationship between an academic and their institution in terms of academic freedoms. However, if Model Statute provisions are moved out of Privy Council control, HEIs are still required to adhere to the principles of academic freedom and this must be set out in their charter or statutes.

Case study University of Exeter

The University of Exeter initiated work to revise its university statutes in 2008. It aimed to update them to reflect recent employment law and best practice (for example, the 2009 Advisory, Conciliation and Arbitration Service statutory code of practice on disciplinary and grievance procedures), as well as moving the employment elements that had previously been in the statutes permanently into university ordinances.

The new ordinances include a range of employment policies and have been extended to cover all staff groups, rather than just academic staff as had been the case previously. This process has involved working in partnership with all the recognised trade unions, going through a consultative process where each new policy was examined in detail at both local branch and regional level. This led to the university being given Privy Council approval for the new statutes in the summer of 2008.

The new ordinances provide more flexibility for the university, because they can be kept up to date or modified in future with approval from the university's own governance rather than from Privy Council.

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15 'Chartered' institutions are mainly the pre-1992 HEIs, although post-1992 HEIs also require Privy Council approval to change their articles of government.

What could be the potential cost to the HE workforce of having more flexible working conditions?

35. Part of the uniqueness of the higher education sector is its academic staff and the freedom they have to pursue scholarship, create new knowledge and work in a highly collegial, committed and peer-regulated way. These elements of the normal academic working environment are thought, by unions and employers alike, to represent the 'psychological contract' that exists between the academic workforce and their employers; where a range of freedoms, customs, practices and expectations form an important, unwritten, relationship between the individual and the organisation. If the sector changes inappropriately it runs the risk of damaging the psychological contract and undermining what has made the sector so successful.

36. Throughout our consultations, people have highlighted the need for more flexible working to enable HEIs to be more responsive to a variety of drivers, principally the changing needs of the student population. Flexible working has been a reality in HE for many years and there are strong compliance reasons for HEIs to meet employee demands for flexible working under employment legislation.

37. However, there needs to be more discussion and consensus around the increased demand for flexible working by employees (for example, to assist in family or caring responsibilities) against flexible, or **different**, modes of working to meet the new strategic needs of the organisation rather than the individual (for example delivering learning and teaching in the evenings, weekends or over traditional HE holiday periods, or even setting up/delivering courses in international campus locations).

Higher education pay

This section examines the background to the current HE pay arrangements, including HEIs' achievements in implementing the Framework Agreement for the Modernisation of Pay Structures in HE. The questions for debate address the future for national pay arrangements and challenges to affordability.

Context

38. In the late 1990s, Lord Dearing's National Committee of Inquiry into HE and Sir Michael Bett's independent review of HE pay and conditions found that HE pay was lagging behind the rest of the economy. In 1997, Dearing found that 'recent evidence suggests that the majority, but by no means all, of staff in higher education are paid substantially below comparable private and public sector rates'[16]. Bett's subsequent review in 1999 of HE pay and conditions found that: 'The average earnings for pre-1992 university academic staff have increased since 1981 by 30 per cent less than the average for non-manual employees throughout the UK economy and by 18 per cent less than the average for non-manual staff.'[17] Work by the sector to redress this imbalance resulted in a cumulative total of the HE pay awards in the years 2001-2008 of at least 36.5 per cent, with a higher increase for the lowest points on the pay spine. This represents a major investment by HEIs to ensure that staff are rewarded competitively.

39. The Joint Negotiating Committee for HE Staff (JNCHES) was set up in 2001 as a partnership between UCEA (representing all HE sector employers) and the trade unions. The employers and trade unions achieved positive reforms to the bargaining process in September 2008 and a 'New JNCHES' agreement and constitution was launched[18]. It agreed new national negotiating arrangements for the sector and facilitated the subsequent Framework Agreement for the Modernisation of Pay Structures in HE.

40. This agreement was the platform to: modernise pay arrangements in the sector to improve the recruitment and retention of staff; ensure equal pay for work of equal value; tackle problems of low pay; recognise and reward the contribution that individuals make; and underpin the opportunities for career and organisational development.

41. The Framework Agreement for the modernisation of pay structures in HE was a major

Figure 2 **HE mean and median salaries for academic and professional and support staff from 2003-04 to 2008-09**
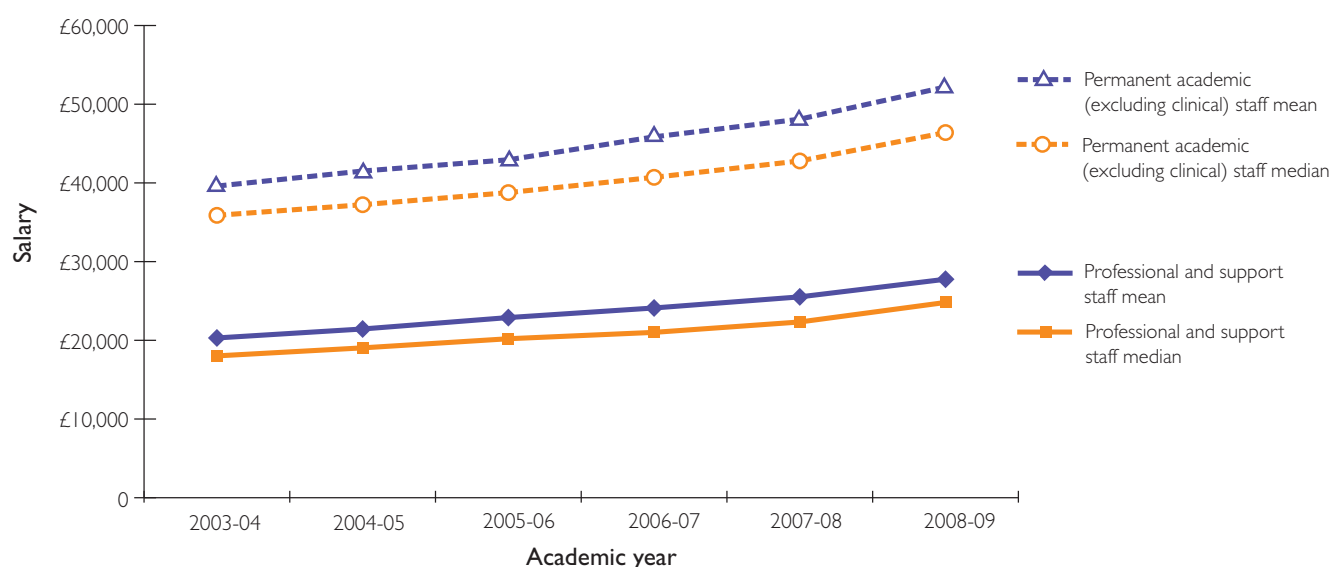
Source: HESA individualised staff record, 2003-04 to 2008-09.

[16] Lord Dearing, 'Report of the National Committee of Enquiry into Higher Education' (1997) paragraph 71. For the full report see https://bei.leeds.ac.uk/partners/NCIHE

[17] Sir Michael Bett, 'Independent Review of Higher Education Pay and Conditions' (1999) paragraph 155.

[18] Press release, 'New JNCHES: Joint Statement' (29 September 2008), available at www.ucea.ac.uk/filemanager/root/site_assets/new_release_docs/new_jnches_-_29_september_2008.pdf

milestone in JNCHES' work and led to a significant period of pay and grading reform across UK HE. When Oakleigh Consulting evaluated public policy and investment in HRM in HE in 2009[19], it found the implementation of the Framework Agreement to be one of the major influences on HRM this decade, with a particularly positive impact on HRM practice.

Implementation of the Framework Agreement

42. The scale of work and achievement of the sector in implementing the Framework Agreement has been significant, and most HEIs in the UK have now implemented it. As would be expected in a process of introducing job evaluation and new grading arrangements, the implementation costs were significant, the median being 3 per cent of an HEI's pay bill. HEIs used HEFCE's Rewarding and Developing Staff funding, among other funding streams, to cover their costs.

43. Although the Framework Agreement has brought considerable benefits, especially the use of job evaluation to tackle issues of equal pay for work of equal value, some dissatisfaction has been expressed by various sector organisations, particularly with the pay levels of the lowest points on the new national pay spine. Like other public sector pay frameworks, (such as that in local government), these lowest levels are commonly paid more than the local labour market, which is leading some HEIs to outsource some functions (catering and security, for example) purely on cost grounds. Some sector organisations we consulted were beginning to question whether the national pay spine was creating inflexibility within institutional pay systems and interfering with their ability to control costs effectively. They felt this might lead to future fragmentation or even a break-up of the pay spine. Others, though, felt that the pay spine

offered enough flexibility (for example by being able to place grades at locally determined points on the spine, allowing for market supplements and contribution points, as well as the opportunity to negotiate with trade unions locally on specific issues) and would support its continuing use.

Future sector pay arrangements

44. Some of the HE stakeholders and representative bodies who made submissions to this report[20] highlighted both national pay bargaining and trade union relations as being key management challenges for the future.

45. Throughout our consultations with HEIs and sector bodies, we have noted widespread support for the current national pay bargaining arrangements at this time. This support has become more coherent across the sector throughout the 2009-10 pay negotiations but its long-term future remains open to debate. There remains a view in the sector that the optimum bargaining arrangements have yet to be settled upon. HEIs and sector bodies continue to discuss the pros and cons of national negotiations, and the view has been put forward that with the current and future economic uncertainty, local bargaining might be an opportunity for individual HEIs to renegotiate the entire employment relationship with their workforces and establish more sustainable, bespoke arrangements. Some HEIs feel that local bargaining would give them more control and autonomy over their own staff costs. This view is countered by the benefits cited of: saving costs (individual HEIs do not need to invest in building local negotiating capacity among their managers); ensuring pay equity (there is still a gender pay gap in HE[21]); transparency and fairness across the whole sector; and being able to maintain good relations with local trade union branches. It also avoids the potential

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[19] 'Evaluation of the impact of public policy and investments in human resource management in higher education since 2001: A report to HEFCE by Oakleigh Consulting' (June 2009), available at www.hefce.ac.uk under Publications/Research & evaluation.

[20] The Association of Heads of University Administration, The Leadership Foundation for HE, GuildHE, Universities Human Resources (formerly the Universities Personnel Association), the British Universities Finance Directors Group and the Universities and Colleges Employers Association.

[21] JNCHES calculated the gender pay gap in HE to be 20.3 per cent, on the basis of mean hourly earnings – a difference largely explained by the fact that men and women are concentrated in different occupations. It also noted that further work could be done to develop a greater understanding of the factors behind these pay differences. 'Review of Pay and Finance Data', JNCHES (December 2008) page 68.

for pay 'leapfrogging' or pattern bargaining (where a pay agreement negotiated at one institution is used as a lever to secure similar agreements at other HEIs). Nervousness was expressed about the prospect of a 'pay league table' being created, or an increase in trade union disputes at a local level if HEIs negotiated individually.

Affordability

46. Although HE pay had undoubtedly 'caught up' over the past decade, pay increases in May and October 2008 gave a combined increase of 8 per cent which was well ahead of the country as a whole, with a median whole-economy pay increase of 3.5 per cent over the 12 months of 2008[22]. Members of UCEA estimate that staff costs are likely to rise by at least 4.5 per cent in 2009-10 (taking into account a 2 per cent increase to the Universities Superannuation Scheme (USS)[23] employers' contributions for pre-1992 HEIs, incremental pay rises of around 2 per cent, and 0.5 per cent for the 2009-10 agreed increase to all points on the pay spine)[24]. With staff costs typically amounting to an average of 57 per cent of total institutional expenditure, any reductions in HEIs' income or further increases to pay and other staff costs raise serious concerns about affordability.

47. Questions are being raised by institutions about the future sustainability of the incremental pay increases that around two-thirds of HE staff on average receive annually; these are paid in addition to the nationally negotiated increases to all points on the pay spine[25] although many HEIs are moving towards making these increments contribution- or performance-related. Some HEIs acknowledge that expectations about future pay increases, including increments, will need to be managed.

48. The pressures on affordability for HEIs stem from the impact of the global economic recession on the UK. This will result in pressure on public funding due to the Treasury's need to service public borrowing as a priority for the medium term, as well as reduced income from the private sector and charities, and the pressures of managing an increasingly fixed cost base with increasingly variable income. This is exacerbated by the risk of greater volatility in international student fee income and reductions to the value of HEIs' investments as a result of the recession.

[22] 'Pay Prospects 2010: Planning for Recovery', Incomes Data Services Pay Report 1034 (October 2009).

[23] The USS is the principle scheme for academic and administrative staff, predominantly in pre-1992 HEIs, and was established in 1974.

[24] Employers' side statement to New JNCHES staff side (27 April 2009), updated following the 2009-10 pay agreement.

[25] The UCEA/ECU age discrimination guidance recommends that incremental pay can be used, but limited so that no more than five years' service can be rewarded with annual increments. There are both age and sex discrimination risks with incremental pay. UCEA/ECU, 'Age discrimination guidance – note 1' (May 2006) page 2.

HE pensions

'Pay and pensions are seen by all to be an essential part of the sector's remuneration package. Employers recognise that the quality of pension provision in HE has a significant impact on both the recruitment and retention of high-quality staff at all levels, so it's only sensible to look at all the pension options and ensure sustainable and effective arrangements for the future.' UCEA briefing and Q&A, May 2008[26].

[26] For more details see www.ucea.ac.uk under Pay & Reward/Pensions.

Affordability

49. There are a number of different pension schemes operating in the HE sector in the UK, each with different arrangements. Most of them provide defined benefits. They are all under pressure and most were in deficit by the end of 2008-09.

50. There are two main pension schemes for academic and academic-related staff in HE: the USS and the Teachers' Pension Scheme (TPS)[27]. Other staff will be members of one of the 48 institution-specific (mostly defined benefit) self-administered trusts (SATs)[28] or a Local Government Pension Scheme (LGPS)[29]. Clinical academics are likely to be members of the NHS pension scheme. The picture across the sector is therefore varied and complex, often with a variety of different pension schemes operating within one HEI, each with its own rules, risks and contribution rates.

51. A fundamental and sector-led review of HE pensions is under way (see paragraphs 54 to 56). A great deal of sector-led development work is currently focused on USS, because it is owned and operated within the sector, but other major schemes, such as TPS and the LGPSs, are of equal priority and arguably pose greater risk because the sector has less control over them (although TPS has been through some reform in recent years). Deficits within the other publicly operated schemes are also substantial in some cases and creating large liabilities for HEIs.

52. At present, pension contributions are insufficient to meet the future liabilities arising from increased longevity, falling investment income and the current rate of salary increase. As pension costs increase in the future, either employer or employee contributions, or both, will need to rise, or benefits will need to be reduced.

53. The employer's contribution to USS increased in October 2009 from 14 to 16 per cent and further increases in the future are seen as a significant risk unless the scheme is reformed. The 2 per cent increase in 2009 adds an additional £130 million to the sector's USS pension contributions (which from October 2009 total £723 million[30] annually), and this is clearly a huge cost to be carried by the sector. The USS employee contribution rate remains capped at 6.35 per cent of salary.

Sectoral responses

54. UUK, GuildHE and UCEA have established the Employers' Pension Forum (EPF) to consider the pension needs of the HE sector. The extent and breadth of the EPF's work is significant, with two major reports already completed. The Hewitt Report of October 2007[31] provided a useful context for pensions in HE and advocated the formulation of a 10-year pensions strategy for the sector. Using funding from HEFCE's Leadership, Governance and Management (LGM) Fund, pensions specialist Peter Thompson published a report[32] examining the available options in some detail. In summary, the results of consultation with HEIs are:

- defined benefit provision is still appropriate for the sector

- there are strong concerns about affordability

- cost increases must be shared between employers and employees

- retirement ages should be raised in line with life expectancy

- all employees should have the same pension provision

- a career average scheme might be a suitable fall-back if final salary proves unsustainable

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[27] The TPS is the principle pension scheme for academic and professional/support staff in post-1992 HEIs. TPS and the NHS pension schemes are unfunded schemes, so do not have deficits.

[28] SATs are pension schemes operated by individual HEIs, usually for support staff in pre-1992 HEIs.

[29] The LGPS is another pension scheme of which academic and professional/support staff from post-1992 HEIs might be members.

[30] Source: UCEA input to the 'USS Review: Employers Paper on the costs of contribution rates' (20 March 2009). Figures are approximate, could vary by ±£10 million and are included for illustrative purposes.

[31] Hewitt Consulting, 'Strategic enquiry into the pensions arrangements for the higher education sector', UUK (2007). Available from www.ucea.ac.uk under Pay & Reward/Pensions.

[32] Thompson, P, 'Pension provision in the HE sector: Initial Report' (May 2008). For more details see www.ucea.ac.uk under Pay & Reward/Pensions.

- 50 per cent of respondents were interested in offering a 'menu' of pension benefits to their employees

- some facilitation of scheme collaboration or merger would be helpful if feasible.

55. Taking these views into account, the EPF and its USS sub-group have committed to:

- a review of USS (planned to report in April 2010 and seeking to implement changes in October 2010)

- a feasibility study on the options for SATs, which will examine options for merging some/all of the schemes to save administrative costs or to change the models on which the schemes operate.

56. HEFCE's LGM Fund is sponsoring a UUK/GuildHE/UCEA project to take forward work around the review of USS in particular and other HE pension schemes to ensure the long-term sustainability of the pensions offered within the HE sector. They will provide HEIs with options in relation to type of pension offered and will support reforms of all the pension schemes in the HE sector, where reforms are necessary and appropriate. This will include reform of the USS over the next two years. They will also:

- provide guidance to the sector on the legislative and scheme specific changes that impact on the HE sector

- improve communication and understanding of pensions issues and challenges within the sector

- disseminate information relating to the outcomes of the project, including development of consultation mechanisms.

Employee relations

Context

57. Pensions are not currently part of the national pay negotiations. Schemes have their own arrangements for making changes to members' terms and conditions; for example, the USS is controlled by its board of Trustees, nominated by the main academic and academic-related staff union, UCU, UUK, funding council and co-opted nominees.

Trustees are appointed by UCU. Changes to the scheme must be made by negotiation through a sub-committee of the USS board called the Joint Negotiating Committee. The Joint Negotiating Committee is a decision-making body comprising equal numbers of representatives of employers and UCU, with an independent chair.

Moving forward

58. There has been a trend among employers to talk in terms of 'staff costs' within the national pay negotiations in an effort to negotiate affordable pay and benefits increases that take into account the full range of costs of employing staff (employing additional staff, promotions, pensions, contribution pay, and annual increments and any increases to the single pay spine). Employers are emphasising that increases to the salary bill equate to increases in overall staff costs (including pension contributions) and must remain affordable.

59. Part of the 2009-10 pay agreement is the establishment of a new joint employers/trade unions working group on HE funding and sustainability issues. This is intended to increase understanding and awareness of financial issues impacting on HEIs, and to allow unions and HEIs to discuss these issues.

Supporting a sustainable HE workforce for the future

'HE has never been more exciting, or offered greater career opportunities. With a world-renowned reputation for excellence, HE really is one of the UK's great success stories. For this to be sustained, sound business management, forward-thinking HR, and good employee relations all need to play their part.' Professor Sir William Wakeham, (immediate past) Chair, UCEA, and former Vice-Chancellor, University of Southampton[33].

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33 'Where are we now? The benefits of working in HE', UCEA (summer 2008).

60. Higher education, perhaps more than any other sector, relies on its ability to attract, retain and motivate talented staff. Higher education requires the brightest minds: highly committed, innovative and creative people with a desire to develop and share knowledge with future generations. Governments around the world view HE as the key to their country's economic development and success. Therefore, it is important that HEIs are regarded as 'employers of choice' for the most able staff and are able to engage, motivate and reward their staff competitively.

61. In this section we look in more detail at the supply and demand issues for academic staff and discuss how to sustain quality for the future.

Supply and demand of staff

62. This section presents core data about the current HE workforce. It presents and analyses key supply and demand trends for the academic workforce by subject. Key issues around recruitment, retention and contract status are also discussed. This section covers:

- size and shape of the HE workforce

- supply of academic staff

- future demand for academic staff

- recruitment and retention

- contract status.

Size and shape of the HE workforce

63. Table 2 shows that the overall number of staff employed in HE in England in academic year 2008-09 has grown by more than 22,500 to over 314,000, a rise of 7.7 per cent since 2005-06. During the same period, overall student numbers have risen by more than 69,000 to 2.01 million[34], a rise of 3.6 per cent. The proportions of staff with academic, professional and support and combined roles have remained stable.

Table 2 **Staff in English HEIs by role**

Role	2005-06		2008-09	
	Number of staff	%	Number of staff	%
Academic role only	132,415	45	143,395	46
Professional/support and academic roles	7,740	3	9,190	3
Professional/support role only	152,280	52	162,375	52
Total with academic roles	140,155	N/A	152,585	N/A
Total with professional/support roles	160,020	N/A	171,565	N/A
Total	292,435	100	314,960	100

Note: Rounding of percentage points means the 2008-09 proportions sum to more than the total.

Source: HESA individualised staff record, 2005-06 to 2008-09.

[34] 'Students in Higher Education Institutions 2008-09', HESA (2010).

64. Table 3 illustrates rapid growth (a 33 per cent increase since 2005-06) in the numbers and proportions of academic staff at the grade of professor. HEIs are increasingly using 'position on the new national pay spine' to categorise their staff and career structures rather than the formerly common definitions of 'grade'[35]. Previously the reporting of the number of professors was an underestimate because some large HEIs did not identify their professors separately. These changes may therefore partially account for the increased proportion of professors. From the 2008-09 data collection onwards, HESA will be requesting data about institutional pay structures, which will aid better presentation and understanding of pay and grading data.

65. Figure 3 illustrates that the age profile of permanent academic staff in England has remained broadly stable over the past 14 years, with some increase in the proportion of staff aged 60 and over in the last four years (an increase of three percentage points since 2005-06). Fears of a retirement 'time-bomb' for the academic staff population in general are not supported by the data. However, there are some subject areas with slightly higher than average age profiles, notably education, mathematical sciences and social/political/economic studies[36].

66. Three-quarters of the academic staff population are aged over 40 and one-quarter of all academic staff are aged over 55. The average age of an academic in England has increased from 43.4 in 2005-06 to 43.9 in 2008-09[37] (this compares to an average age in the wider UK workforce of 40.9 in 2008-09[38]). Overall, there has been just a 1 per cent increase in the proportion of academic staff aged over 55 over the past four years (this follows the general trend in the UK workforce).

67. The impact that a (slowly) ageing workforce could have, coupled with the probability of a future lifting or abolishing of the retirement age, could lead to risks for HEIs around low staff turnover and a potential lack of opportunities for people in their early careers to progress. The impending retirement of the 'baby-boomer' generation is a key concern of many of our comparator countries, cited by the Association of Commonwealth Universities report 'Human Resource Management in Commonwealth Universities'[39] and the HEFCE-commissioned report 'International experiences of human resource management in higher education'[40]. Both these reports highlight the challenge to the global 'war for talent' from a potential en-masse retirement of this generation, although they do acknowledge the differing impacts this will have in different geographical areas (for instance, Australia does not operate a default statutory retirement age).

68. Due to the limited numbers of staff in HE aged under 30, some consideration is being given in the sector to formal apprenticeships and more informal trainee schemes, which encourage younger people to enter the HE workforce in specific roles that do not require formal qualifications[41].

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[35] The expected substantial rise in the use of locally determined grades for academic staff between 2004-05 and 2007-08 has caused HEFCE to revise its methods of staff classification in terms of grade, details of which are given at Annex A of 'Staff employed at HEFCE-funded HEIs: update' (HEFCE 2007/36).

[36] 'The higher education workforce framework 2010: main report' (HEFCE 2010/05a) provides information about the proportion of permanent academic staff aged 55 and over by subject area.

[37] Source: HESA staff record 2005-06 to 2008-09.

[38] Source: Office for National Statistics, Labour Force Survey 2007-08.

[39] 'Human Resource Management in Commonwealth Universities', Association of Commonwealth Universities (May 2008).

[40] Dowds, N, 'International experiences of human resource management in higher education' (February 2010), available at www.hefce.ac.uk under Publications/Research & evaluation.

[41] The take-up and opportunities offered by apprenticeship schemes are discussed in HEFCE 2010/05a.

Table 3 **Staff in English HEIs with academic roles by grade**

Grade	2005-06		2008-09	
	Number of staff	%	Number of staff	%
Professors	12,895	12	17,090	14
Senior lecturers/researchers	24,490	22	27,700	23
Lecturers	45,000	41	45,325	38
Researchers	27,020	25	27,880	24
Total	109,410	100	117,995	100

Source: HEFCE analysis of the HESA individualised staff record, 2005-06 to 2008-09.

Figure 3 **Permanent academic staff by age group**
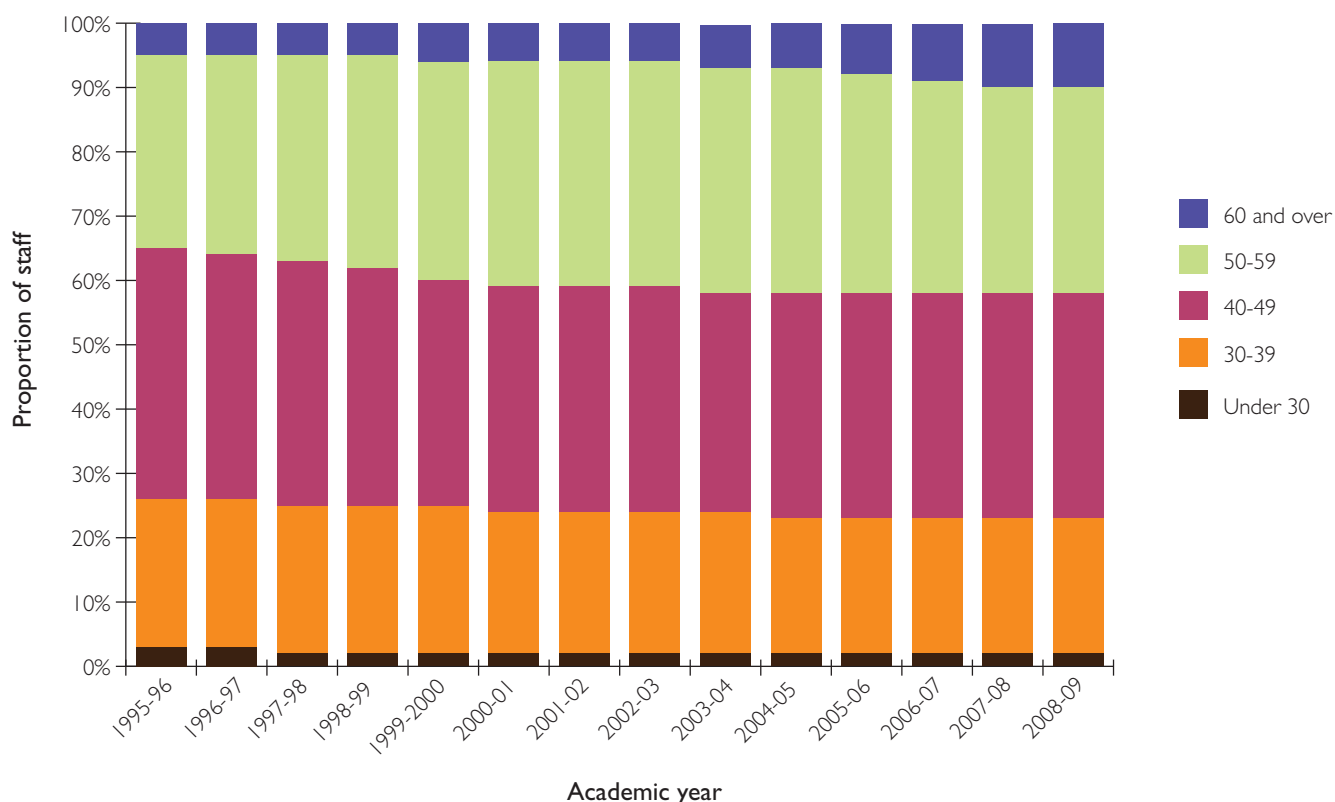
Source: HESA individualised staff record, 1995-96 to 2008-09.

Supply of academic staff

69. There are three main routes to an academic career:

*   newly qualified PhD students

*   staff joining from the private and public sectors, especially in the sciences, engineering, information technology (IT), law, health, education and business, where such recruitment ensures that teaching and research link to the wider economic and social context (usually in their mid-careers)

*   staff recruited from overseas, including those from outside the European Union and related countries who require work permits.

Newly qualified PhD students

70. Newly qualified postgraduates are an important source of recruits into the academic workforce. There has been overall growth in the numbers of students qualifying with PhDs and much of this growth has been fuelled by international students (Figure 4). There are concerns for HEIs because the high-calibre postgraduates they seek to recruit are graduating with an increased level of undergraduate student debt and can often command higher salaries (especially in science, technology, engineering and mathematics (STEM) subjects) in the private sector. Some of our consultees highlighted the need for HEIs to properly value, respect and support their PhD students as full members of the HE community, which they perceived was the case in competitor countries such as the USA.

New academic staff

71. HEFCE analysis indicates a similar trend is reflected in the nationality of new academic starters[42] to the sector; there has been a drop in the numbers of UK-domiciled staff and a rise in the numbers of international staff (Figure 5). The top two subjects for international staff show a trend towards the biological and physical sciences (between 14 and 18 per cent of staff in these subject areas are now recruited from overseas). The increased internationalisation of the academic workforce has a generally positive impact on the sector, for example a greater diversity of the workforce, increased opportunities for international collaboration and partnerships, and opportunities for HEIs to recruit internationally excellent teaching and research staff. The 2009 World Bank report 'The challenge of establishing world-class universities' notes that: 'World-class universities are able to select the best students and attract the most qualified professors and researchers.'[43]

72. However, there are also some disadvantages associated with the increase in international staff, for instance a potential to over-rely on international academic staff in some subjects which could ultimately affect UK higher education's international competitiveness and long-term sustainability in some subject areas. This is because international staff tend to return to their home countries after their early careers have been built up in the UK, leaving gaps in knowledge and experience[44].

International academic staff recruitment

73. Although there may be concerns about the potential over-reliance on international staff, it is important to protect HEIs' ability to recruit the best people from a worldwide recruitment pool. Research published in 2005 by the Higher Education Policy Institute (HEPI)[45] showed that between the period 1995-96 to 2002-03 there was substantial net immigration – on average 1.4 academics arrived for every one who left. Both immigration and (especially) emigration rates have tended to increase throughout the period even as the total staffing complement of the sector has increased. This serves to illustrate the greater mobility in the HE workforce.

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42 New academic starters are defined as academic staff with at least one active academic contract of at least 0.25 FTE, where the contract is less than two years old and the staff member is under 30 years old.

43 Salmi, J, 'The challenge of establishing world-class universities', The World Bank (2009) page 20.

44 'Talent Wars: the international market for academic staff', Universities UK (July 2007).

45 Bekhradnia, B, and Sastry, T, 'Brain drain: migration of academic staff to and from the UK', HEPI (October 2005) available at www.hepi.ac.uk under Publications/reports.

Figure 4 PhD qualifiers by domicile
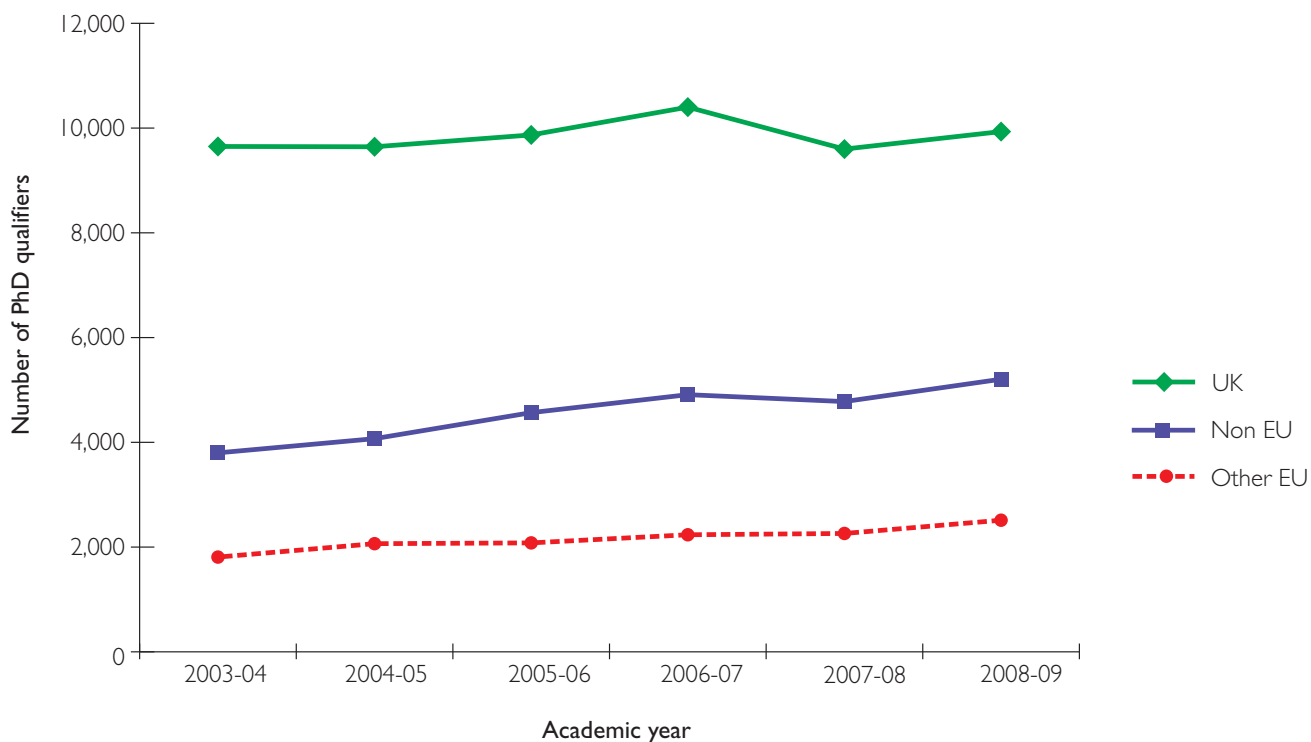
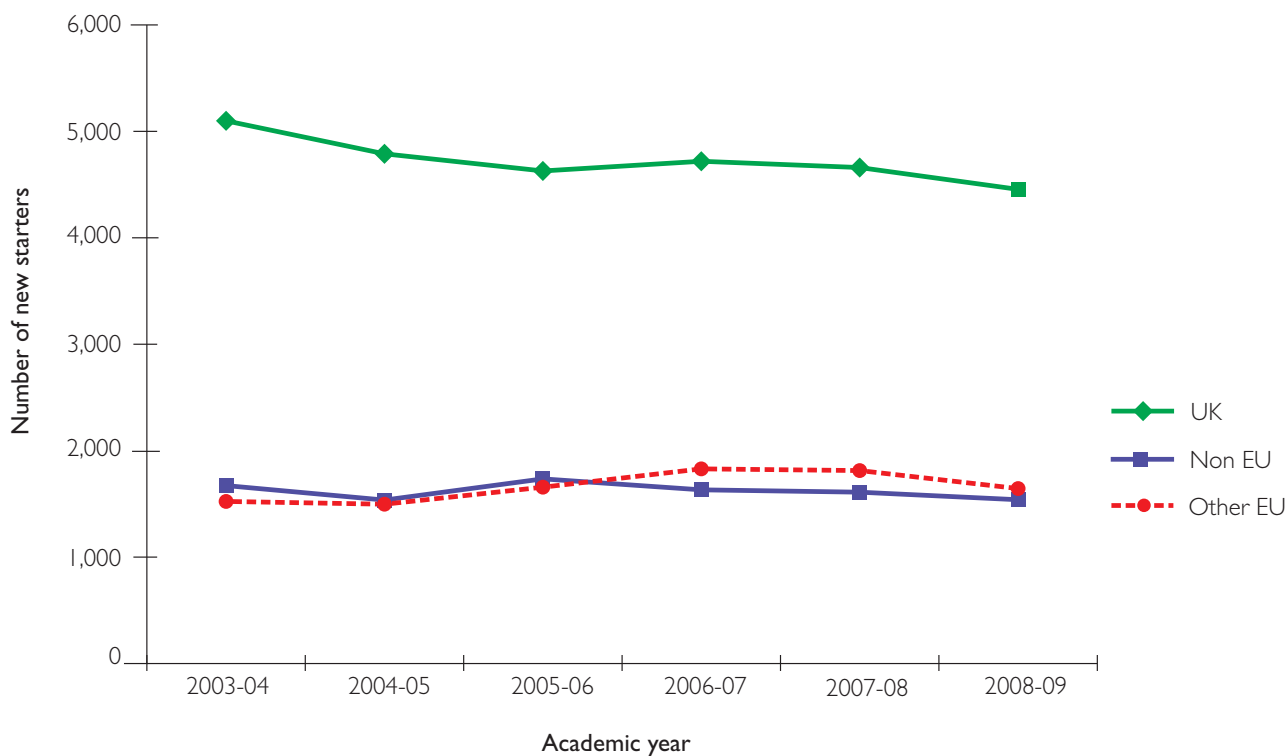
Note: The drop in UK PhD qualifiers between 2006-07 and 2007-08 corresponds to a drop in UK PhD entrants in 2004-05. There is no evidence to suggest that this decline is significant.

Source: HESA individualised student record, 2003-04 to 2008-09.

Figure 5 Proportion of new academic starters by domicile

Source: HEFCE analysis of the HESA individualised staff record, 2003-04 to 2008-09.

74. November 2008 saw the introduction of the points-based immigration system by the UK Border Agency (UKBA) which has presented some unintended impacts. For instance, all posts now have to meet the 'resident labour market test' which is to demonstrate that no EU worker could undertake the post that is being filled by someone from outside the EU; this entails HEIs having to advertise all jobs with their local Job Centre Plus branches for up to four weeks (or one week where the salary is £40,000 or above). There have also been difficulties in engaging external examiners from outside the EU. The difficulties arise from the need to engage specific individuals in the relevant field and the consequent inappropriateness of advertising. At the time of writing, the UKBA has provided no practical solutions that satisfy the conditions of the points-based system, but it is aware of this issue.

75. HEIs operate in global competition with each other for staff (particularly academic staff) and researchers are increasingly operating in an international context. Evidence from HEIs and their representative bodies suggests that the critical importance of English HEIs being able to operate fully as international institutions, with the discretion to recruit world-leading staff, has not yet been fully recognised by the UKBA. HEIs understand that new immigration processes require additional time and support to implement and they report advantages to the new points-based system, which requires educational providers to properly register with the UKBA and will provide more protection to international students from bogus or poor-quality providers in the UK. UUK will continue to raise these issues on behalf of the sector as the new system becomes fully functional.

Table 4 **Academic staff by subject area**

Subject area	2005-06	2008-09	% difference between 2005-06 and 2008-09
Biological sciences	15,400	16,965	10
Business/administrative studies	5,425	5,780	7
Computer science/librarianship/information science	4,880	5,245	7
Creative arts/design	5,350	5,980	12
Education	5,110	5,750	13
Engineering/technology/building/architecture	**8,360**	**8,900**	**6**
Humanities	5,160	5,710	11
Languages	**5,740**	**6,065**	**6**
Law	2,325	2,475	7
Mathematical sciences	**3,245**	**3,460**	**7**
Medicine and dentistry	4,210	4,650	10
Physical sciences	**10,200**	**11,010**	**8**
Social/political/economic studies	10,625	11,235	6
Subjects allied to medicine	9,020	9,540	6
Unknown and combined subjects	965	1,055	9
Veterinary sciences/agriculture/related subjects	13,400	14,190	6
Total	109,410	117,995	8

Note: The subject areas in bold are those where most of the disciplines included are classed as SIVS or STEM subjects.
Source: HESA individualised staff record, 2005-06 to 2008-09.

Academic staff: disciplines at risk?

76.   From a broad analysis of the data, there are no disciplines at immediate risk of not keeping pace with student demand. Issues at various levels have been highlighted to us, specifically around clinical lecturers, and these are explored further in this section. Table 4 shows the numbers of academic staff by subject area and the rate at which they have increased over the last four years. Each subject area has seen an increase in the numbers of its academic staff, with education, creative arts/design and humanities seeing the largest increases at 13 per cent, 12 per cent and 11 per cent respectively. We have highlighted the increases in staff levels for the STEM disciplines and for strategically important and vulnerable subjects (SIVS)[46], and both STEM and SIVS have seen average academic staff increases of between 6 and 8 per cent since 2005-06. This compares to a 12 per cent increase in full-time, first degree students in STEM subjects and a 3 per cent increase in languages students over the same period.

77.   While there has been a 10 per cent increase in clinical (medical and dental) staff since 2005-06, 69 per cent of permanent academic staff in medicine and dentistry are aged 45 and over, compared to a sector average of 60 per cent[47]. The Medical Schools Council (MSC) has expressed concern that recruitment at lower levels might be insufficient to replace the retiring leadership. The MSC survey data showed that eight specialities, notably pathology, anaesthesia, and paediatrics and child health, are under threat (with a particular concern at lecturer grade) because there has been a decline of more than 50 per cent in staffing levels since 2000. The reasons for this are not wholly understood, but a misconception of salary disparity between clinical academia and full-time practitioners[48] may be a key

factor in discouraging potential applicants to a career in clinical academia. The MSC has also identified that some students may be deterred from a career in research because they do not think that they are exceptional or they do not have original ideas. Medical schools are finding it hard to recruit to these posts (there is a 7.5 per cent vacancy rate[49] compared to a total vacancy rate for all academic staff of 3.1 per cent[50]) and this, in turn, poses risks for the quality of patient care, the UK's position as a world leader in medical innovation and research and our ability to educate the doctors and dentists of the future.

78.   National policy interventions are starting to have an impact, however. The recent Office for Strategic Co-ordination of Health Research survey[51], carried out by the MSC during 2009, shows that the new integrated clinical academic career path for academic clinical fellows and clinical lecturers is beginning to have a positive impact. The MSC reports an increase in the total clinical academic staffing levels for the second consecutive year[52]. Another national initiative to support clinical academia is the £50 million set aside by the HEFCE Board from the Strategic Development Fund for up to 200 'new blood' senior lectureship awards to excellent clinical academic researchers in England. This scheme was introduced in response to concerns about the careers of medical and dental clinical academics. A mid-term review of the scheme found that it has enabled medical schools to expand the cadre of high-quality staff at senior clinical lecturer level, and the five years of funding from HEFCE for each post has given HEIs the stability they need in order to make the positions permanent at the end of the award. Discussions are continuing with Government and the academic community about the future needs of this group because 2010 is the final round of the scheme.

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[46] HEFCE has identified the following subjects as SIVS: area studies and related minority languages, quantitative social science and modern foreign languages. For more information see www.hefce.ac.uk under About us/Strategically important subjects.

[47] Other subjects with higher proportions of staff aged over 45 include education (72 per cent), business/administrative studies (63 per cent), subjects allied to medicine (63 per cent) and engineering/technology/building/architecture (62 per cent).

[48] Source: 'Staffing levels of medical clinical academics in UK medical schools', Medical Schools Council (May 2009).

[49] See footnote 48.

[50] Source: 'Recruitment and retention of staff in higher education 2008', UCEA (2008).

[51] 'Landscape Analysis: Fellowship Survey 2009', Office for Strategic Co-ordination of Health Research (2009).

[52] See footnote 48.

Future demand for academic staff

79. In assessing the future need for HE staff in the sector, assumptions have to be made about the rate of expansion of teaching and research and staff:student ratios. Changes in funding, managerial policy and practice, workforce restructuring, and the use of technology and other factors will also influence staffing levels within individual HEIs. This highlights the number of variables inherent in workforce planning.

80. Numbers of academic staff and students in English HEIs have undergone a period of sustained growth between 2005-06 and 2008-09, with an increase in students (full-time equivalent (FTE) of 69,690 (5 per cent)[53] and an increase in academic staff FTE of 5,901 (8 per cent)[54].

81. We have considered four possible scenarios[55] (see Figure 6 below) for future academic staff recruitment.

82. Figure 6 demonstrates the rapid growth in academic staff over the last decade and puts forward scenarios of steady increases and decreases in staff numbers (scenarios 2 and 3). Scenario 1 assumes that the academic turnover rate remains at 7 per cent and that staff numbers remain at a steady state. Scenario 4 uses the latest HEPI student demand estimates and plots what would happen if staff numbers followed those demand patterns. We have used the HEPI data because we believe that predicted changes in full-time student demand are a useful proxy for possible changes in permanent academic staff numbers.

Figure 6 **Projected change in permanent academic staff numbers under scenarios 1 to 4**
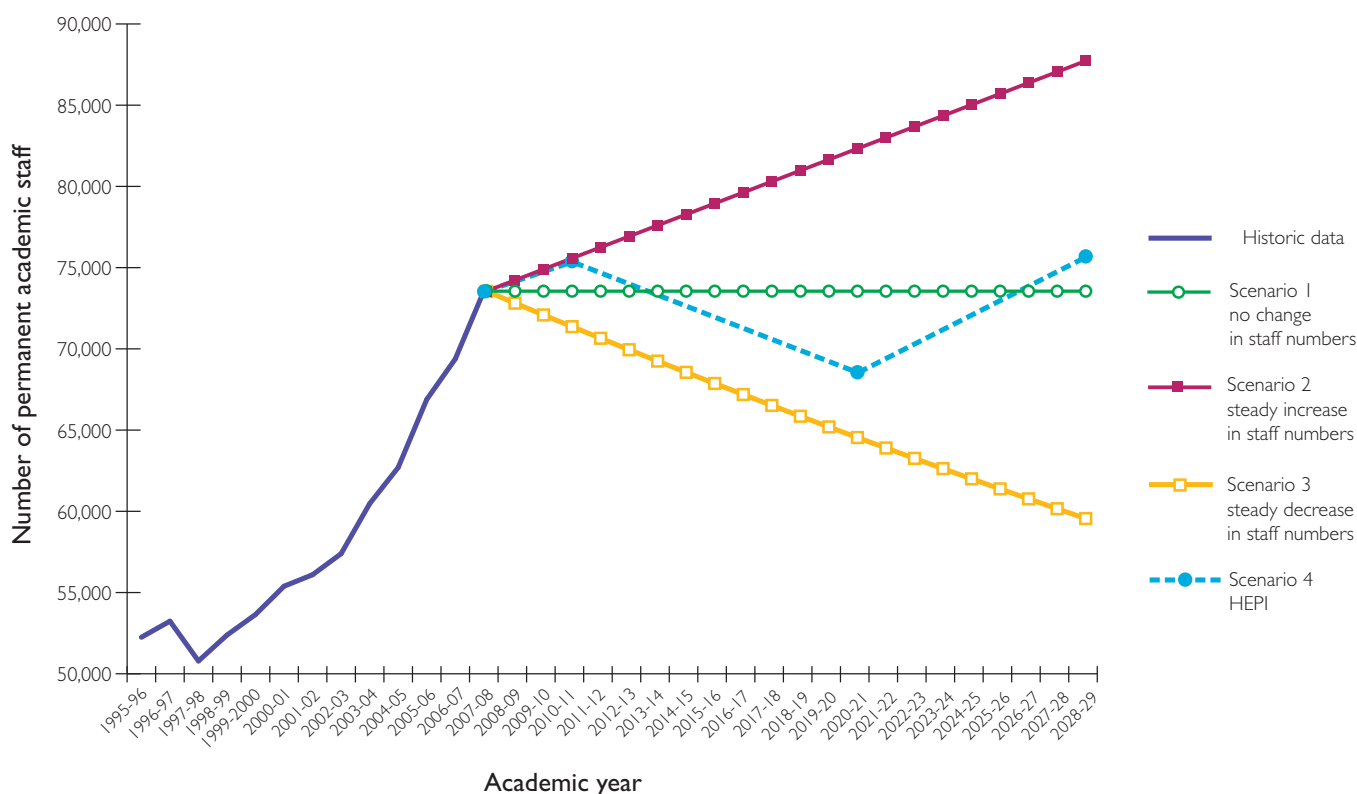
Source: HEFCE analysis of HEPI and HESA data.

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[53] Source: 'Students in Higher Education Institutions 2008-09', HESA (2010).

[54] Those academic staff holding a teaching, or teaching and research, contract.

[55] These scenarios are intended for illustrative purposes only and provide a feel for the range in which future recruitment needs may lie.

83. The latest estimates by HEPI, based on changes in demography[56] alone and assuming no changes in the propensity to attend higher education, suggest that full-time student demand will increase slightly until 2010, then decrease between 2010-2020 and increase to slightly more than current levels in 2028. We acknowledge, however, that there are a variety of other factors, such as changes in demand among other student populations, and changes in funding and policy, which will also have an impact on the staff population. The Leitch report[57] highlights the increasingly important role that HEIs will have in the future of educating those who are already in the workforce, which might serve to mitigate some of the potential demographic shortfalls in the 18-21 year-old cohort.

Recruitment and retention

84. By many measures, the HE sector in England is a good place to work, offering attractive terms and conditions, fulfilling and interesting work and the flexibility and autonomy of an academic or professional career. As a result, the HE sector across the UK experiences relatively few problems with recruitment and retention[58]. The problems that do exist tend to be concentrated in particular areas, for example clinical academia, business/management, accounting/finance, biological sciences and law. Turnover rates[59] for permanent staff remain consistently low; the staff groups with the lowest proportion of leavers were academic and technical staff at 6 per cent, followed by administrative/professional, clerical and manual staff at 8 per cent. These compare favourably with a public sector average of 12.6 per cent[60]. Low turnover saves money: the estimated cost of labour turnover per

typical UK employee is approximately £6,125[61]. However, very low turnover rates can also lead to stagnation of the workforce.

Contract status

85. The sector is beginning to make more use of permanent contracts, following the introduction, in 2002, of legislation to protect the rights of employees on fixed-term contracts. In the past four years the proportion of staff on permanent contracts has grown, especially at researcher level (from 14 per cent on permanent contracts in 2005-06 to 22 per cent in 2008-09). The use of fixed-term staff is a legitimate response to a need for greater flexibility and agility. A scoping study of the career progression of early career researchers undertaken in 2005[62] suggested that institutional HR functions need to work more closely with the research agenda on the development and application of good practices. It noted that young researchers are motivated by the intrinsic merits of research despite the career uncertainties, the widespread use of short-term contracts and the lack of financial reward. It maintained that growth in student debt and perceptions of falling salaries may, however, constrain the future supply of early-career researchers. Looking to the future, concerns have been expressed by HEIs that if HE funding becomes more short-term as a result of public and private sector reductions, then this might result in an increased reliance on fixed-term contracts. The support for research careers has been a policy priority in HE for several years.

86. Building on this and similar work supporting the career development of research staff, in June 2008 HEFCE (among other public and private funders of research in the UK) became a signatory to the new

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[56] Office for National Statistics and Government Actuary's Department (2006 based projections, published in August 2007). Populations as of 1 January. Age groupings for previous 31 August prepared by the Department for Innovation, Universities and Skills.

[57] Lord Sandy Leitch, 'Prosperity for all in a global economy: world-class skills' (December 2006), available at www.hm-treasury.gov.uk under Independent reviews.

[58] Source: 'Recruitment and Retention of Staff in higher education 2008', UCEA (January 2009).

[59] The 'turnover' rate has been calculated as a percentage of the number of permanent staff on full-time contracts who were employed at an institution on 1 August 2008 and who left between that date and 31 July 2009.

[60] Source: 'Recruitment, Retention and Turnover: Survey Report', Chartered Institute of Personnel and Development (May 2009).

[61] Source: see footnote 60. This figure includes the cost of vacancy cover, redundancy costs, recruitment and selection, training and induction.

[62] 'Researchers in higher education institutions; scoping study of career development and human resource management: report to HEFCE', Evidence (July 2005), available at www.hefce.ac.uk under Publications/Research & evaluation.

Concordat to Support the Career Development of Researchers. The Concordat describes standards, expectations and responsibilities for the proper management and development of academic researchers in universities and higher education colleges across the UK[63]. All HEIs are signatories through their representative bodies UUK and GuildHE, as are the principal public and charitable research funding bodies[64].

Part-time (teaching) staff

87. HEIs often rely on part-time, often hourly paid, teaching staff and postgraduate teaching assistants to support learning and teaching across the institution. These staff are employed on a variety of contractual terms including fractional open-ended contracts, short-term temporary contracts or fixed-term contracts for an academic year. We have estimated that there are around 100,000 such members of staff working in HE in 2008-09[65] (this figure is approximate given the very low FTE and casual/atypical nature of these people's contracts). They can enable new or expanding courses to be accommodated within a department or bring in specialist staff (perhaps from a field of professional practice) to enrich the students' learning with practitioner experience. The use of practitioners for teaching can have a very positive impact on the learning experience and also provides students and other staff with links to the professions.

88. There are concerns voiced (principally by the academic trade unions and the NUS) that these members of staff are not valued properly by the institution, that they are overlooked in training and development opportunities and this could have a negative impact on teaching and research quality; HEFCE analysis of the National Student Survey (NSS) shows there is some correlation between low NSS scores and HEIs that employ the largest numbers of part-time staff.

89. HESA data show that the proportions of academic staff considered to be of 'low activity' (in other words, who are contracted to work between 25 and 40 per cent of an FTE) have stayed stable since 2003-04 (the proportion of low-activity academic staff was 4.3 per cent in 2003-04 compared with 4.2 per cent in 2008-09). HEIs are beginning to address this issue through their implementation of the Framework Agreement and to comply with new HESA monitoring requirements on very low FTE staff. An example of an institutional response to this issue is the Atypical Workers Project at the University of Sheffield (see case study).

Case study University of Sheffield Atypical Workers Project

In response to the modernisation of pay arrangements for hourly paid staff as part of the National Framework Agreement, the University of Sheffield has created a flexible system to manage atypical workers' arrangements. It now caters for some 4,000 individuals, representing a staff cost of over £6 million. Called the Atypical Workers Project, it includes a web-based management toolkit and a comprehensive programme of training opportunities.

The positive outcomes of the project have included more strategic utilisation of hourly paid workers and increased levels of engagement within the workforce.

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[63] As well as becoming a signatory to the Concordat, HEFCE will contribute approximately £141,000 to the costs of its implementation over the next two years.

[64] Further information and a case study demonstrating the impact of the Concordat can be found in HEFCE 2010/05a.

[65] This population is the sum of part-time and low-activity staff on teaching-only contracts and those part-time and low-activity atypical staff on academic contracts; HESA individualised staff record, 2008-09.

Supply and demand of professional and support staff

90. Table 2 shows that in 2008-09, 52 per cent of the HE workforce in England held a professional or support role, and a further 3 per cent held dual roles combining professional and support and academic roles. This equates to 171,565 people undertaking professional or support work in HE; a very significant proportion of the workforce, and greater in number than the academic workforce. Professional and support staff undertake a very diverse range of occupations, from clerical assistants and security guards through to directors of estates or registrars and are supported by an equally diverse range of networks, professional associations and sector bodies.

91. The 2008 UCEA Recruitment and Retention Survey[66] found few recruitment difficulties were reported for most support staff roles. Where there were problems, these were centred on difficulties in recruiting accountants, finance professionals and 'other' administrative/professional staff. The only other area to exhibit these levels of recruitment difficulty was IT technicians. The two roles that were most problematic with regard to recruitment and retention were both in the manual staff category – cleaning and catering staff. The most important factor affecting retention of professional/support staff was pay levels in the private sector, which was mentioned by a quarter of respondents. Turnover in professional and support staff is generally unproblematic, although rates are slightly higher than for academic staff (6 per cent). Technical staff have a turnover rate of 7 per cent and administrative/professional staff 8 per cent. For manual and clerical staff, the rate is slightly higher at 10 per cent. HEIs did not regard these turnover rates to be a problem or to have an effect on service delivery.

92. There is very little information about the prior experience or career paths of professional and support staff in HE; data were collected through the survey of UK HR directors run by Oakleigh Consulting in 2008[67]. This found that 100 per cent of respondents reported working within other sectors prior to HE; typically their career backgrounds included a mix of private and public sector experience.

93. Sector bodies and professional associations[68] have important roles to play in enhancing the skills, knowledge and quality of the HE workforce through the establishment, promotion and ownership of professional standards and professional development programmes. The sector bodies have been highly proactive in establishing such initiatives and some examples are:

- the Association of University Administrators' continuing professional development (CPD) framework for professional/support staff

- the Higher Education and Technicians Education and Development (HEaTED) project's professional development scheme for technicians[69]

- the Association of University Directors of Estates' professional development programme for directors of estates and facilities

- the Association for University Research and Industry Links' CPD framework for knowledge transfer professionals

- the Aspiring Registrars programme developed by the LFHE and the Association of Heads of University Administration[70].

94. One of the sector's great strengths is its willingness to develop and share good practice in professionalising its service delivery.

95. Continuing to drive up the professional capabilities of all groups of staff is viewed as a priority by groups representing students, such as the NUS, who are concerned about the impact that staff, particularly administrative and support staff, have on the overall student experience. They made the point that support staff are a vital part of the overall HE

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66 'Recruitment and retention of staff in higher education 2008', UCEA (2008).

67 See footnote 19.

68 A list of UK HE sector organisations can be found at www.aua.ac.uk under PUBLICATIONS AND INFORMATION/Acronyms.

69 See www.heated.ac.uk for more information.

70 For more information see www.lfhe.ac.uk under Supporting individuals/Registrars.

community and often have a great deal of interaction with students. The impact of outsourcing some support functions (for example catering, cleaning, security) was also highlighted by trades union consultees as a risk to the student experience.

96. A project to measure the value and impact of student support services has recently been awarded funding from HEFCE's LGM Fund[71]. It is being led by the Association of Managers of Student Services in HE to develop a toolkit of approaches to evaluation and benchmarking. Student services includes a wide range of HE support, all contributing to the student experience. These areas range across careers, financial advice, religion/belief guidance, childcare and accommodation. This is a good example of a sector organisation taking the lead to understand the impact of the services they offer, which is expected will lead to greater levels of professionalism, improved tools for performance management of staff and improved student services.

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[71] See www.hefce.ac.uk under Leadership, governance & management/LGM Fund.

Maintaining a high-quality workforce

This section discusses the core elements required to maintain a high-quality workforce:

- leadership, governance and management

- ensuring and enhancing the quality of staff through qualification levels, professional standards, research excellence and supporting CPD

- having effective systems and processes, such as performance management, reward strategies, career pathways for different occupational groups of staff, and a strategic approach to succession planning and talent management

- enabling the potential of the workforce with mainstreamed and active commitments to equality, diversity, and the health and well-being of all staff.

Leadership, governance and management

97. The capabilities to lead, manage and motivate staff are essential prerequisites for maintaining a high-quality workforce. The unprecedented cost and market pressures, and a demanding employment law framework, place extraordinary demands on HEIs' leaders, governing bodies and managers. The ability to lead and manage cultural change was cited by all our consultees as the key skill required of top management. Many institutions have made substantial and innovative progress in enhancing leadership and management capabilities, although more remains to be done. The 'middle management challenge' is one that all sectors are facing: how to develop tailored development solutions for middle and senior managers that bring about lasting transformational change?

98. The LFHE, institutions' own programmes and schemes such as HEFCE's LGM Fund and its Leading Transformational Change funding[72] have all laid good foundations, but the momentum must be maintained. Encouragingly, research[73] focusing on leadership and organisational development across the whole of UK higher education, reveals a growth in investment in leadership development in HE over the past five years: 58 per cent of institutions reported that spending on leadership development had increased at or above the rate of inflation year-on-year. This is reinforced by the evaluation of HEFCE's Rewarding and Developing Staff (R&DS) initiative which found that over 30 per cent of HEIs had invested R&DS funding in management/leadership development activities[74]. However, this research suggests that current levels of investment may fall short of what will be required to succeed in an uncertain and challenging future[75].

99. Members of the governing body will want to be assured that the HEI has effective mechanisms for workforce planning and management, has the right skills mix to deliver its mission, and is managing its overall staff costs effectively. The skill sets that leaders and managers of HEIs will need are likely to shift, requiring a greater focus on the professional competencies that will support financial health: for example strategy formulation, portfolio management, project and process management, cost control, and effective procurement and investment strategy. For instance, the LFHE has comprehensively reviewed its programmes and services aimed at leaders, members of the governing body and senior managers to ensure that the relevant skills and competencies for managing in an economic downturn are mainstreamed. HEFCE's Leading Transformational Change initiative is a specific development to enhance knowledge and understanding to equip HE leaders and managers for the challenges of the future.

Ensuring a high-quality HE workforce

Qualifications

100. The doctorate is the qualification most associated with academic staff at lecturer level or above. Overall, 55 per cent of academic staff in England hold doctorate-level qualifications (international staff are more likely to hold a qualification at PhD level: 70 per cent compared to 50 per cent of UK staff). But these proportions vary by institution type: for example, at pre-1992 HEIs, 76 per cent of permanent academics hold doctorates compared with 33 per cent in post-1992 HEIs[76]. The differences can be partly explained by the subject mix of different types of institution, because there are much higher proportions of academic staff holding doctorates in the sciences and engineering and the lowest proportions in law, education and agriculture.

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[72] For more information about Leading Transformational Change see www.hefce.ac.uk under Leadership, governance & management/LGM Fund/Leading Transformational Change.

[73] Burgoyne, J, Mackness, J, Williams, S, 'Baseline Study of Leadership Development in Higher Education', Department of Educational Research, Lancaster University, LFHE (June 2009).

[74] 'Evaluation of the impact of public policy and investments in human resource management in higher education since 2001', Oakleigh Consulting (June 2009) Figure 2, page 30.

[75] 'Submission to the Higher Education Debate', LFHE (2008).

[76] Source: HESA individualised staff record, 2008-09.

Qualification levels clearly do not tell the whole story about an academic's career, but for workforce planning purposes, HEIs will want to be aware of the qualification levels of their academic staff, alongside other essential knowledge and skills such as practitioner experience, to determine whether they meet the strategic aims of the institution.

Professional standards and development

101. Staff development continues to be of paramount importance to maintaining a high-quality workforce. Sector bodies and professional associations[77] have important roles to play in enhancing the skills, knowledge and quality of the HE workforce through the establishment, promotion and ownership of professional standards and professional development programmes. This is important because teaching in particular is fundamental to the student higher education experience. Ensuring teaching staff have the right skills and training to engage fully with students and that good teaching is rewarded and recognised in institutions' strategies is vital. The sector bodies have been highly proactive in establishing such initiatives and some examples are listed below.

102. The Higher Education Academy launched a UK Professional Standards Framework for teaching in 2006 which links to its national accreditation scheme and aims to act as:

- an enabling mechanism to support the professional development of staff engaged in and supporting learning

- a means by which professional approaches to supporting student learning can be fostered through creativity, innovation and continuous development

- a means of demonstrating, to students and other stakeholders, the professionalism that staff bring to the support of the student learning experience

- a means to support consistency and quality of the student learning experience[78].

103. PA Consulting's report on the future workforce for HE[79] suggests that, generally, skills levels for all groups of staff will need enhancing to meet the challenges of the future, with a particular emphasis on cross-disciplinary collaborations for academic staff, and on strategic and business partnering skills for professional and support staff. It particularly highlights the required shift for professional and support staff from a transactional service (for example in departmental administration or finance) to a more strategic support, aligned to the strategic objectives of the institution and with an increasing focus on the student experience. The pace of technological change to enhance institutional processes, such as student or staff data systems, will additionally require the constant updating of the skills of the professional and support workforce to maximise the benefits these advances can bring to the institution.

Research excellence

104. Research excellence is an aspiration of almost all HEIs in England, although its relative importance varies considerably between them. It is one of the prime motivators of many institutional strategies, including recruitment, promotion and reward. Making research careers attractive to new PhD qualifiers and practitioners in the private sector is increasingly important as the researcher role continues to evolve. The skills associated with scholarly research remain at the core of many academics' skills, particularly for pre-1992 HEIs, where traditionally there are higher proportions of research-associated staff than in post-1992 HEIs. However, there has been a widening of the skills required, particularly associated with the development of enterprise activities. This in turn is changing the skills requirements of researchers, with greater focus on entrepreneurship, the ability to talk about research in lay terms and the ability to work with a wide range of people. There is also a growing importance of inter-institution, and international, collaborative research. The link to differentiation of strategic mission

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[77] See footnote 68.

[78] Source: 'UK Professional Standards Framework for teaching', Higher Education Academy (2006).

[79] See footnote 9.

requires HEIs to focus the skills and professional development of their researchers around the strategic needs of the institution.

Effective systems and processes

Performance management

105. Oakleigh Consulting's report[80] demonstrates that HR directors feel 'management of individual performance related to institutional goals' and 'managing staff under-performance' have both developed since 2001. In particular, they identified that the management of poor performance, which is also perceived (by the HR community) to have started from a lower developmental base than other areas of HRM practice, had improved. Nevertheless, 'addressing management of poor performance' still emerges as a current and future priority area for HR directors. Some of our stakeholders (including staff and unions) have confirmed this, and several have recommended that HEIs develop clearer frameworks and structures around processes for performance review and development. The management of poor performance was consistently cited throughout our consultations over autumn 2009 with sector bodies and stakeholders as being a major barrier to effective HRM in the sector.

106. The critical nature of performance management was cited by almost all the stakeholders that HEFCE invited to comment on HRM in the sector for this report. The British Universities Finance Directors Group, for instance, commented that in the current economic climate 'performance management is the most critical [HR activity]'. The levels of funding committed towards performance management activities throughout both rounds of HEFCE's Rewarding and Developing Staff initiative[81] were the lowest of the six priority areas, at under 10 per cent of the total investment. Those staff tasked with the performance management of others should receive appropriate guidance and be assured of the institution's full support as they carry out their managerial function.

Reward strategies

107. The Framework Agreement for pay modernisation in HE has delivered a variety of financial levers for reward. Although pay continues to be an issue when looking at overall job satisfaction, particularly for academic staff, there are other key motivators for many academics, who see intrinsic merits of the job[82]: the major reasons cited include autonomy, freedom to use initiative, seeing tangible outcomes from their job and the enjoyment of research and/or teaching or enterprise activities. Professional and support staff represent slightly more than half the workforce in many institutions, so their reward and retention are critical to effective workforce planning. HEIs need to be able to compete effectively with the private sector for these groups. They need to both improve the way they present the total benefits package offered, and recognise where HE can offer more intrinsic rewards to its professional and support staff, or other benefits in kind (for example access to free library facilities, subsidised on-site childcare, free/subsidised lifelong learning opportunities, occupational pension scheme provision).

108. In a cost-pressured world and a diverse HE sector it is important to protect the intrinsic rewards alongside an effective performance management system that recognises the 'psychological contract' that exists between the HEI and its workforce. Reward strategies that encompass far more than financial reward are being implemented across the sector and are likely to become more common in the future, especially as HEIs begin to diversify their missions and strategies more widely, and we would expect to see a wide variation of rewards being offered by different HEIs. As mentioned elsewhere, turnover for all groups of staff is low for reasons linked to the range of rewards and benefits offered by HE employers. An example of a reward strategy, at Manchester Metropolitan University, is described below.

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[80] See footnote 19.

[81] See HEFCE 2010/05a for more discussion about R&DS and its evaluation.

[82] Metcalf, H, Rolfe, H, Stevens, P, and Weale, M, 'Recruitment and retention of academic staff in HE', National Institute of Economic and Social Research (July 2005), available at www.niesr.ac.uk under Publications.

Case study **Manchester Metropolitan University**

In October 2008 Manchester Metropolitan University took stock of its non-pay benefits for employees. The package was good but suffered from low take-up by staff and a lack of co ordination of the benefits offered across the institution.

The reward and planning team took this opportunity to update the benefits offered to staff, assembling a coherent range including discount vouchers, membership of a city-wide discount scheme for public sector workers, and salary sacrifice opportunities including options to pay for car park charges, a cycle-to-work scheme and childcare vouchers. They launched a 'Benefits' web-site for staff to browse the offers, schemes and discounts available and a range of materials was produced to publicise the scheme. Future salary sacrifice plans include bus and train travel to help cut the cost of commuting and in line with the university's green travel policy.

109. HEFCE commissioned a research study, carried out during April 2009, to identify the international experiences of HR management in a range of comparator countries[83]. It found that in an increasingly competitive market, whether national, regional, or international, there is recognition that it is no longer sufficient to rely on salary incentives alone. Some countries have HE salary structures that are tied more or less tightly to public sector pay which may or may not be competitive with their own private sector and/or international competition in HE. But HEIs in other countries with greater freedom to set pay levels still have concerns about attracting staff – due to affordability in an economic recession and/or the belief that remuneration is not always enough to make people change homes or country. There is significant pressure to think 'more creatively' about how to attract and retain staff (for example non-pay benefits and other non-financial reward packages).

Talent management and succession planning

110. These are key priorities for the sector in attracting, retaining and developing staff, although considerable variability exists in how institutions are implementing these areas. A number of challenges exist for HEIs around succession planning and talent management, including: how to balance the need or desire to externally recruit staff against the drive to develop staff for senior positions in-house; how to balance organisational requirements for talent management with individuals' developmental requirements, how to spot and promote talent while following equality guidelines and how to balance the talent management needs at school/departmental level with the approach set out in the institution's strategic plan. To address these challenges, the HR function needs to take a more strategic approach, for example developing a talent management strategy and a management development strategy for the institution[84].

Enabling potential

Equality and diversity: progress

111. The Equality Challenge Unit (ECU)[85] reports a greater willingness among HEIs to embrace cultural and behavioural change in equality and diversity. Many HEIs are undertaking excellent work at 'grass roots' levels to address equality and diversity issues for staff. Some of the key achievements within the sector include:

- a trend of more women in academic posts, with the proportion rising from 27 per cent in 1995-96 to 39 per cent in 2008-09

- a slightly faster rate of increase in the proportion of female professors than had been anticipated[86] (from 13 per cent in 1999 to 22 per cent in 2008)

- an increase in the proportion of senior lecturers from minority ethnic backgrounds (from 3.9 per cent in 1995-96 to 6.9 per cent in 2008-09).

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[83] Dowds, N, 'International experiences of human resources in higher education: A report for the Higher Education Funding Council for England' (May 2009).

[84] Source: 'Leading HR for high performance in higher education', Chartered Institute of Personnel and Development and Universities Personnel Association (2008).

[85] The ECU is the organisation responsible for promoting equality and diversity in the sector.

[86] Based on 'Public resources for teaching and student numbers in HEFCE-funded institutions: 2001-02' (HEFCE 2002/42) which offered projections for the growth in female professors to 2010 that have been compared with the actual rates of growth since 2001 and 2008. There is a more detailed discussion of this in HEFCE 2010/05a.

Equality and diversity: challenges

112.   However, significant equality and diversity challenges remain for the sector. The longstanding issue around the representation of women in senior positions persists, particularly in academic posts, with women making up only 22 per cent of permanent academic staff at head of department/professor grade. Their representation is lower in STEM departments with just 10 per cent of professors in these disciplines being women, and significantly fewer that that in computer science and engineering. Male staff are under-represented in administrative and support roles. Black and minority ethnic (BME) staff continue to be under-represented at senior levels in HE[87] (although numbers are rising).

113.   These challenges and equalities issues are serious, but efforts are being made to address them and the culture around diversity within HE has improved considerably. The rate of change (while being faster than anticipated in some areas, such as women's academic career progression) is likely to be incremental, if only because turnover remains lower than average in HE.

114.   Numbers of declared disabled people at senior levels in HE are small and have shown little change in the past three years. The ECU's study on disclosure[88] showed that despite some effective practice to improve disclosure rates across the sector, recent statistics indicate that the percentage of staff who have declared their disability status to their employers is low: figures from HESA for 2008-09 show a rate of 3.1 per cent[89], whereas data from the British Labour Force Survey show that nearly one in five people of working age (7 million, or 18.6 per cent) in Britain have a

disability[90]. In order to encourage disclosure and ensure that disabled staff in HE are supported, HEIs will need to promote a positive culture that allays perceptions of stigma associated with disability. Senior disabled members of staff who are open about their disability can send a powerful message to all staff.

115.   The ECU has highlighted the fact that an increasingly diverse student population requires the workforce to respond to, and meet, their needs appropriately. For example, the number of students declaring mental health problems has increased by 82 per cent over the past four years[91]; this has significant implications for all staff supporting students and for support services within HEIs.

116.   Future work on equality will need to widen to cover new equality areas covered by legislation such as sexual orientation, and religion and belief. A recent study by the ECU into the experiences of lesbian, gay, bisexual and trans staff and students in HE revealed a stark picture:

- 34 per cent of respondents reported being treated negatively because of their sexual orientation

- 32 per cent had received homophobic/biphobic comments[92].

117.   At the moment, few institutions monitor the sexual orientation of their staff, and difficulties exist for HEIs in encouraging staff to disclose sensitive and personal information of this nature. It is still unclear whether future legislation will contain a specific duty to monitor but it will extend to sexual orientation the public sector duty to promote equality of opportunity and good relations between different groups.

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[87] With HEFCE funding, the ECU has co-ordinated a Race Forum project to identify a range of possible initiatives to address issues affecting BME staff in the sector and to help HEIs meet the public sector duty to promote race equality, with particular reference to recruitment, retention, promotion and development of BME staff and inclusion in governance structures.

[88] 'Disclosure and Support issues for Disabled Staff in Higher Education: Report 2008', ECU (March 2008).

[89] Source: 'Staff employed at HEFCE-funded HEIs: Trends and profiles 1995-96 to 2008-09' (HEFCE 2010/06).

[90] Source: Office for National Statistics Labour Force Survey, January to March 2009.

[91] The HESA Student Record shows a rise in students declaring a mental health disability from 5,095 in 2003-04 to 9,240 in 2007-08.

[92] 'The experience of lesbian, gay, bisexual and trans staff and students in higher education', ECU (2008).

However, a growing number of HEIs – in which robust data collection and storage arrangements make monitoring sexual orientation feasible – are successfully collecting this data and reporting benefits from doing so.

118. In 2010, ECU will also be conducting research into the inclusion and participation of staff members of different religions and beliefs across the sector, to provide HEIs with additional insight into measures which will ensure compliance with legislation that prohibits religious discrimination.

Equality and the Research Assessment Exercise

119. An analysis of the selection of staff in the 2008 Research Assessment Exercise (RAE2008) revealed that, overall, there was a difference between the selection of men and women – for example, in the permanent academic staff pool 67 per cent of men were selected compared to 48 per cent of women. Bibliometric evidence analysed following RAE2001[93] suggests that the lower selection rate of women in the 30-50 age range was due to a lower proportion of women having a research record that leads them to be selected, rather than bias in the selection process. This could be caused by a number of factors, for instance as a result of inequalities in the research careers of men and women. Further qualitative work is being undertaken on this topic to understand better the issues that need to be addressed.

120. In terms of the selection of staff from BME groups, analysis of RAE2008[94] revealed selection rates of around 58-60 per cent for staff from different ethnic groups. However, staff from Black ethnic groups had a much lower selection rate of 37 per cent. This lower rate was partly the result of a higher proportion of these staff being employed in departments that did not make an RAE2001 submission. But even when non-submitting departments were excluded, the selection rate for staff

from Black ethnic groups (40 per cent) was much lower than for others (60 per cent for all groups). HEFCE and the ECU are doing further work on this issue to ensure the fair treatment of equality groups under the forthcoming Research Excellence Framework.

Health and well-being

121. With the current economic climate and a widespread and genuine commitment by HEIs to meeting a high standard of corporate social responsibility, the need for staff well-being is a new and emerging area of institutional practice[95]. Delivering improved staff health, engagement and support through well-being programmes can help individuals to remain motivated and committed, responding creatively and flexibly, and performing to the best of their abilities. It should also help HE employers to achieve a more resilient and engaged workforce for the future. The benefits are closely aligned with the government agenda around the health and well-being of the working-age population[96]. The recent government review of the health of Britain's working-age population found that:

> '…many employers were investing in workplace initiatives to promote health and well-being, but that there was still uncertainty about the business case for such investments. Research specially commissioned for this Review, however, found considerable evidence that health and well-being programmes produced economic benefits across all sectors and all sizes of business: in other words, that good health is good business.'[97]

122. Sickness absence rates in HE are generally lower than the rest of the public sector: 5.9 days per employee per year in HE compared with 8.1 days for large public sector organisations, although there are concerns that this figure might hide some under-

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[93] Source: 'Selection of staff for inclusion in RAE2001' (HEFCE 2006/32).

[94] 'Selection of staff for inclusion in RAE2008' (HEFCE 2009/34).

[95] A HEFCE-funded project is seeking to map good practice in HE well-being initiatives. See www.wellbeing.ac.uk.

[96] Update from the 'Creating success through well-being in higher education' project, funded by HEFCE's LGM Fund. For more information see www.wellbeing.ac.uk

[97] Dame Carol Black, 'Working for a Healthier Tomorrow' (March 2008) ISBN 978 0 11 702513 4.

reporting[98]. But the cost to the sector is still significant. According to the latest research on absence management by the Chartered Institute of Personnel and Development (CIPD)[99], the average annual cost of absence per employee per year in the education sector as a whole is £684; this is lower than the public sector average of £784 per employee every year, and the all-sector average of £692 per employee per year. The HEFCE-funded project 'Creating success through well-being in higher education'[100] is aiming to find out, through collaborations and events across the sector, what is being done to support staff well-being in the sector, to share best practice and facilitate networking. HEFCE has recently funded, through its Leading Transformational Change programme, a project led by the Universities of Leeds and Bristol that will link the good practice work around staff well-being to employee engagement and institutional performance, with the aim of fully understanding the business benefits of these interventions[101].

123. One approach being offered by the University of the Arts, London is to hold special events and courses for staff to promote well-being, personal development and to gain a greater insight into the student experience (see case study).

Case study Staff Well-being Week at the University of the Arts, London

Enhancing awareness of student experience has always been a central theme to Staff Well-being Week. In a previous week, the university took the innovative step of using a product designed by a former alumnus – the London Routemaster Bus – and asked a university Professor of Typography to guide a wide range of 50 staff through various sites of typographic interest across central London.

In a similar vein, during the same week of activity the university ran its own 'Art School' for professional and support staff. This session was based on the BBC2 series filmed at Chelsea College of Art and Design. It featured one of the lecturers that appeared in the BBC series and introduced members of staff to an artist's studio and the process of developing drawing technique that students experience during the early part of their course.

Each of these sessions gave staff, many of whom may not have direct contact with students, a far greater understanding of the student experience, undergraduate and postgraduate curricula and, more importantly, how their own work contributes to the success of the university.

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98 Source: 'HR Benchmarker 2008: HR Performance and Indicators Report', DLA Piper (2008) page 74.

99 'CIPD Annual Survey Report: Absence Management', CIPD (2009) page 14.

100 See footnote 96.

101 'Delivering sustainable high performance through an engaged, resilient workforce', led by the Universities of Leeds and Bristol. For more information see www.hefce.ac.uk under Leadership, governance & management/LGM Fund/Leading Transformational Change.

Meeting the challenges with effective human resource management

This section analyses the role that strategic HRM has had in supporting HEIs to develop a sustainable, fit for purpose and high-quality workforce for the future, and then identifies solutions offered by effective HRM to overcome the challenges outlined in the previous chapters of this report, namely:

- strategically linked workforce planning

- developing and embedding effective approaches to performance management

- enabling the development of leadership, governance and management

- effectively engaging with employees.

Introduction

124. In the process of compiling this report, key issues and questions have been raised about the affordability of HE pay, the sustainability of HE pensions, the future of national pay bargaining and the terms and conditions of academic employment. We discuss in this section the impact that HRM can have in these areas. We acknowledge that some issues, such as national pay bargaining or HE pensions, require a national consensus to be reached. But some can be tackled locally, such as contractual terms and conditions, Model Statutes or the embedding of new performance management systems. HRM should be interpreted here as a strategic management and leadership function and not simply an activity embedded and delivered by an HR service; the point was made strongly to us by sector bodies that HRM is a corporate leadership responsibility.

Context

125. HRM in HE has been transformed since 2001 due to the concerted efforts made by HEIs, supported by investment from HEFCE and capacity building by the relevant sector bodies and representative groups[102]. In many HEIs, it has moved from the traditional, transactional form of HRM towards a more transformational, organisational development mode of working. The HR function within HEIs is therefore more effective, strategic and resilient now than at any time in the past 10 years. HR provides the expertise, strategy and capacity to enable an institution to adapt to new and changing circumstances by developing the capabilities of the workforce. The Oakleigh evaluation identified a range of areas where HR practice has undergone major developments:

- significantly enhanced institutional HR strategies that are now much more closely aligned with and integral to the overall institutional strategy

- a recognition of the importance of effective HRM, resulting in it now being a key component of institutional planning

- the establishment of more transparent pay and reward mechanisms

- sustained investment in the development of leaders and leadership teams

- increasingly effective performance management for individuals, teams and organisations (although this was also identified as an area for further development in future)

- an underpinning increase in the capacity and resilience of the sector to manage HR strategically and operationally

- an increase in the capacity and capability of HR professionals within institutions to effectively support and contribute to the performance and development of their organisation.

126. It was additionally identified that funding invested by the Government/HEFCE since 2001 in the R&DS initiative (a significant investment of more than £888 million over two rounds of the initiative) was timely and well received by the sector, enabling many HEIs to invest in and modernise their HR function to a greater extent, and faster, than they otherwise would have – particularly in the implementation of the Framework Agreement.

127. Future challenges identified by Oakleigh include:

- leadership development, particularly for academic managers

- developing coherent career progression pathways for academic and professional staff

- establishing approaches to talent and succession planning at all levels of the organisation

- securing a genuinely pervasive approach to effective performance management throughout all levels of the institution and for staff in all roles, including dealing with poor performance

- developing the capacity and capability to support shared services and outsourcing where these are being pursued by the institution

- accelerating the transformation of HR into a function that is structured and delivered as a genuine 'business partnership' with academic and professional departments.

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[102] 'Evaluation of the impact of public policy and investments in human resource management in higher education since 2001', Oakleigh Consulting (June 2009) Executive Summary.

The solutions offered by effective HRM

128. A range of challenges for the HE workforce of the future have been discussed in this report, and some questions for debate are offered up for the sector to take forward. These are challenges that strategic HRM should help address in the future, as we discuss in paragraphs 129 to 142 below.

Strategically linked workforce planning

129. Workforce planning, although a relatively under-developed HRM process in HE, can stimulate change as part of the strategic development of an institution. Consequently, HEIs will need to ensure that their key people management processes are fully aligned with their chosen strategy, in particular:

- recruitment and retention strategies
- workforce planning
- reward and performance strategies
- learning and development strategies
- organisational development and culture change
- employee engagement
- leadership, governance and management development.

130. Many of the issues described in this report relate to the need for HEIs (and the workforce) to be more flexible and agile to meet the challenges of the future; the HR function can enable this by undertaking strategically linked workforce planning activities.

Developing and embedding effective approaches to performance management

131. The 2008 report by Guest and Clinton[103], commissioned by the LFHE, puts forward the view that:

> 'HEIs have faced difficulties implementing successful approaches to performance management due to a combination of cultural resistance and a misunderstanding of the role and value of performance management in HE. This active resistance and lack of belief in the

value of practices, such as appraisal and performance review, has resulted in an implementation gap, as new systems and approaches are not prioritised or are carried out in a ritualistic and ineffective way.'

132. Well-designed performance management strategies need to be aligned as far as possible to institutional strategy. They need to recognise the intrinsic rewards as well as the financial ones. The drive to develop more individualised remuneration packages, including a range of financial and non-financial rewards, linked to performance is also becoming more common.

Case study University of Hertfordshire

The University of Hertfordshire is reviewing all of its reward structures, in the light of its new corporate strategy to become more business-focused. The aim is to ensure it rewards the sort of activity and behaviours it wants to support. It is also amending its appraisal criteria to include the questions 'What have you delivered on behalf of your business unit?' and 'What contribution have you made towards the institution's change focus and business agenda?'

133. The outcome of a HEFCE-funded project examining the performance management of clinical academic staff at the HE/NHS interface[104] suggests that it will be important for HEIs to consider how managers should assess the performance of work done by staff both individually and as part of a team, for example on research projects (this is relevant to all academic and professional and support staff, not just clinical academics). It is important that any performance management system should allow an equitable and transparent analysis of an individual's contribution to a team's performance. This means developing performance management approaches that support, encourage and reward collaborative behaviours because there is good evidence that the more people are rewarded for individual performance, the worse team

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103 Guest, D, and Clinton, M, 'Human Resource Management and University Performance', LFHE (2007).

104 'Transforming Performance: Exploring Academic Performance management across the University/Health Service Interface' University of Leeds (2009).

Table 5: **Performance management suggestions related to institutional strategic profile**

HEI strategic profile	Performance management basis
Primary research	Effective performance management should be based on research outputs. The key criteria would be quality and innovation, which could see young academics promoted quickly.
Research-led teaching	Performance management should be based on the combination of research outputs and the provision of a good learning experience for students.
Professional formation	Performance management should be based on both the quality of the teaching and its currency in relation to developments in the world of practice.
Research-based solutions	Performance management should be based around the ability to provide innovative, research-based solutions, and individuals' contribution to maintaining a flow of project-based income.
Specialist institutions	Performance management should be based around maintaining and growing reputation as a centre of excellence in the institution's particular niche sector.

performance can become. Many of the traditional performance management measures are focused on the outputs of individual academics, and the development of meaningful team metrics is still in its infancy.

134.   Effective performance management needs to become a key area of focus for all institutions and people need to be able to see the direct contribution they are making to a particular strategy. PA[105] identified some examples of effective performance management that relate to the income profiles exemplified earlier in this report; these examples are summarised in Table 5.

Enabling the development of leadership, governance and management

135.   The demands on the leadership, governance and management of institutions arising from the global economic recession will be considerable. The sheer scale and nature of the changes now affecting HE have not been experienced by the majority of leaders and senior managers before. Senior management teams are facing considerable challenges due to the cumulative impact of the challenges facing institutions. Access to good-quality management information will be vital to ensure senior management teams have the necessary tools to inform their decision-making. In addition, institutions need to make well-informed, rapid decisions – a speedy and agile decision-making process, and a willingness to make difficult decisions if required[106].

136.   Effective HRM can support leadership, governance and management development to enhance capabilities and strengthen leadership teams for the future[107]. Oakleigh's survey of HR directors[108] highlighted a number of leadership, governance and management development activities under way in the sector, including:

•   development of manager competencies[109]

•   in-house design and roll-out of development programmes for senior managers

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105 See footnote 9.

106 Source: Grant Thornton, presentation at BUFDG annual conference (2009).

107 There is a more detailed discussion about the attributes and key challenges for leadership teams in HE in Kennie, T, and Woodfield, S, 'The composition, challenges and changes in the top team structures of UK higher education institutions', LFHE (June 2008).

108 UK-wide survey of HR directors was carried out by Oakleigh Consulting to inform its project, 'Evaluation of the impact of public policy and investments in human resource management in higher education since 2001: A report to HEFCE by Oakleigh Consulting', (June 2009), available at www.hefce.ac.uk under Publications/Research & evaluation.

109 According to the CIPD, 'competencies' are a signal from the organisation to the individual of the expected areas and levels of performance. They provide the individual with a map or indication of the behaviours that will be valued, recognised and in some organisations rewarded. They articulate both the expected outcomes of an individual's efforts and the manner in which these activities are carried out (CIPD, June 2009).

- partnership working with the LFHE and private providers

- increasing the resources allocated for leadership and management development activities.

137. PA Consulting's report identifies some recommendations for the possible long-term strategic responses to the leadership development challenge:

- clearly defining leadership roles and the associated skills (although every HEI needs its senior management team to combine academic credibility and leadership, governance and management skills, different strategies need their own balance of these skills)

- clearly defining alternative career routes to institutional leadership – HEIs may consider different progression routes for their most talented individuals (see case study from the University of Sunderland)

- ensuring the effectiveness of the senior management team, perhaps by putting in place a more permanent academic management structure, based on specific role descriptions and on well-defined management career paths

- identifying and developing potential leaders by nurturing talent and ensuring effective succession planning (see case study from the University of Bradford).

Case study **University of Sunderland**

At the University of Sunderland, professional managers, who may not have followed 'traditional' academic career routes, oversee parts of the academic portfolio – for example quality management, student recruitment and student support. The university has introduced different career routes for senior managers – with an 'academic route' leading to professor, and a 'management route' leading to head of department roles. A common focus on providing a high-quality student experience ensures close working relationships between academic and business support managers.

Case study **University of Bradford**

The University of Bradford has put in place a succession-planning scheme entitled Talent for Leadership, to identify and develop its future leaders. The scheme includes a diagnostic process to identify potential talent across the university, and a development programme, tailored to each individual, providing a range of activities, such as involvement in high-profile projects, mentoring/coaching and shadowing, aimed at preparing talented individuals for senior management roles.

Effective employee engagement

138. UCEA notes that the successful resolution of some of the key challenges for people management in HE, such as employee relations or pensions reform, hinges on the sector's ability to engage effectively with its workforce. The CIPD defines employee engagement as:

> 'a combination of commitment to the organisation and its values plus a willingness to help out colleagues (organisational citizenship). It goes beyond job satisfaction and is not simply motivation. Engagement is something the employee has to offer: it cannot be 'required' as part of the employment contract.'[110]

139. The 2009 report to the Department for Business, Innovation and Skills, 'Engaging for Success: enhancing performance through employee engagement'[111], strongly advocated effective employee engagement as a path to improved employee performance:

> 'Levels of engagement matter because employee engagement can correlate with performance. Even more significantly, there is evidence that improving engagement correlates with improving performance – and this is at the heart of our argument why employee engagement matters to the UK.'

140. Staff surveys and a culture of continuous improvement are two ways that HEIs can engage with

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110 Employee engagement factsheet, CIPD (January 2009). Available at www.cipd.co.uk under Factsheets.

111 MacLeod, D, and Clarke, N, 'Engaging for Success: enhancing performance through employee engagement', Department for Business, Innovation and Skills (July 2009).

their workforce. The use of internal staff surveys has grown across the sector, with the majority of institutions running either a survey every two years, or more substantive and less frequent surveys to identify staff satisfaction levels and well-being. The Self-Assessment Tool for People Management[112] required HEIs to demonstrate evidence of improvement, and it was clear that most HEIs who used the tool were engaging in some form of staff surveying in order to understand staff perceptions and target areas for improvement. There is some evidence already that employee engagement can have positive effects, for example:

- 84 per cent of highly engaged public sector workers in the UK believe they can have an impact on the quality of the organisation's work – this is nearly three times the number of disengaged workers who say the same[113]

- 86 per cent of engaged employees say they very often feel happy at work, versus 11 per cent of the disengaged[114]

- engaged employees are more likely to act as organisational advocates than disengaged employees and therefore may have a powerful role to play in promoting their organisation to potential customers and as an employer of choice[115].

141. Effective employee engagement can enable an HEI to collaborate in a genuine partnership with their staff, to make changes and work together positively towards shared goals. For instance, in a more pressurised climate, effective employee engagement would help the institution to manage performance more confidently, retain more high-quality staff (who would feel more engaged with their work and their institution) and potentially have a positive impact on institutional performance.

142. This report has emphasised the need for the HE sector in England to become more flexible and ultimately more diverse in order to be sustainable for the future; employee engagement can be the enabler for HEIs to make these fundamental changes while retaining the goodwill, talent and excellence of their workforce.

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[112] For more information see www.hefce.ac.uk under Leadership, governance & management/Human resources management/Rewarding and developing staff.

[113] MacLeod, D, and Clarke, N, 'Engaging for Success: enhancing performance through employee engagement', Department for Business, Innovation and Skills (July 2009).

[114] See footnote 113.

[115] Source: 'CIPD Annual Survey 2006 – How engaged are British employees?' CIPD (2006).

Conclusion

143. In this report we have highlighted the key achievements of the HE sector, the most pressing challenges for the HE workforce and the conditions required for a healthy and sustainable workforce. This report is intended to provide evidence to inform future policy decisions and assist institutions in their strategic planning. It has also raised a number of issues and questions that merit further debate and analysis within the HE sector in England. There are unlikely to be simple answers to the questions, or even widespread consensus, because there is a great deal of diversity among HEIs and their responses to these issues will be varied. The key questions we would like to see debated within the sector are as follows.

How can HE pay remain competitive, adequately rewarding people for their contribution, and equitable while also being affordable and not threatening the sector's future financial sustainability?

144. Since 2001, HEIs have invested heavily in pay to ensure staff are rewarded competitively (the cumulative total of HE pay awards from 2001-08 was at least 36.5 per cent). In the current economic climate there are considerable concerns about the impact of any future pay rises on HEIs' expenditure. With staff costs typically being equivalent to an average of 57 per cent of total institutional expenditure, any reductions in HEIs' income or further increases to pay would raise serious concerns about affordability. This has led to questions being raised by some HEIs about the future sustainability of the incremental pay increases (worth about 3 per cent each) that around two-thirds of HE staff on average receive annually in addition to the nationally negotiated increases to all points on the pay spine.

What is the optimum industrial relations model for the sector to create a real partnership where the sector's sustainability and success is driven by a motivated, well rewarded and engaged workforce?

145. National pay bargaining continues to receive broad support across the sector's employers and trades unions, but its long-term future remains open for debate. HEIs and sector bodies continue to discuss the pros and cons of national negotiations. With the current and future economic uncertainty, local pay bargaining might be an opportunity for individual HEIs to renegotiate the entire employment relationship with their workforces and establish more sustainable and bespoke arrangements, providing them with more control and autonomy over their staff costs. However, this view is countered by the benefits of avoiding expensive pay 'leapfrogging' and pattern bargaining, saving management costs, ensuring consistency across the sector in the level of pay increase and being able to maintain good relations with local trade union branches.

How can the sector best support (and subsequently implement) the recommendations of the Employers' Pensions Forum resulting in sustainable pensions for the HE workforce in future?

146. Most of the different pension schemes operating in the HE sector in the UK provide their members with defined benefits. All of the schemes are under pressure and most are currently in, or expected to be in, deficit by the end of the financial year 2009-10. At present pension contributions are insufficient to meet the future liabilities arising from increased longevity, falling investment income and the current rate of increase in salaries. As pension costs increase in the future either employer or employee contributions or both will need to rise, or benefits will need to be reduced. A sector-led review of pensions provision, led by the Employers' Pensions Forum, is both required and already under way.

How can the sector become more flexible at a time of change while retaining the excellence and commitment of its people?

147. Future changes in the nature of the HE 'marketplace' and the consequent increase in institutional strategic diversity will require greater diversity in workforce requirements. Institutional strategies and financial models, and the workforce capabilities needed to sustain them, will be subject to continuous challenge and review, and must be agile and flexible to adapt to new conditions and demands. HEIs will need to consider how they can adapt to

change while retaining their most important capabilities. Throughout our consultations with the sector, people have highlighted the need for HE staff to work more flexibly to enable HEIs to be more responsive to a variety of drivers, principally the changing needs of the student population. There needs to be more discussion and consensus around the increased demand for flexible working by employees against flexible, or simply different, modes of working to meet new strategic needs.

To what extent do the existing academic contracts and university statutes require change to optimise performance management, workforce flexibility and to enable institutions to meet the diverse expectations of staff, students and employers?

148. There are mixed views among post-1992 institutions about the extent to which the teaching contract is a barrier to greater flexibility, with some arguing that institutional culture and management capacity are more important than the detail contained in the contracts. Others strongly believe that the contract is a problem that must be solved to enable them to be flexible with teaching time and delivery. The employment conditions of academic staff within chartered (mainly pre-1992) HEIs are governed by an employment statute that can only be changed by application to the Privy Council. Changing Model Statutes has the benefit of enabling institutions to keep up-to-date with employment law, but requires time and can be a complex and expensive procedure requiring trade union agreement as well as Privy Council approval.

149. There is a clear public interest in supporting a sustainable and high-quality HE workforce that has the capacity and capability to maintain the English HE sector's world-class performance. HE in England has delivered outstanding results at national and international levels with the excellence, creativity and innovation of its workforce deserving considerable credit for this success. To maintain national and international excellence, it is essential to ensure that HEIs in England are able to attract, retain and motivate talented staff.

150. To remain successful, higher education and its workforce must respond and adapt to a changing environment, in particular one that is characterised by constrained public funding. The impact of public funding constraints will be felt by HE in a number of ways, not least the affordability of future incremental or other pay rises and employers' pension contributions. In response to these pressures, HEIs will need to examine staffing structures and costs – while at the same time retaining the commitment and creativity of staff, and ensuring teaching and research excellence is maintained.

151. Effective human resource management can support HEIs to develop a sustainable, fit for purpose and high-quality workforce for the future, overcoming the challenges identified in this report and offering new and innovative solutions.

152. This report highlights a number of key issues and HE workforce challenges that are jointly owned by a broad range of stakeholders within an autonomous HE sector. In conclusion, we would like to invite the sector to decide how they would like to take these issues forward and who might best facilitate this process.

List of abbreviations

BME	Black and minority ethnic
CIPD	Chartered Institute of Personnel and Development
ECU	Equality Challenge Unit
EPF	Employers' Pension Forum
HE	Higher education
HEaTED	Higher Education and Technicians Education and Development
HEI	Higher education institution
HEPI	Higher Education Policy Institute
HESA	Higher Education Statistics Agency
HRM	Human resources management
ICT	Information and communications technology
JNCHES	Joint Negotiating Committee For Higher Education Staff
LFHE	Leadership Foundation for Higher Education
LGM Fund	Leadership, Governance and Management Fund
LGPS	Local Government Pension Scheme
MSC	Medical Schools Council
NSS	National Student Survey
NUS	National Union of Students
R&DS	Rewarding and Developing Staff (initiative)
SAT	Self-administered trust
SIVS	Strategically important and vulnerable subject(s)
STEM	Science, technology, engineering and mathematics
TPS	Teachers' Pension Scheme
UCEA	Universities and Colleges Employers Association
UCU	University and College Union
UKBA	UK Border Agency
USS	Universities Superannuation Scheme
UUK	Universities UK