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Evaluation of Rewarding and Developing Staff in HE initiative 2001-02 to 2003-04

A report to HEFCE by KPMG LLP

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1 **Executive summary**

This is the executive summary of an evaluation of the Rewarding and Developing Staff in HE initiative (R&DS). Specifically, this evaluation relates to the first round of the R&DS initiative, known as R&DS 1.

The evaluation was shaped around consideration of a series of evaluation questions posed by HEFCE. These questions related not only to assessment of the achievements by higher education institutions (HEIs) against the six priority areas of the R&DS initiative, but also considered a range of wider impacts of the initiative on the higher education (HE) sector. The main report addresses each of these questions in detail.

This executive summary presents an overview of the impact of R&DS 1.

1.1 **A context of partnership working**

It is important to understand the context in which the R&DS initiative was launched and in which subsequent developments took place.

From a policy perspective, the outcomes from the Dearing¹ and Bett Reviews² had alerted HEIs, funding agencies and the Government to the need to focus on improvements in human resource management (HRM) within HEIs. In his grant letter to HEFCE in 2000, the Secretary of State for Education set out key priorities in relation to the recruitment and retention of high quality staff to ensure the continuing world class reputation of HE. In releasing £330 million of funding for the period 2001-02 to 2003-04, the Secretary of State commented that he would be looking for evidence of improvements in human resource development and staff management, and in equal opportunities for HE staff. From a legislative perspective, HEIs were required to ensure compliance with significant changes in employment legislation. Supporting them in doing this was part of the rationale for the initiative.

This policy and legislative context presented an opportunity to modernise HRM in the HE sector, and in so doing to recognise the importance of good HRM in preparing for and assisting all HEIs in dealing with change. Key agencies, such as HEFCE, the Universities and Colleges Employers Association (UCEA), the HE Equality Challenge Unit (ECU) and the trades unions, used this opportunity to develop a partnership approach to the R&DS initiative and to the wider HRM and equal opportunities agenda.

This partnership approach had been developing and was perhaps most evident from the success of the Joint Negotiating Committee for Higher Education Staff (JNCHES), which led to an agreement on the national pay framework for HE. R&DS 1 further improved the synergy of such initiatives, for example, by paving the way for HEIs to introduce job evaluation, which is an integral feature of the pay framework.

¹ National Committee of Inquiry into Higher Education chaired by Sir Ron Dearing (1997).

² Independent Review of Higher Education Pay and Conditions chaired by Sir Michael Bett (1999).

1.2 **A worthwhile initiative**

Significant progress has been made by all HEIs in developing and improving HRM, at a time of considerable change within the HE sector.

Whilst our evaluation identified a wide range of activities undertaken by HEIs to improve and modernise HRM, with some HEIs clearly much further forward than others, we conclude that the R&DS initiative was worthwhile because it provided a focus for change and has had a positive impact across the English HE sector.

It is important to remember that the R&DS initiative applied only to HEIs funded by HEFCE and did not extend to Wales or Scotland. Stakeholders with a UK-wide remit reported that there was evidence of a systematic “booster effect” occurring in HRM practices and HR functions within English HEIs, which was not seen in the other countries.

We found that HRM has become embedded in institutional strategic planning frameworks (although there is still some way to go), with HR Directors increasingly engaged and represented at strategic level within HEIs. The perception amongst both HEIs and stakeholders was that the profile of HR had increased, particularly that of HR functions, which had developed a more transformational approach to HRM over the period of R&DS 1.

The evaluation considered not only the impact of R&DS 1 on the HE sector, but also what might have happened within HRM if the funding and the structured initiative had not existed. We concluded that whilst change would have occurred, particularly in areas linked to compliance with new legislation, the pace of change would have been considerably slower, and the sector-wide approach would not have been evident. This latter point is particularly important given the need for a sector-wide approach to the national pay framework negotiations.

1.3 **Building the foundations for sustainable HRM**

R&DS funding acted as an enabler to build HRM within HEIs. Institutions were asked to submit HR strategies which addressed recruitment and retention; staff development and training; equal opportunities; reviews of staffing needs; annual performance reviews and action to tackle poor performance. The structure of the funding, which focused on these six priority areas, was intended to recognise that different institutions were at different stages of implementing HR strategies and practices. Overall, the structure gave institutions the flexibility to address specific needs whilst improving fundamental HR practices and reducing disparity across the sector. Many HEIs used the funding to build up their HRM infrastructure in order to underpin activities within the six priority areas, especially initiatives such as job evaluation and the implementation of the national pay framework. This included developing policies, improving processes and recruiting new staff.

We conclude that this investment in the infrastructure of good HRM established a platform for longer-term sustainable improvements.

The second set of evaluation questions explored the wider impacts of R&DS 1 on the sector. We found that, overall, institutions felt better placed to adapt to changing student

demands or respond to increasing diversity in the student body. In addition, the enhanced profile and status of HRM had increased understanding of the importance of HR to the institutional strategy.

1.4 **Varied impact across the priority areas**

A range of impacts was seen as a result of the funding. Activity and spending have been focused on the first three priorities of recruitment and retention, staff training and development, and equal opportunities. This is not unexpected as these areas were identified as the focal point of institutions' full and emerging HR strategies submitted in the first year of R&DS. Many HEIs focused on one-off rather than recurrent expenditure, possibly as a result of uncertainty about whether funding would continue after R&DS 1 or through a desire to generate some quick wins within the HEI. Many institutions developed policies and implemented initiatives within these first three priority areas.

- Under the staff recruitment and retention priority area, activity has focused on improving recruitment processes such as web-based applications and use of financial incentives for recruitment and retention. Although there were pockets of retention problems, there was a perception that the quality of staff being recruited and retained had improved.
- There has been substantial investment in staff development and training courses, particularly in management and leadership development. The funding was perceived to have had the greatest impact in the area of staff training and development, although it was noted that this had also raised expectations amongst HE staff that the investment in this area will continue.
- R&DS 1 funding contributed to raising the profile of equality and diversity issues through policy development, awareness-raising and training, and job evaluation. It was noted that the impact in this area was hard to separate from changes that would have taken place as a result of changing legislation. However, there was a cultural shift in responding to equal opportunities issues, with institutions now more likely to ask how they could effectively address equal opportunities than to question why this was necessary.

Impact on the implementation of job evaluation, performance review and action to tackle poor performance was more varied:

- There was considerable activity and expenditure around job evaluation, such as purchasing and piloting job evaluation systems, completing and implementing evaluations, and then re-grading posts to new pay structures. Although there were some early adopters who have completed job evaluation, the lengthy negotiations around the national pay framework delayed its widespread implementation during the course of R&DS 1.
- There has been some investment in performance review, action to tackle poor performance and reviews of staffing needs, but the impact on these areas was perceived to be limited. The evaluation found an initial focus on reviewing and strengthening the HR functions to deliver the level of change demanded by R&DS. There was evidence of annual staffing reviews and of workforce planning underpinning strategic planning.

- We identified two potential barriers to progress in performance management. Introducing performance management within HEIs will involve not only new systems, training and procedures but also a cultural shift within HEIs towards an acceptance of performance management. There also appear to be different interpretations of performance management within the sector: some use ‘appraisal’ and ‘performance review’ synonymously; whilst others make a distinction between regular reviews related to individual developmental needs, and assessments of an individual’s performance related to institutional goals.

1.5 **Linking HRM to improved organisational performance**

Overall, the evaluation sought to explore the impact of the initiative on institutions’ and the sector’s HRM. We considered whether there was evidence to link improvements in HRM to improvements in organisational performance, and uncovered qualitative evidence from individual HEIs and from stakeholders which showed that institutions were better placed than before 2001 to meet student needs and to retain and recruit staff.

The elevated profile and status of HR and the shift from transactional to transformational HRM has led to an increased awareness of the importance of strategic HR to institutional success. Institutions seemed to be more aware of the emphasis on HR issues created by changing stakeholder demands. Despite this positive and encouraging finding, it may not be possible to attribute this solely to R&DS, as many HEIs have been adapting to stakeholder demands in response to changing market forces and government policy. The evaluation found evidence of other links to improvements in overall organisational performance, including:

- The findings were broadly positive in concluding that improvements had been made in the overall preparedness of HEIs and the sector to address forthcoming HE-wide challenges. These included widening participation, reward and career progression for teaching staff, dealing with issues of a global workforce, and preparedness for a successful merger or partnership.
- As a result of R&DS 1, HEIs with a research focus reported that they were more positive about their ability to achieve research excellence. HEIs are increasingly focusing their strategic and workforce planning, as well as recruitment and retention activities, on research staff.
- Institutions aiming to achieve full university status, degree-awarding powers, and/or university title, felt that, at least in part as result of R&DS 1, their institution was now better prepared for these major strategic developments.

1.6 **Remaining challenges**

R&DS 1 has undoubtedly provided the platform for long-term sustainable HRM within the sector, which will be an essential element in enabling HEIs to compete in an increasingly global HE market. However, the evaluation identified a number of significant challenges that remain to be addressed.

Our findings revealed that the HE sector itself recognises that the biggest challenge has been taking forward the national pay framework. But progress in completing the

implementation of job evaluation remains an issue for some HEIs, before the August 2006 deadline for introducing the new framework.

In addition, the evaluation identified other key challenges for the future in shifting perceptions within HEIs, so that performance review becomes the norm, rather than the exception. This will involve tackling poor performance, but also managing good performance. Policies and practices introduced under R&DS 1 will help in addressing this.

The level of monitoring was identified as both a strength and a weakness of the initiative. A future challenge will be identifying a monitoring framework that fulfils the need for public sector funding transparency without over-burdening institutions with bureaucracy. Such a framework should be developed with the objective of providing HEIs and funding agencies with information that can measure and monitor organisational performance improvements related to HRM.

Now that funding has been mainstreamed into core HEFCE grant, the challenge will be sustaining and building on the momentum of change seen in HR within the sector. And at a time of considerable change within the HE sector, in our view HEIs should continue the emphasis on embedding HRM across all institutional activities.

1.7 Summary conclusions from the evaluation questions

This section contains the summary conclusions relating the evaluation questions posed by HEFCE.

1.7.1 Recruitment and retention

Has R&DS funding enabled HEIs to recruit better quality staff, and retain their high quality staff? How are HEIs dealing with staff shortages?

- HR Directors rated recruitment and retention as the third most important priority area for HEIs in R&DS 1.
- A wide range of activities in recruitment and retention have tended to focus on improving the recruitment process, data gathering and use of financial incentives.
- There appear to be significant regional differences in the use of financial recruitment and retention incentives.
- There are interesting variations by institutional type in the range of activities undertaken and the emphasis placed on these.
- Recruitment is perceived to be more difficult to undertake and causes more problems than retention activities.
- HR Directors feel that they are able to address staff shortages more effectively as a result of R&DS 1.
- There is evidence of improvements in the “quality” of processes used to recruit and retain staff.
- There are strong perceptions that the “quality” of staff being recruited and retained has improved, particularly in academic posts (although less so in manual posts).
- However, there was no evidence of specific monitoring of “quality” of staff recruited and retained.

1.7.2 Staff development and training

How are HEIs using R&DS funding to implement strategic training programmes, to prepare staff for future changes, progression planning, etc?

- Staff development and training was considered the highest priority of the six priority areas.
- The impact of R&DS 1 funding is perceived by many people to have been greatest in this priority area.
- There has been heavy investment in training courses, especially management and leadership development, but also on a range of other courses.
- There is evidence of recruitment of dedicated staff development and training personnel.
- There has been investment in infrastructure and processes to support effective staff development and training.
- The HR Directors' questionnaire found that R&DS had the greatest impact on providing opportunities to address staff development needs, and the least impact on evaluating the effectiveness of the various initiatives.
- Several HR Directors believed that the emphasis on staff development and training has had a positive impact on staff morale for those who had benefited, and there are expectations that this investment will continue in the future.

1.7.3 Equal opportunities, equal pay and job evaluation

Equal opportunities – how has the initiative impacted on the role and reward of women and ethnic minorities in HE? How widespread is job evaluation and has it had a positive impact on the move towards equal pay for work of equal value?

- There has been a significant shift towards equality and diversity opportunities during the funding period, which can be attributed partly to the R&DS 1 initiative coinciding with the introduction of new employment legislation.
- Equality activities include: policy development, awareness and monitoring, targeted recruitment and job evaluation.
- Activities undertaken during the period of R&DS 1 appear to have had the greatest impact on the role and reward of women in the majority of institutions.
- The role of minority ethnic groups and people with disabilities has received much less emphasis within R&DS 1, compared to the emphasis on gender equality.
- Education and awareness of diversity has increased, with a number of institutions now directly ensuring that they encourage and attract a diverse staff base.
- Job evaluation is reported as being undertaken in over 80% of all HEIs. However the extent of implementation has been limited, with over 30% of HEIs still only at the pilot stages (deciding which scheme to adopt etc).
- Challenges remain to be addressed if all HEIs are to be ready to adopt the new national pay framework from August 2006; a few early adopters have already completed the necessary processes.
- Although a range of diversity activities has been developed, some stakeholders were concerned that HEIs were still not undertaking sufficient monitoring of equal opportunities targets.

1.7.4 **Review of staffing needs**

How embedded are regular reviews of staffing needs in the overall academic planning of HEIs?

- Review of staffing needs was considered to be the lowest priority for investing RDS funds by HEIs, with low levels of activity reported for this priority area.
- In R&DS 1 the focus of staffing reviews has been on HR functions themselves, with an emphasis on strengthening the function through recruitment of new staff (although less so in post-1992 HEIs).
- There is evidence of increased workforce planning e.g. annual reviews of staffing needs.
- There is increasing use of workforce planning to underpin strategic planning.
- More rigorous workforce planning is prevalent in HEIs undertaking a restructuring process.
- Regular reviews of staffing needs are recognised by many as being important in an increasingly competitive HE market.

1.7.5 **Annual performance reviews**

What proportion of staff within HEIs have their performance reviewed annually? Has this figure increased since 2001? To what extent is reward now linked to contribution?

- HEIs reported low levels of staff receiving appraisal.
- There have been different interpretations by HEIs of the meaning of performance review and appraisal.
- Mixed views were reported on the importance of annual performance reviews.
- There has been a focus on spending on infrastructure for performance management.
- There appears to be variable implementation of annual performance reviews.
- There has been some innovation in making performance review widespread for all staff in HEIs.
- Important cultural challenges remain in many HEIs in implementing annual performance reviews.
- Rewards related to contribution or merit payments have been introduced in over half of HEIs, with a focus so far on schemes directed at more senior staff.

1.7.6 Action to tackle poor performance

What schemes are in place to tackle poor performance? How embedded is the will to tackle poor performance?

- There has been limited activity, or evidence of improvement in tackling poor performance.
- Activities most prevalent relate to training for staff and to the development of policies and procedures to tackle poor performance.
- 42% of HEIs reported introducing policies and procedures to combat absenteeism, and 41% of institutions had put in place some form of support mechanisms to assist poor performers. These were generally reported as a counselling service.
- Reported focus on this priority area was low, with none of the activities in this area being reported by more than 42% of respondents.
- According to the HR Directors who responded to the questionnaire, there is some evidence of improvement in tackling poor performance. This is especially true in relation to institutions now being in a better place to improve the capability of people in their roles. This extends to training staff in handling poor performance.
- HR Directors are now more aware of the value in tackling poor performance and feel they are in a better position to do so because they increasingly have the infrastructure and procedures in place to support them.
- Challenges remain around raising awareness of the importance of managing poor performance, but this will need to occur alongside improvements across the sector in the use of annual performance reviews and other performance management tools.

1.7.7 Changes in HRM profile

How embedded is human resource planning within the overall strategic planning of institutions? How do HEIs recognise the importance of good HRM, and how has the status of HRM changed since 2001?

In relation to the first evaluation question:

- The questionnaire responses found that 87% of HR Directors agree that HRM has been embedded in the strategic planning framework. This is supported by evidence from the other evaluation strands.
- Focus groups commented on the increased profile of HR compared to their perceptions of the function before the funding. They noted that HR was now consulted and involved in strategic HEI-wide decisions and considered to be “proactive, strategic, professional and systematic”.
- The in-depth interviews revealed that the HR strategies are becoming increasingly aligned with strategic priorities, often as a result of the appointment of a new Vice-Chancellor.
- The stakeholders commented on increasing awareness of the importance of strategic HR to institutional success. They noted that there was an increased understanding of the role that HR could play in an institution’s strategic planning.

In relation to the second evaluation question:

- 90% of HR Directors responded that their HEI now recognises the importance of HRM. Over half responded that HR Directors had been placed on the senior management team³. This view was supported by some stakeholders.
- 93% of HR Directors agreed that the status of HRM had been raised as a result of R&DS 1. Focus groups and stakeholders reported that HR was now more visible and higher profile. Stakeholders commented that the importance of HR was not as high as in other parts of the public sector.
- Interviews noted that senior staff are now more engaged, and HR more represented at a strategic level within institutions. Many HR functions had been reorganised and departments have grown in size. Some stakeholders noted that in some cases this had led to a shortage of professionally qualified HR staff.
- There was a perception of continuing change: both focus groups and the HEIs we interviewed commented on a shift from transactional to transformational HRM.
- Stakeholders also commented that there had been improvements in some HEIs to partnership working with the unions.

³ It is important to note that the interpretation of senior management team (SMT) differs across HEIs. In addition, some HEIs have a small executive SMT whilst others have a broader and larger SMT.

1.7.8 Impacts of R&DS 1

What were identified as the main significant impacts of R&DS on individual HEIs and on the HE sector overall?

- 96% of the respondents to the HR Directors' questionnaire agreed that R&DS 1 enabled the institution to accelerate the pace of change in transforming HRM. Stakeholders' and focus group views support this finding. Many commented that most initiatives would probably have been introduced but that R&DS gave a stimulus to change, created more uniformity in fundamental HRM practices across the sector, and helped some HEIs address issues which they may have put off or given lower priority without the funding.
- There were increased activity levels, with HR Directors commenting that R&DS 1 enabled them to undertake a greater range and number of activities in different ways. There was an increased profile of HRM and an awareness of the importance of strategic HR noted in the focus groups, in-depth interviews and stakeholder interviews. HR Directors also commented that HRM plays a more central role in their HEIs and that the funding raised awareness of the added value that the HR function can bring.
- Stakeholders commented that HR had been integrated into strategic planning, with senior management using information gathered under R&DS to inform their decisions. They reported a greater awareness of the length of planning cycles and the time required to implement initiatives, and an improved approach to forward planning. This contrasts with the low importance given to reviewing staffing needs noted in Section 4.
- Focus groups commented that the funding was an enabler; while stakeholders noted that R&DS gave the opportunity to systematise and improve fundamental HR practices, and enforced best practice across the sector.
- Stakeholders noted that some of the impacts had been intangible, such as the institutional learning and experience gained from the development and implementation of policies and processes.
- However, there were some unequivocal negative views, with several stakeholders reporting that it was too soon to see the impact of the funding. It was recognised that this is partly due to delays in implementing job evaluation systems.
- Trade union stakeholders reported that there is a perception that R&DS has not touched the working lives of all HE staff. They were concerned that the funding had largely been used to increase the size of HR departments, rather than the quality of service provided.

1.7.9 Lessons learnt from R&DS 1

What were identified as the major weakness(es) of R&DS? How might these have been addressed differently?

- The in-depth interviews noted that the process to draft and submit HR strategies was considered to be lengthy and lacked transparency.
- Stakeholders commented on limited national guidance to interpret action in the six priority areas. This created capacity issues for HR departments and trade unions.
- Light touch monitoring was seen as both a strength and a weakness by different stakeholders, either leading to institutional autonomy or to a lack of transparency. Views on targets were equally mixed, with some commenting they were too demanding or too broad to allow effective monitoring. Monitoring was also considered to have limited effectiveness as it has not provided HEIs with a mechanism for identifying improvements in organisational performance.
- The importance of senior level commitment to change and ring-fenced funding were identified as positive aspects.

1.7.10 Challenges for the future

What are the main challenges that remain to be addressed, and what would the impact on the sector be if R&DS funding were no longer available?

- In responding to the questionnaire, HR Directors identified implementing the national pay framework agreement and job evaluation by August 2006 as the biggest challenge.
- The in-depth interviews revealed that the implementation of the framework agreement is seen as a key aspect for the future. This view was shared by focus group participants, who identified work on pay reviews and modernisation, job evaluation and role analysis as key future priorities.
- Stakeholders also commented that the future challenge is to see the framework agreement working and delivering performance management and career structures. Stakeholders noted that expectations have been raised as a result of the national framework, and successful implementation will require champions in HEIs to ensure success.
- A continued focus on leadership development, equal opportunities, performance management and tackling poor performance was identified by several strands of the evaluation, and raised as a particular challenge in the focus groups and in-depth interviews.
- The focus groups also noted the need for improved communication and consultation around future R&DS initiatives to ensure staff engagement.

1.7.11 Changes in stakeholder demands

How are institutional HR strategies supporting HEIs in adapting to change in student/stakeholder demands?

- 59% of the HR Directors responding to the questionnaire agreed that their institution was now better prepared to adapt to changing student demands. 60% identified that their institution was better prepared as a result of activities undertaken under R&DS 1 to respond to increasing diversity in the student body.
- 65% of HR Directors agreed that their institution was now in a better position to adapt to changing stakeholder demands.
- The in-depth interviews revealed that HEIs placed greater emphasis on HR issues to counter the impact on their institutions of changing stakeholder demands such as departmental closures or increased internationalisation
- However, stakeholders reported that it is not possible to attribute to R&DS how HEIs are responding to stakeholder demands, because many have already focused on good management and forward planning to address changing customer demands.

1.7.12 Preparedness for the future

Are the HR strategies sufficiently developed to support HEIs in achieving either/or:

- **Growth in the size and quality of their workforce required to sustain a 50 per cent participation in HE by 2010?**
 - **Research excellence?**
 - **Success in achieving third stream funding?**
 - **Reward and career progression for teaching staff?**
- The evidence from the evaluation is mixed in relation to whether HR strategies were sufficiently developed to support growth in the size of the workforce.
 - Half of the HR Directors who responded to the questionnaire agreed that their institution was better prepared for expansion in teaching staff numbers as a result of activities undertaken in R&DS 1. Just under half neither agreed nor disagreed.
 - In terms of preparing for 50% student participation by 2010, only 43% thought they were better prepared for expansion in student numbers, and 48% neither agreed nor disagreed that R&DS 1 had had an impact in this respect. Whereas 60% thought that their institution was better placed to respond to the increasing diversity in the student body.
 - Stakeholders' views on this issue were mixed. Several commented that HEIs had become better at forward planning, whilst others commented that the HR strategies developed under R&DS 1 were very inward looking and did not address how staff would cope with the extra demands of students.
 - 60% of HR Directors reported that their HEI was better prepared to achieve research excellence as a result of R&DS 1; and 41% said their HEI was more prepared for expansion in research staff numbers. Stakeholders noted that preparations for the RAE in 2008 are well under way and as a result there has been a focus on investment in research staff, particularly in developing competitive reward systems and salary increases.
 - 53% of HR Directors reported that their institution was better prepared for success in third stream funding.
 - Stakeholders commented that promoting careers in teaching is a priority in R&DS 2. However, many HEIs with a teaching mission will have been ensuring that teaching staff have the same access to career planning as research staff, and that proper rewards and career progression are in place. It is difficult to see if this was a result of R&DS 1.

1.7.13 Global workforce

How are HEIs, through their HR strategies, dealing with the issues of the global workforce (language, mobility, cultural awareness, etc)?

- There were mixed views on this issue.
- 36% of HR Directors agreed that as a result of its R&DS 1 activities their institution was better prepared to deal with the issues of a global workforce. 45% neither agreed nor disagreed on this issue.
- The interviews identified that activity in preparation for a global workforce was focused on general awareness raising, using traditional training sessions or on-line approaches.
- Several stakeholders commented that some HEIs are more prepared than others to address issues of the global workforce, particularly in subjects where there has been a long tradition of overseas students and staff coming to the HEI, or for HEIs in urban areas with a diverse student population. They also noted that global workforce issues are different for different groups of staff.

2 Introduction to the evaluation

2.1 Background to the R&DS initiative

Rewarding and Developing Staff in Higher Education (R&DS) is one of the largest and most important special funding initiatives in the higher education (HE) sector in England. In the first round of funding for R&DS, between the academic years 2001-02 and 2003-04, £330 million was invested in activities intended to recruit, retain, reward and develop staff in higher education and to modernise human resource management (HRM) processes. The funding was allocated to higher education institutions (HEIs) in England as conditional grants, calculated as a proportion of their combined basic recurrent HEFCE grants for teaching and research⁴.

The R&DS initiative was designed to operate on a “something for something basis”: funding was provided by HEFCE on receipt of a three year human resource strategy (2001-02 to 2003-04) developed by each HEI. The strategy was required to identify objectives, outline how the money would be spent, set specific targets to measure the effectiveness of the funding, and set out how the HEI would address six priority areas. These areas were identified by HEFCE in discussion with Universities UK (UUK) and the Standing Conference of Principals (SCOP) and following a consultation with the HE sector. In December 2000, the six priority areas were set out in HEFCE’s invitation to apply for the first round of R&DS funds⁵:

- a. Address recruitment and retention difficulties in a targeted and cost-effective manner.
- b. Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching. This would include management development.
- c. Develop equal opportunities targets, with programmes to implement good practice throughout an institution. This should include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.

Strategies should also cover how institutions will address (or are already addressing) the need to achieve:

- d. Regular reviews of staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.
- e. Annual performance reviews of all staff, based on open and objective criteria, with rewards connected to the performance of individuals including, where appropriate, their contribution to teams.

⁴ Funding refers to financial years. When converted to academic years HEFCE expected to allocate at least £370 million over the three years (HEFCE 01/16 “Rewarding and developing staff in higher education: invitation to apply” March 2001).

⁵ HEFCE 01/16.

- f. Action to tackle poor performance.

HEIs were invited to submit either “full” or “emerging” HR strategies to HEFCE by 1 June 2001, reflecting the expectation that different HEIs would have differing levels of HRM place. Seventeen institutions received full status on first submission. The remaining emerging strategies were funded in the first year (2001-02) provided that there were clear plans showing how the institution intended to develop a full strategy which addressed all six priority areas by 2002. All HEIs had received full status for their HR strategies by 2002-03.

A second round of £167 million R&DS funding was announced in the 2002 spending review. This covers the 2004-05 and 2005-06 academic years.

2.2 Context

This evaluation focuses on assessing the impact of the first round of R&DS funding and covers the period 2001-02 to 2003-04. In doing this, it is important to consider both the policy and legislative contexts leading up to the launch of the initiative and subsequent developments during the period of funding.

From a policy context, the National Committee of Inquiry into Higher Education chaired by Sir Ron Dearing (1997) and the Independent Review of Higher Education Pay and Conditions chaired by Sir Michael Bett (1999) had alerted HEIs, funding agencies and central Government to the need to focus on improvements in HRM within HEIs.

In his grant letter to HEFCE in 2000, the Secretary of State for Education set out key priorities in relation to the recruitment and retention of high quality staff to ensure the continuing world class reputation of HE. In releasing £330 million of funding for the period 2001-02 to 2003-04, it stated that he would be looking for evidence of improvements in human resource development and staff management and in equal opportunities for HE staff.

Coincidentally, significant changes in employment legislation were introduced, including the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 1995, Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, and the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002. These resulted in HEIs as major employers being required by law to review and improve many of their HRM practices.

This policy and legislative context presented a synergy between a range of key agencies in the HE sector – particularly HEFCE, the Universities and Colleges Employers Association (UCEA), the HE Equality Challenge Unit (ECU) and the trades unions – leading to a partnership approach to the R&DS initiative and the wider HRM and equal opportunities agenda.

2.3 Scope of the evaluation

In September 2004, HEFCE commissioned KPMG to conduct an evaluation of the first round of R&DS funding (R&DS 1) covering the period 2001-02 to 2003-04. The aim of the evaluation was to assess the impact of the R&DS initiative on the development of

HRM in the HE sector in England. The evaluation addressed a range of objectives set out by HEFCE, as follows:

- fulfilling an obligation to the Department for Education and Skills (DfES) set out in the grant letter for the R&DS funding;
- informing the development of HEFCE's HE pay and workforce development strategy;
- informing the Government's 2006 Spending Review;
- providing a sound evidence base for HEFCE to respond to DfES enquiries;
- improving the efficiency and productivity of the HE sector; and
- moving towards a modern and sustainable HRM system in the HE sector.

KPMG has undertaken an objective and summative evaluation of the impact of the first round of R&DS funding on the HE sector. This has been undertaken using a mixture of impact and process evaluation techniques to:

- identify and assess the extent to which the R&DS 1 initiative has had an impact on HRM in the HE sector;
- explore whether and (if so) why the impact has been greater or lesser for different types of HEIs; and
- consider what good practice in HRM looks like.

We have reviewed key documents and data produced by the HEIs over the course of the initiative and funding. We have sought the views and perceptions of senior management at a sample of HEIs, and of key stakeholders, on the impact of R&DS 1, and the perceptions of HE staff on the impact of the HR activities.

2.3.1 **Project objectives**

The project's main objective was to assess the impact of R&DS 1 on the development of HRM in the HE sector. This evaluation was comprehensive and covered a wide range of questions relating to the impact of R&DS 1.

The evaluation questions are shown in Table 2-1 below and addressed in Section 4.

Table 2-1: Evaluation questions relating to R&DS 1

Evaluation question	
1	What achievements/progress has been made in the six priority areas, especially:
	<ul style="list-style-type: none"> • Has R&DS funding enabled HEIs to recruit better quality staff, and retain their high quality staff? How are HEIs dealing with staff shortages?
	<ul style="list-style-type: none"> • How are HEIs using R&DS funding to implement strategic training programmes, to prepare staff for future changes, progression planning, etc?
	<ul style="list-style-type: none"> • Equal opportunities – how has the initiative impacted on the role and reward of women and ethnic minorities in HE? How widespread is job evaluation, and has it had a positive impact on the move towards equal pay for work of equal value?
	<ul style="list-style-type: none"> • How embedded are regular reviews of staffing needs in the overall academic planning of HEIs?
	<ul style="list-style-type: none"> • What proportion of staff within HEIs have their performance reviewed annually? Has this figure increased since 2001? To what extent is reward now linked to contribution?
	<ul style="list-style-type: none"> • What schemes are in place to tackle poor performance? How embedded is the will to tackle poor performance?

Source: HEFCE - set out in HEFCE's June 2004 invitation to tender for the evaluation.

The project also sought to explore the wider impact of the initiative on the preparedness of the sector to address future challenges. The evaluation questions relating to these aspects of the project are shown in Table 2-2 and addressed in Section 5.

Table 2-2: Evaluation questions relating to the wider impact of the initiative

Evaluation questions	
2	How embedded is human resource planning within the overall strategic planning of institutions? How do HEIs recognise the importance of good human resource management (HRM), and how has the status of HRM changed since 2001?
3	What would you identify as the main significant impact of R&DS on individual HEIs and on the HE sector overall?
4	What would you identify as the major weakness(es) of R&DS? How might these have been addressed differently?
5	What are the main challenges that remain to be addressed, and what would the impact on the sector be if R&DS funding were no longer available?
6	How are institutional HR strategies supporting HEIs in adapting to change in student/stakeholder demands?
7	As relevant to institutional mission, are HR strategies sufficiently developed to support HEIs in achieving either/or: growth in the size and quality of their workforce required to sustain a 50 per cent participation in HE by 2010; research excellence; success in achieving third stream funding; reward and career progression for teaching staff?
8	As relevant to institutional mission, how are HEIs, through their HR strategies, dealing with the issues of the global workforce (language, mobility, cultural awareness, etc)?

Source: HEFCE - set out in HEFCE's June 2004 invitation to tender for the evaluation.

2.4 Methodology

The evaluation was conducted using a multi-stranded research methodology which combined process and impact evaluation techniques. The approach included five different strands of fieldwork which are outlined below.

- **Document review.** We reviewed the introductions to the full HR strategies for each of the HEIs funded by HEFCE in R&DS 1, along with the annual monitoring statements (AMSs) for the three years. This review enabled us to record the range and frequency of activities that were reported as being undertaken across the whole HEFCE-funded sector under the six priority areas.
- **HR Directors' questionnaire.** We conducted a survey of HR Directors to establish their views on the impact of the initiative in the context of their own HEI. Of an invited 126 HEIs in England, 78 responses were received.

- **Focus groups with staff from HEIs.** We undertook a series of focus groups with employees drawn from a range of HEIs to complement the quantitative research and explore the impact of the funding initiative on staff from across the HEI, including HR staff.
- **In-depth interviews with senior management at a range of HEIs.** We conducted a series of semi-structured in-depth interviews with senior management representatives at 12 HEIs. These were held to obtain perceptions on the impact of the initiative within the institution, with a view to identifying good practice case studies and exploring how the R&DS funding has impacted on the HE sector as a whole.
- **Interviews with key external stakeholders.** We conducted semi-structured in-depth interviews with representatives of a range of key stakeholders to obtain external perspectives on the impact of the R&DS initiative.

Further detail on the methodology and a list of HEIs and stakeholders interviewed can be found in Section 1 in the Appendix.

2.5 Structure of this report

The remainder of this report is structured as follows.

- Section 3 sets out the baseline information collected in the document review about the levels and type of activity undertaken across the sector.
- Section 4 presents the evidence from the evaluation fieldwork against the evaluation questions relating to the six priority areas of R&DS 1.
- Section 5 considers evaluation questions relating to the wider impact of the initiative on the preparedness of the sector to address future challenges.
- Section 6 sets out the counterfactual, that is the findings from the evaluation fieldwork on what would have happened across the sector without the funding.
- Section 7 presents the conclusions.

3 **Baseline findings**

This section presents an overview of the range and levels of activities and spending reported by the HEIs during the first round of R&DS funding. It is based on the findings of our document review, the detailed methodology for which is set out in the Appendix.

The data review is important in providing us with a baseline of information which we used to contextualise the various other research strands. The review enabled us to collate all the activities reported as being undertaken across the whole HEFCE-funded sector against the six priority areas. It has provided us with an understanding of the range of activities and the frequency with which they occurred.

3.1 **Analysis variables**

The evaluation sought to explore the range and type of activities and spend across the HE sector in England. We agreed with the project board a number of variables against which we would analyse the information, including type and region of institution, and HEI spending by priority area and by activity within priority areas. The results of our analysis are presented below.

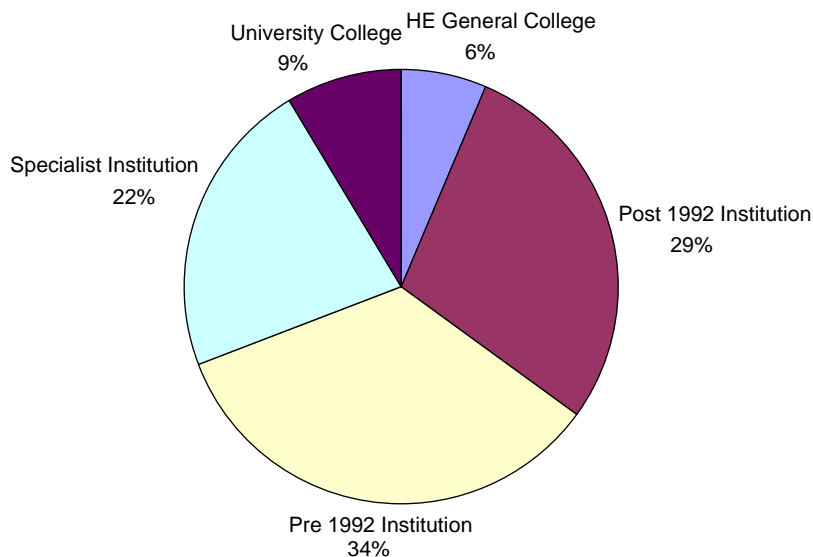
3.1.1 **Type of institution**

Information from the data review has been analysed in this report by type of institution based on institutional classifications provided by UUK and SCOP as follows:

- post-1992 universities;
- pre-1992 universities;
- specialist institutions;
- university colleges; and
- general HE colleges.

Figure 3-1 shows the breakdown of our analysis within the document review by type of institution. Pre- and post-1992 universities make up the majority of the sector.

Figure 3-1: Institutional type as a percentage of the English HE sector



Source: KPMG analysis 2004 based on UUK and SCOP classifications

3.1.2 Region of institution

Information from the data review has been analysed in this report by the region in which HEIs are located. A full list of HEIs by region can be found in Section 2.1 of the Appendix. Table 3-1 shows the number and percentage of institutions by the region in which they are based.

Table 3-1: Number and percentage of institutions by region

Region	Number of HEIs	Percentage of the sector
London	37	29%
West Midlands	11	9%
East Midlands	9	7%
South East	18	14%
South West	12	10%
North East	5	4%
North West	15	12%
East	9	7%
Yorkshire and the Humber	10	8%
Total	126	100%

Source: KPMG analysis 2004, based on HEFCE data

3.1.3 Reported spending information

We were able to record spending by priority area if this was reported in the summary AMSs. In some cases, we estimated the spending in that priority area by summing the

individual reported costs of activities within the priority area. The total spending for a priority area was then calculated as a percentage of the total R&DS 1 funding allocated to an HEI. See Section 3.3 for further details.

We were also able to record HEI expenditure by activity within a priority area (if institutions provided spend data for individual activities). This information is presented in Section 4.

3.2 Range of activities

Inevitably for such a large special initiative, an extensive range of HR activities was reported by HEIs as a result of R&DS 1. These were in addition to any HR activities that institutions were already undertaking. General headline findings from our research include:

- over 80 separate activities were reported in the summary AMSs;
- the largest variety of reported types of activity took place in staff training and development, and recruitment and retention;
- there were significant variations in the level and depth of reporting by institutions;
- the most frequently reported activities by over 80% of institutions (at various stages of implementation) were:
 - job evaluation;
 - management training and development;
 - other training and development courses (any course not included under management, leadership, IT, and assistance for accredited frameworks or research).

3.2.1 Level and type of activity

Our analysis considered the levels and types of activity being undertaken by HEIs.

Figure 3-2 presents findings from the baseline review for the HE sector in England. This includes:

- the range of reported activities under each priority area;
- the number of activities reported under each priority area. For example 22 different activities were reported under equal opportunities and seven under annual performance reviews;
- the percentage of institutions undertaking activities under each priority area. This combined activities that institutions reported as either piloting or implementing. For example, under equal opportunities over 80% of institutions reported that they were implementing or piloting job evaluation

Appendix Section 2.2 contains further information and examples of the activities shown, figures that show activities organised by institutional type and by priority area, and commentary about the different focus placed on activities by different types of HEIs.

Figure 3-2: Type of activities reported across the six priority areas and percentage of HEIs undertaking activity

Job Evaluation	81-100%	Other T&D	81-100%								
Awareness and education of EO	61-80	Management T&D	81-100								
EO Monitoring	61-80	Improved HR Database and systems	61-80								
EO Data collection	61-80	T&D for IT	61-80								
Use of Evaluation Tools	61-80	T&D for Scholarship and Research	41-60								
Review EO policy against existing legislation	61-80	Review of HR policies	41-60								
Measures to encourage disabled individuals	41-60	T&D for accredited frameworks for professional	41-60	Data collection on R&R	41-60%						
Salary structures or re-grading process	41-60	Active Targeting used to increase the numbers receiving T&D	41-60	Market Supplements	41-60						
Measures to encourage ethnic staff	41-60	Leadership T&D	41-60	Non-pay related benefits	41-60						
Measures to encourage women	41-60	Support Mechanisms in place to assist T&D	41-60	Staff surveys	41-60						
EO Audit	41-60	Investor in People Status	21-40	Redesign recruitment process	41-60						
EO Advisory Group	41-60	HR Web based access by staff	21-40	Retention Payments	21-40						
Equal pay review	21-40	Staff Development Mgr recruited to assist T&D	21-40	Exit Procedures	21-40						
Work or Life balance policies	21-40	Individual career review planning and advice	21-40	Alterations to Recruitment Advertising	21-40	Strengthen HR department	41-60%				
Flexible working policies	21-40	Policies for contract staff	21-40	Enhanced Relocation Schemes	21-40	Regular reviews of staffing needs	41-60	Support mechanisms to assist poor performance	41-60		
EO Officer recruited	21-40	Online Training available to staff	21-40	Web-based application process	21-40	Staff restructuring program	21-40	Absence Procedures	41-60	Performance system has been reviewed	61-80
EO surveys and workshops	21-40	Open communication with HR	21-40	Equal pay benchmarking	21-40	Funds allocated for severance and redundancy	21-40	Training managers on poor performance procedures	21-40	Performance related pay or merit or contribution scheme	41-60
Measures to encourage under-represented groups	21-40	Policies for Admin support	21-40	Excellence Awards	21-40	Staffing needs reflected by market demands	1 - 20	Disciplinary or Probation procedures	21-40	Annual Appraisals are conducted	41-60
Stress policy	21-40	Exchange of good practise	21-40	Reform leave policy	21-40	Retraining and redeployment of staff programs	1 - 20	Capability Procedures	21-40	Mgt training on appraisals system	21-40
Direct Marketing to under-represented groups	21-40	Career Development Fellowships	1 - 20	Marketing HEI as a desirable place to work	1 - 20	Enhanced Early Retirements policy	1 - 20	Occupational Health Workers	21-40	Competency frameworks used to access performance	21-40
Links with local community	1 - 20	Succession Planning	1 - 20	Measures to encourage and attract a global workforce	1 - 20	Staffing allocation is aligned to student demand	1 - 20	Monitoring procedure	1 - 20	Performance reviews linked to organisational goals	1 - 20
Age discrimination consideration	1 - 20	Dissemination of Development opps	1 - 20	Golden Hellos	1 - 20	HE expansion policies impact on staff needs	1 - 20	KPIs are collected and analysed	1 - 20	Percentage of staff getting an appraisal	1 - 20

4 **Reported spending under the first round of R&DS funding**

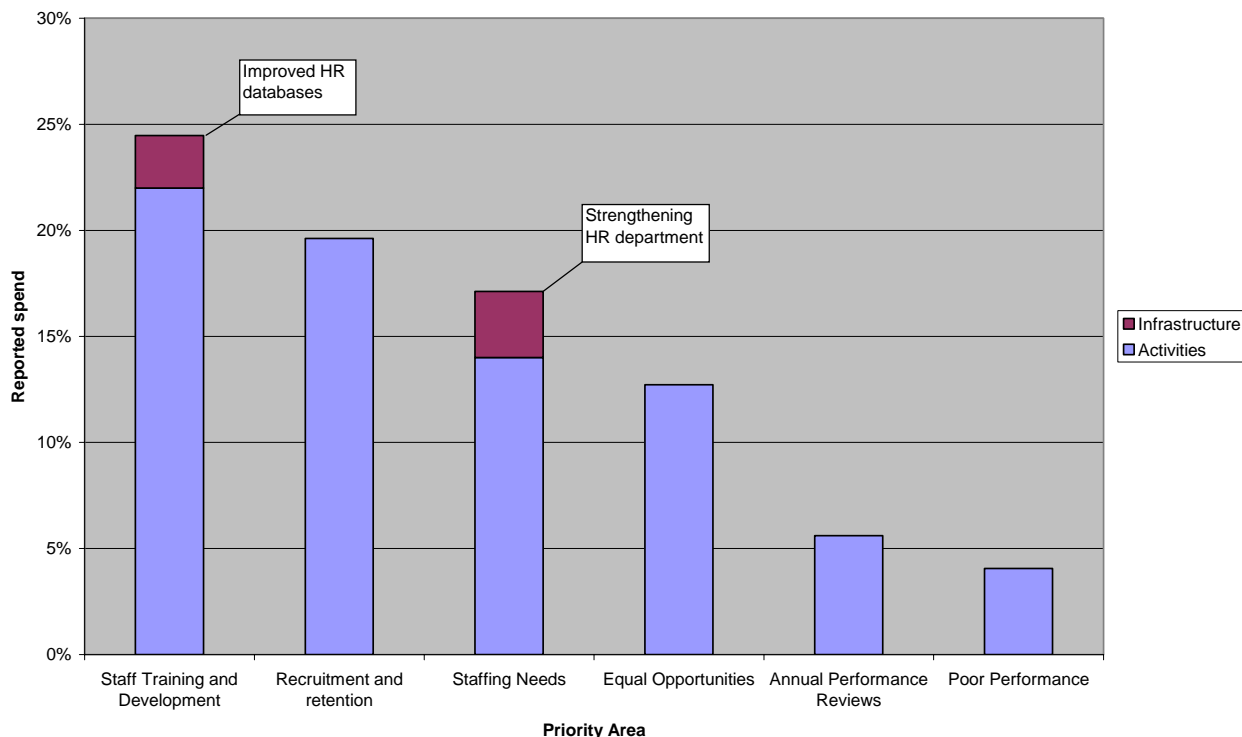
Our analysis considered the spending reported by HEIs under each priority area and spending by activity within each priority area. Although useful in providing an overall picture of spending across the sector on HRM activities, the data used in our analysis has several important caveats.

- The information on spending was collated from two sources: spend by priority area, if detailed by institutions in their summary AMS; and the reported spend on activities under each priority area. Spend information on activities was recorded under the priority areas if provided, or by the classification employed in the document review.
- There was considerable variation in how institutions reported their spending. The level of detail provided differed markedly by institution. A number of institutions did not provide detailed or any information on spend, and others provided detailed reporting on how and where the money was used.
- There were variations in reporting spend on individual activities. For example, some institutions provided a total spend on training and development courses. This made it difficult to attribute spending to specific types of training activity. In some cases, a number of courses were reported with a total spend, and we made assumptions in our analysis about how the spending was attributed across these courses.
- Total spend across the priority areas did not always match the amount of R&DS funding allocated by HEFCE. In some cases, total spend reported across the priority areas exceeded the allocation, indicating that certain HEIs had used their own funds to support the initiative. The amount of “overspend” varied. This was noted in 11 institutions or 9% of the total and should be taken into consideration when reviewing the financial analysis presented.
- A considerable amount of the reported spend was on providing new infrastructure, such as new computer systems, or increasing the number of staff in the HR department. However, it has not been possible to separate this spend out from the six priority areas because of the variation in reporting financial data referred to above.

In interpreting this data, it should be noted that expenditure on a priority area is not necessarily indicative of the time and effort devoted by institutions to that area. Expenditure is also not necessarily a guide to the output achieved. As noted above, HEIs may have reported activity and expenditure differently: for example, they may have recorded expenditure and activity designed to address poor performance under staff development and training, which will impact on the expenditure recorded.

Figure 4-1 shows the reported spend by priority area as a proportion of the total reported allocation of R&DS 1 funding.

Figure 4-1: Average reported institutional spend by priority area as a proportion of total reported allocation over R&DS 1



Source: KPMG evaluation fieldwork 2004

The expenditure data shows that:

- 74% of the funding was used to address the priority areas of recruitment and retention, staff training and development, equal opportunities, and staffing needs;
- 2% of expenditure on staff training and development was on improved HR databases, and 3% of reported expenditure on staffing needs was on strengthening HR departments. There was also infrastructure spend within equal opportunities for job evaluation activity; however the spend reported was not discrete and therefore could not be detailed;
- initiatives under staff training and development on average accounted for 24% of institutions' allocated funding;
- the lowest average spend by institutions was to address the priority areas of annual performance reviews and poor performance.

The profile shown in Figure 4-1 is expenditure reported by HEIs during R&DS 1. The relatively high levels of spending reported for staff development and training and for recruitment and retention may reflect the emphasis that HEIs place on investing in non-recurrent costs. This emphasis may be explained by the fact that the funding was only allocated for three years, so HEIs were less likely to have invested in activities requiring recurring expenditure.

Further information on spending by priority area can be found in Section 4.

4.1.1 **An emphasis on essential infrastructure to support improvements in HRM**

Institutions reported that they invested in new infrastructure such as HR systems or recruitment of staff in HR functions. This expenditure on infrastructure was seen as important in underpinning and supporting the wide range of activities which HEIs then embarked to improve and modernise their HRM.

4.1.1.1 ***Improving HR systems***

Our analysis found that considerable activity was reported for improving infrastructure, particularly through updating or purchasing a new HR database or computer systems, including new payroll systems⁶. Such investment in infrastructure was reported as being undertaken by over two-thirds of HEIs. There were variations by type of institution in the extent to which this activity was adopted. These are shown in Table 4-1.

Table 4-1: Percentage and number of HEIs reporting the introduction of new HR databases or systems

Type of institution	Percentage of HEIs reporting introducing a new HR database or payroll system	Number of HEIs reporting introducing new HR databases and systems
Specialist institution	56%	16
General HE college	63%	5
Pre-1992 university	70%	29
Post-1992 university	72%	26
University college	82%	9
Total	68%	85

Source: KPMG document review 2004

Over 80% of university colleges reported introduced new support systems. In comparison, just over half of specialist colleges reported improving their infrastructure in this way. Around 70% of both pre- and post-1992 universities introduced new computer systems.

Not all institutions reported on expenditure on these activities. However, based on the information reported, we found that 43 institutions reported spend on new HR databases and systems. This ranged from 1% to 40% of average total funding allocated through R&DS 1. Of those that did report their expenditure, on average it accounted for 8% of each HEI's total funding budget.

4.1.1.2 ***Strengthening the HR department***

Under the review of staffing needs priority area, the largest reported focus was on improving infrastructure through strengthening the staff within the HR department, where over 58% or 71 institutions reported recruiting. As Table 4-2 shows, in all types of institution, with the exception of post-1992 HEIs, around two-thirds had used the funding

⁶ This type of activity was placed in the staff training and development priority area as it was considered to underpin activities in that area. However, it could be placed in other priority areas.

to help support and fund extra HR positions. In comparison just over a third of post-1992 universities reported strengthening their HR department through the initiative.

Table 4-2: Percentage of institutions reporting strengthening their HR department by institutional type

Type of institution	Percentage of HEIs strengthening their HR department	Number of HEIs strengthening their HR department
Post-1992 university	36%	13
General HE college	63%	5
University college	64%	7
Specialist institution	66%	19
Pre-1992 university	71%	30
Total	58%	73

Source: KPMG document review 2004

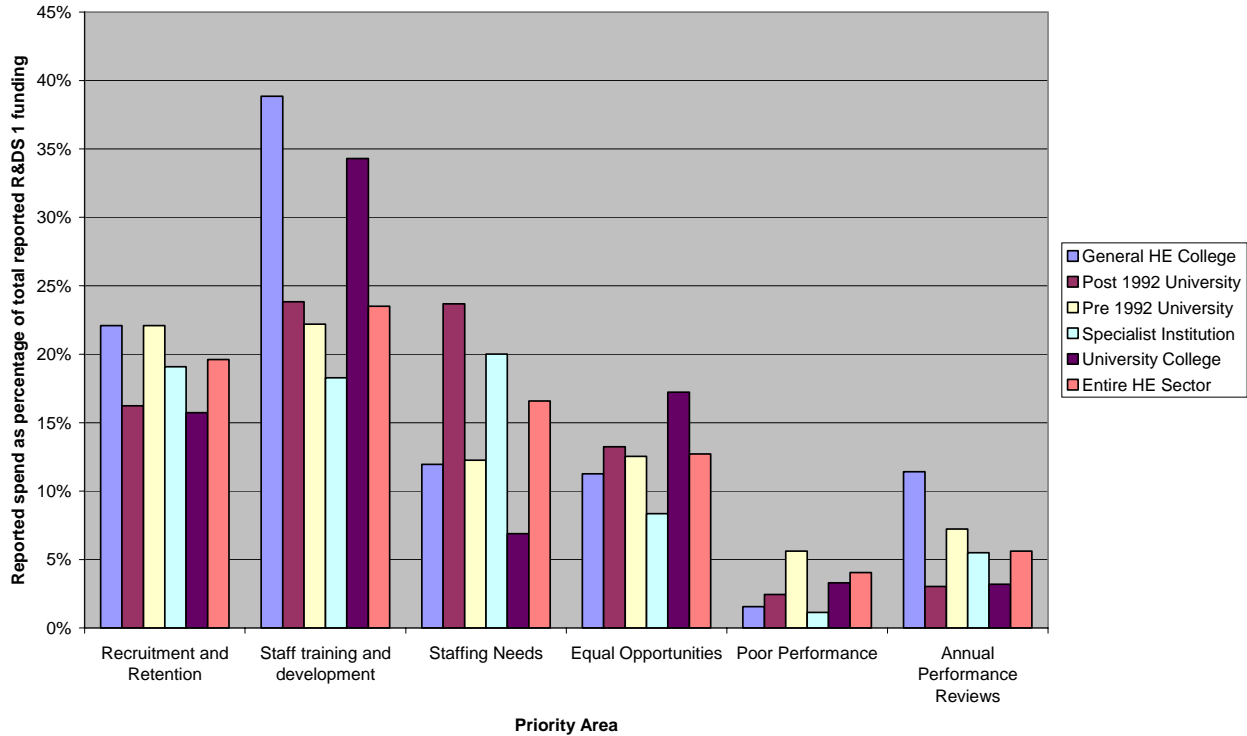
Based on the information reported, we found that only 47 institutions reported spend on strengthening their HR department. This ranged from 1% to 55% of average total R&DS 1 allocated funding. Of those that did report their expenditure, on average it accounted for 14% of each HEI's total funding budget. This explains why the reported spend under staffing needs was so high, as the costs were mainly derived from improvements to infrastructure.

4.1.2 Variation by type of institution

As **Figure 4-2** shows, there is considerable variation by type of institution in the reported spend across each of the six priority areas.

- General HE colleges reported spending a much larger percentage of their budget on staff training and development, recruitment and retention and annual performance reviews when compared against the whole HE sector in England.
- Post-1992 universities reported spending 24% of their budget on staffing needs, a figure which matched their expenditure on staff training and development. However, they reported spending considerably less than the average for the sector on recruitment and retention, on addressing poor performance and on annual appraisals.
- Pre-1992 universities spent 22% of their budget on staff training and development, below the average for the sector. However, they reported spending more funds on recruitment and retention and addressing poor performance.
- Specialist institutions only reported spending 1% of their budget on addressing poor performance, which was 3% lower than the figure for the whole HE sector in England. They also reported spending 8% of their budget on equal opportunities, which was 5% lower than the average for the whole HE sector in England.
- University colleges reported spending 34% of their budget on staff training and development, over 10% more than the sector as a whole. They also placed a greater focus on equal opportunities than on staffing needs or recruitment and retention.

Figure 4-2: Average reported institutional spend by priority area as a proportion of total reported allocation over R&DS 1, broken down by type of institution



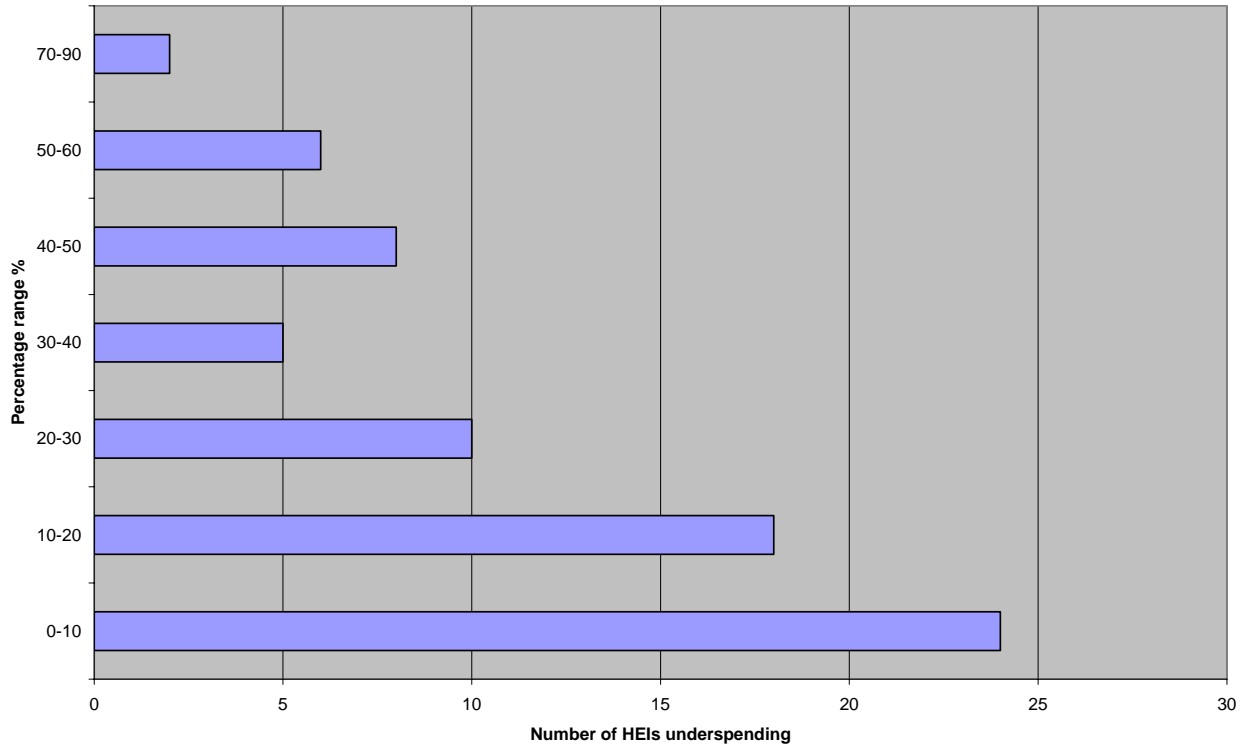
Source: KPMG document review 2004

The information from this table can be found in the Section 2.3 of the Appendix.

4.1.3 Carry forward

Over half of the institutions (57%) reported carrying forward funding. This was primarily reported as being due to delays in implementing the new national pay framework as a result of the negotiations on the national framework agreement. The amount of carry forward was agreed with HEFCE and varied considerably, from less than 10% to 90% of the total allocated R&DS 1 funding. This is shown in Figure 4-3. The average reported institutional carry forward was 22% of total allocated R&DS 1 funding.

Figure 4-3: Reported carry forward as a proportion of total R&DS allocation by number of HEIs



Source: KPMG document review 2004

4.2 Summary

The baseline data provides an overview of the range, number and focus of activities across the six priority areas. From the information reported we can see that the greatest number of activities took place in staff training and development and equal opportunities. The focus of activity shows variation both within and across priority areas, and also by region and type of institution. Section 4 uses the baseline data to contextualise the individual research questions for the six priority areas.

5 Impact and outcomes across the six priority areas

The previous section presented a baseline of information, reported by the HEIs themselves via their HR strategies and AMS returns. Our analysis now draws on these findings and those from the document review, the HR Directors' questionnaire, stakeholder and institutional interviews and focus groups, to consider the impact of the R&DS initiative on HRM within the HE sector and on the HE sector as a whole.

This section takes the evaluation questions set by HEFCE that address the six priority areas and considers the evidence gathered from our multi-stranded research against each question, detailing the outputs and outcomes and the impact of the initiative.

An important indicator of the importance given to each of the six priority areas during the period of R&DS 1 funding emerged from the questionnaire with HR Directors. We asked HR Directors to rate the importance of R&DS in addressing the sector's six key priority areas. Table 5-1 shows the ratings given to each of these areas.

Table 5-1: Rating of six key priority areas by HR Directors in the HE sector

	Non response	Low	Medium	High
Staff development and training	(2) 3%	(0) 0%	(19) 25%	(57) 73%
Equal opportunities	(1) 1%	(2) 3%	(25) 32%	(50) 64%
Recruitment and retention	(1) 1%	(8) 10%	(33) 42%	(36) 46%
Annual performance reviews	(1) 1%	(12) 15%	(39) 50%	(26) 33%
Review of staffing needs	(1) 1%	(17) 22%	(35) 45%	(25) 32%
Tackling poor performance	(1) 1%	(16) 21%	(42) 54%	(19) 24%

Source: KPMG analysis of HR Directors' questionnaire (2004)

5.1 Recruitment and retention

The evaluation considered the progress that had been made by HEIs under the recruitment and retention priority area. Specifically, we considered the evaluation questions posed by HEFCE.

Has R&DS funding enabled HEIs to recruit better quality staff, and retain their high quality staff? How are HEIs dealing with staff shortages?

5.1.1 Evidence of a strong emphasis on recruitment and retention activities during R&DS 1

Recruitment and retention has clearly been a focus of much attention in HEIs during the funding period. As shown in Table 5-1, 88% of the responding institutions rated the staff recruitment and retention category as having "high" (46%) or "medium" (42%) importance, whilst 10% rated it as having "low" importance.

Our focus groups revealed that typically there was widespread knowledge amongst non-HR staff of new activities being undertaken by HEIs in relation to recruitment and retention in the period 2001-04.

Overall, the in-depth interviews identified a greater degree of confidence amongst senior staff when undertaking recruitment. This is reported to be because of an investment in training in recruitment and selection and the processes used.

Stakeholders reported that it appears that most HEIs have identified specific recruitment and retention issues and then developed activities using R&DS 1 funding. Stakeholders felt that HEIs appeared to be becoming better at targeting the funding to their own specific needs, since these vary across the sector. They observed that the use of golden hellos, relocation payments or revised pay scales has helped some HEIs to recruit suitably qualified staff.

5.1.2 A wide range of recruitment and retention activities identified

Our baseline analysis revealed a range of 16 different activities under this priority area. Table 5-2 lists the range of activities reported, grouping them under three categories:

- improving the recruitment process;
- data gathering on pay, retention and the opinions of their staff;
- using financial incentives to aid recruitment and retention.

Table 5-2: The range of activities reported under the priority area of recruitment and retention

Improving the recruitment process	Data gathering	Financial incentives
Recruitment advertising altered	Market pay data collected	Market factor supplements
Web-based application forms	Staff surveys	Retention payments
Improvements to the recruitment process – e.g. introduction of assessment centres and psychometric testing	Data collection of recruitment and retention activities	Golden hellos and Golden handcuffs
Improvements to the range of non-pay related benefits – e.g. flexible working,	Exit Interviews or questionnaires	Excellence awards
Enhanced relocation schemes	Staff satisfaction surveys	Long-service awards
Measures to encourage and attract a global workforce		
Marketing the HEI as a desirable place to work		
Reform of leave policy e.g. offer sabbaticals		

Source: KPMG document review 2004

For a comparison of the range of activities undertaken under this priority area compared to the other five priority areas, see our baseline analysis at Section 3.

5.1.2.1 *Improvements to the recruitment process*

Recruitment was a clear priority for HEIs: 50% reported that they had altered their recruitment process – for example introducing assessment centres to recruit key staff groups. Other activities and initiatives implemented include:

- 34% of institutions reported enhanced relocation schemes, and 23% had introduced a reformed leave policy which included the option of sabbaticals;
- 43% of institutions reported using and introducing a web-based application process, and 39% had improved their recruitment advertising;
- a less commonly reported activity was directly marketing the HEI as a desirable place to work, which was reported as being implemented by 15% of institutions.

5.1.2.2 *Data gathering activities*

- 52% of the institutions reported collecting data on recruitment and retention, and 43% reported holding exit interviews or asking leavers to complete an exit questionnaire.
- Just under 50% reported conducting staff surveys during the initiative, to find out more about the views of their staff.
- Over 25% of institutions reported gathering data on market pay to ensure they were paying individuals in line with their regional competitors.

5.1.2.3 *Use of financial incentives*

- The use of market supplements was reported in just under 50% of HEIs, with measures being put in place to increase pay in certain positions to ensure they were more in line with the market. Common staff groups used for market factor supplements were IT staff and security staff.
- Excellence awards were reported as being awarded in 23% of institutions. These were generally given to individuals who had displayed excellence in research.
- The use of retention measures was reported as being prevalent in over 40% of institutions, and 43% reported introducing a new range of non-pay related benefits. By comparison, 40% of institutions reported using retention payments over the three-year period.
- 15% of institutions reported using golden hellos in their summary AMS as a recruitment tool to attract new joiners, and referred to using the scheme put in place by HEFCE. HEFCE reports that many more were finalising the golden hello scheme they would subsequently implement.

5.1.3 **Differences in the range of recruitment and retention activities – by region and by institutional type**

Our analysis showed that the frequency with which activities were undertaken varied by type of institution and region.

5.1.3.1 *Regional differences in recruitment and retention activities*

The most apparent regional variations occurred in the use of financial incentives to attract and retain individuals. For example, we identified interesting regional differences in the use of market supplements, as shown in Table 5-3.

Table 5-3: Percentage and number of institutions reporting the use of market factor supplements

Region	Number of institutions reporting market factor supplements	Total number of institutions	Percentage of institutions reporting market factor supplements
East	3	9	33%
East Midlands	4	9	44%
London	16	37	43%
North East	3	5	60%
North West	10	15	66%
South East	11	18	61%
South West	3	12	25%
West Midlands	5	11	45%
Yorkshire and the Humber	3	10	30%
Total	58	126	46%

Source: KPMG document review 2004

Around two-thirds of institutions in the North West, North East and South East reported implementing market factor supplements to retain and recruit staff. Areas where market factor supplements were less commonly reported as being used are the East, Yorkshire and the Humber and the South West. Interestingly, the reported use of market supplements in London HEIs is lower than some stakeholders believed to be the case. This may be because of the existing use of London Allowances which may account for a lower than expected reported use of supplements.

Table 5-4 shows the regional differences in the use of retention payments such as long service and discretionary pay awards. This applied to a variety of different staff groups. Over half of institutions in the East Midlands, the South East, Yorkshire and the Humber and the North East reported using some form of retention payment over the three-year R&DS period. HEIs in the North East reported using such payments more than other regions.

Table 5-4: Percentage of institutions reporting the implementation of retention payments by region

Region	Number of institutions reporting retention payments	Total number of institutions	Percentage of institutions reporting retention payments
East	3	9	33%
East Midlands	5	9	55%
London	12	37	32%
North East	4	5	80%
North West	4	15	26%
South East	10	18	55%
South West	3	12	25%
West Midlands	3	11	27%
Yorkshire and the Humber	6	10	60%
Total reported percentage of HEIs implementing retention payments	50	126	40%

Source: KPMG document review 2004

5.1.3.2 **Variations by institution type in emphasis on recruitment and retention activities**

Our findings from the document review showed variations by type of HEI in the emphasis of activities undertaken within the recruitment and retention priority area. For example, the reported use of financial incentives was more prevalent in both pre- and post-1992 universities and university colleges than in general HE colleges and specialist institutions:

- market supplements or retention payments were implemented in around two-thirds of pre- and post-1992 universities;
- 50% of all university colleges reported introducing financial recruitment and retention incentives including market factor supplements, retention payments or enhanced relocation packages;
- 17% of specialist institutions reported using retention payments, whilst 20% of specialist institutions reported using market factor supplements to recruit and retain individuals.

General HE colleges and specialist institutions reported placing a greater focus on data collection and improvements to the recruitment process (such as redesigning their recruitment advertising and conducting exit interviews).

5.1.4 **Specific problems addressed by HEIs in recruitment and retention**

All of the institutions interviewed reported that they had experienced some recruitment problems, but that these were specific to relatively small staff groups rather than widespread; in areas where the institution is in direct competition with other sectors, such as health and teaching. Some problems were also reported for particular ICT posts, business development roles and senior academic posts. Generally, interviewees from HEIs considered recruitment to be a bigger problem than retention.

On the other hand, stakeholders reported several challenges in both recruitment and retention. For example, recruitment and retention of good academic and professional and support staff was highlighted as one of the main challenges facing the sector, interlinked with career progression. Stakeholders reported that difficulties varied by region and in certain academic subjects.

Other recruitment and retention problems reported by stakeholders were the lack of procedures for recruiting hourly paid staff, the ageing workforce, and capacity issues in terms of skills and people shortages in some staff groups.

5.1.5 **Measuring quality in recruitment and retention**

Our analysis considered the extent to which the quality of staff being recruited and retained had increased during the period of R&DS 1. We were particularly interested in identifying any monitoring undertaken by HEIs to measure “quality”.

Our interviews with HEIs revealed a perception that the quality of staff recruited had improved as a result of improvements in the recruitment processes implemented under R&DS 1 funding. However, none of the institutions interviewed reported having

undertaken any specific evaluation of the quality of staff that they are now recruiting, or whether better quality staff are being retained.

The questionnaire asked HR Directors to rate the staff recruitment and retention outcomes achieved by their institution. The majority of respondents rated the outcomes of both staff recruitment and staff retention as having either a variable or large impact on their organisations. Of the total responses to this question, 45% (35) of HR Directors agree that R&DS initiative funding has had a positive impact on staff recruitment, and 40% (31) that it had a positive effect on staff retention. In total, only 6% (5) of institutions reported “no change” in staff recruitment practices, and 17% (13) rated “no change” in staff retention.

The questionnaire also asked HR Directors to give their view on changes in staff turnover over the three-year period, and whether these could be attributable to the actions enabled by R&DS. They were asked to elaborate on this by asking if R&DS had placed their institution in a better position to recruit the quality of staff the institution needed, and in the different roles. 31% (24) of respondents could attribute R&DS initiative funding to changes in staff turnover. A total of 37% (29) of respondents from all the institutions were uncertain whether they could attribute change to the actions; and 18% (14) said they were not attributable.

On the whole, the respondents said there was some improvement in their ability to recruit the quality of staff required across most staff posts. This is especially true for recruiting academic staff, where 55% (43) of respondents reported some change to quality recruitment. 54% (42) reported no change for the quality recruitment of manual staff; and no change for clerical staff was similarly high at 42% (33).

Table 5-5 shows the number of institutions that reported “significant” or “some improvement” in their ability to recruit the quality of staff they need by staff categories.

Table 5-5: HR Directors’ reporting “significant” or “some improvement” in recruiting quality staff

Staff categories	Number of HR Directors reporting improvement in recruiting quality staff	Percentage of HR Directors reporting improvement in recruiting quality staff
Admin and professional	48	61%
Academic	57	73%
Technical	33	42%
Manual	25	32%
Clerical	32	41%

Source: KPMG analysis of HR Directors’ questionnaire 2004

Clearly, HR Directors perceive there to have been improvements in recruiting quality staff from all parts of the workforce, although improvements are particularly noted for academic staff, and for administration and professional staff. Only one institution said that they were now in a worse position to recruit the quality staff needed, in the case of

academic, manual and clerical staff. There was little variation in the responses by institution type⁷.

The questionnaire went on to ask the same question about the retention of staff, which has shown a similar picture to that of recruitment. The majority of institutions reported “some” change (40-50%) across each of the staffing groups, with the exception of manual staff, where only 32% (25) reported change. More positively, 17% (13) of institutions reported a “significant” change in their ability to retain quality academic staff. 8% (6) of administrative and professional and 8% (6) of clerical posts were also reported as having a “significant” impact on retention. This is twice the figure for manual staff.

HR Directors were asked about the ability of their institution to identify an optimum staff turnover rate: 47% (37) have identified that through R&DS the institution has made some improvements in identifying an optimum staff turnover rate; 8% (6) identified that they made significant improvements; and 35% (27) said they were not able to. This was a similar picture to the extent to which institutions were able to anticipate staff shortages: 58% (45) of HR Directors who responded to the questionnaire agreed that R&DS has enabled their institution to respond effectively to address staff shortages.

The questionnaire invited respondents to elaborate on their responses to these questions by writing additional comments on the questionnaire. Of the 57 free text responses received, 30% (16) of respondents attributed change in staff turnover to activities introduced with R&DS funding. They attributed this to the offer of increased staff development or progression, and the ability to improve benefits (including salary), particularly for clerical staff. Two also commented that focusing effort on the branding of the institution increased staff morale.

A further 21% (12) of the free text responses said there had been change in staff turnover, but that they attributed this to other factors than R&DS 1 or to the wider context within their institution. Examples included the expansion of the organisation, alliance with another institution, or a change in leadership.

The remaining 49% (28) said there had been no change to turnover between 2001-02 and 2003-04. Of these institutions reporting no change, it was commented that good retention policies were already in place, or it was too early to assess change following the funding of new activities. Three of the institutions also commented that they had no HR systems to monitor, or no data sets in place to make an assessment of staff turnover at the level of detail required by the questionnaire.

⁷ Feedback from HEIs following this questionnaire indicated that some HR Directors had some difficulty in differentiating between these categories, since they do not record staff in this way. This may account for the general clustering of responses and the lack of variation between institutions.

5.1.6 Summary conclusions

Has R&DS funding enabled HEIs to recruit better quality staff, and retain their high quality staff? How are HEIs dealing with staff shortages?

- HR Directors rated recruitment and retention as the third most important priority area for HEIs in R&DS 1.
- A wide range of activities in recruitment and retention have tended to focus on improving the recruitment process, data gathering and use of financial incentives.
- There appear to be significant regional differences in the use of financial recruitment and retention incentives.
- There are interesting variations by institutional type in the range of activities undertaken and the emphasis placed on these.
- Recruitment is perceived to be more difficult to undertake and causes more problems than retention activities.
- HR Directors feel that they are able to address staff shortages more effectively as a result of R&DS 1.
- There is evidence of improvements in the “quality” of processes used to recruit and retain staff.
- There are strong perceptions that the “quality” of staff being recruited and retained has improved, particularly in academic posts (although less so in manual posts).
- However, there was no evidence of specific monitoring of “quality” of staff recruited and retained.

5.2 Staff development and training

The evaluation considered the progress that had been made by HEIs under the staff development and training priority area. Specifically, we considered the evaluation question posed by HEFCE which was:

How are HEIs using R&DS funding to implement strategic training programmes, to prepare staff for future changes, progression planning, etc?

5.2.1 Staff development and training: the highest priority in R&DS 1 and the greatest impact?

The questionnaire asked HR Directors to rate the priority of staff development and training against the other five areas. This is shown in Table 5-1. The response showed that staff development and training was rated by all institutions as the highest priority area in R&DS 1. In total, 73% (57) of all the responses rated this as “high” priority for the organisation, and a further 24% (19) rated it as a “medium” priority. No institutions marked this as a low priority.

Our analysis revealed that a wide range of staff development and training initiatives had been undertaken by the institutions. Many of the HEIs and stakeholders interviewed reported that R&DS 1 has potentially had the greatest impact in this area. This is felt to be the case for a number of reasons including:

- the funding had enabled a wide range of activities in staff development and training to be designed and delivered for the first time;
- in many HEIs, the funding had been used to appoint staff development professionals to lead the development of activities in this area;
- HR functions have been able to increase institutional focus on staff development and training which has raised the profile of training and career development for both academic and professional and support staff. Staff are more conscious of its importance;
- the emphasis on staff development and training is perceived to be good for morale, and particularly important for staff entering the HE sector.

We asked HR Directors to rank the impact of staff development and training in their institution. The responses are summarised below:

- 56% (44) of respondents agree that the impact of R&DS on management development is largely positive;
- 55% (43) of HR Directors agree that the impact of R&DS on professional practice in teaching and learning is largely positive;
- 49% (38) of HR Directors agree that the impact of R&DS on leadership development is largely positive;
- 45% (35) of HR Directors agree that the impact of R&DS on professional practice in research is variable, with some positive outcomes;

- 44% (34) of HR Directors agree that the impact of R&DS on information technology training is largely positive;
- 44% (34) of HR Directors agree that the impact of R&DS on other skills-based training is variable, with some positive outcomes.

External stakeholders commented that management and leadership have improved across the sector. One stakeholder reported a sea change in the way this development and training is considered within the sector, commenting that training to enhance strategic leadership is now recognised as important.

5.2.2 **A wide range of staff development and training activities**

Drawing on our review of information reported to HEFCE by HEIs, we identified 22 different activities under this priority area.

Details of the type of activities reported are given in Table 5-6, grouped into three categories:

- design and delivery of new staff development and **training courses**;
- development of **infrastructure** to support staff development and training;
- review of existing **processes** and development of new processes to support staff development and training.

Table 5-6: The range of activities reported under staff training and development

Training and development courses	Infrastructure	Process
Management training Leadership training and development IT training and development Other training and development e.g. health and safety training, recruitment and retention training Supporting accredited frameworks for professional staff Research staff training and development	New HR database or payroll system ⁸	Development of online training courses Training and development communications process Exchanging good practice across the institution Succession planning Achieving Investors in People status Career development fellowships Procedures to actively target individuals for courses Access to HR training and development services through the web Review of HR policies Action to assist support staff

Source: KPMG evaluation fieldwork 2004

5.2.3 A strong focus on leadership and management training in R&DS 1

Table 5-7 shows the average reported spend on training and development courses by type. A range of training and development courses was recorded in the document review. Of the 85 institutions that reported using R&DS funding specifically on training courses, they spent on average 12% of their total R&DS funding to develop and run such courses.

Table 5-7: Average reported spend on training and development courses by type

Training and development activity	Percentage of institutions reporting spending in this area	Average reported percentage spend of the of total R&DS allocation
Management	33%	6%
Leadership	12%	4%
IT	30%	5%
Scholarship and research	20%	4%
Other	44%	5%
<i>Total average on training courses</i>	<i>67%</i>	<i>12%</i>

Source: KPMG document review 2004

⁸ This activity was placed in this priority area as it was considered to underpin training and development as well as other priority areas.

As shown in Table 2-13 in the Appendix, our analysis revealed a strong focus in R&DS 1 on management and leadership training:

- management training courses were the most commonly reported implemented training schemes, occurring in 86% of the institutions;
- courses to encourage and develop leadership skills were reported as being implemented in 42% of institutions.

In addition, there was significant investment of funding in IT courses, courses specifically for research staff and a range of other courses such as health and safety training, recruitment and selection training.

This pattern of activity and frequency was reflected across the sector and there was little variation by type of institution or region.

Leadership and management development initiatives were cited by many HEIs in the in-depth interviews as being the greatest force for transformational change in institutions, although it was recognised that there is still a great deal to be done. By using R&DS 1 funding to invest in leadership and management training, institutions reported that this activity was not only a “quick win” but was also intended to have longer-term positive impacts on HRM within the institution.

Leadership and management activities tended to involve mentoring and action learning, usually facilitated by external providers. These were perceived to be the most effective approaches for middle ranking and senior staff. In one case, mentoring had been commissioned jointly with a local NHS body; and in another the joint development of senior support staff and senior academic staff was believed to have provided wider organisational development benefits in breaking down perceived barriers.

The in-depth interviews revealed that another area of significant activity was in the development of learning and teaching skills amongst academic staff, with incentives being given for the maintenance of external accreditation by many institutions. In addition, there were examples of specific skill-based training being provided, for example, in the use of teaching aids.

In addition to traditional approaches to training, some institutions had commissioned on-line training provision.

5.2.4 **Investing in infrastructure and processes to support staff development and training**

In addition to investment in new HR databases to support training and development, our analysis found that there was considerable activity reported in improving the processes associated with staff training and development.

- Our document review revealed that 33% of all HEIs reported using the funding to employ a staff development manager, to help implement their staff training and development programme and strategy.
- The focus groups revealed that staff perceive there to have been a dramatic increase in the use of technology to assist training and development, and this has led to greater and more flexible opportunities to participate for a wider range of staff. Some

institutions have reviewed training needs, and consequently timetabling of training has been changed to better suit particular groups of staff. For example, one HEI runs training courses at 6 o'clock in the morning, targeting domestic staff.

We found that institutions reported using the funding to ensure that the training and support they were offering their staff was easy to access, well communicated and tailored to their needs. Activities included:

- 48% of HR departments have reviewed their HR policies, including production of a staff handbook;
- 45% of institutions are using active targeting to increase the number of individuals on certain courses. This includes staff development reviews, programmes, or action plans looking into the development needs of the workforce;
- HR departments in a third of institutions reported offering access to their training and development services through the web, making it easier for individuals to resolve their queries. A third of all institutions reported moving towards offering their training courses on-line;
- a third of institutions reported offering their staff individual career reviews and planning advice;
- training and development activities to support the sharing of good practice and succession planning were identified by 21% of all HEIs, demonstrating a recognition by HEIs of the need to think and plan strategically about their future needs;
- career development fellowships are now in place in 20% of institutions, offering a development opportunity and acting as a retention incentive;
- 10% of institutions are in the process of achieving Investors in People (IiP) status, with 27% having achieved the award in the three-year period.

The questionnaire asked whether HR Directors had observed changes in operational impact, compared to the period before R&DS. The following summarises their responses.

The questionnaire asked whether HR Directors had observed changes in operational impact, compared to the period before R&DS. The following summarises their responses:

- 90% (70) of HR Directors agreed that there has been some or significant improvements in providing opportunities to address staff training and development needs;
- 85% (66) of respondents experienced some or significant improvements in ensuring adequate take-up of opportunities by staff;
- 83% (65) of HR Directors have observed some or significant improvements in their HEI's ability to identify staff training and development needs;
- 82% (64) of HR Directors agreed that some or significant improvements were made in evaluating the effectiveness of staff training and development opportunities in addressing development needs.

Overall R&DS had the greatest impact in providing opportunities to address staff development needs and the least impact in evaluating the effectiveness of the initiatives.

5.2.5 **Expectations for improved and increased staff development and training will continue**

Our analysis shows that the emphasis on staff development and training has been significant during R&DS 1. Institutions have invested not only in increasing the range of courses available to staff, but have also in improvements in the infrastructure and processes required to support staff development and training.

Union stakeholders, who reported that they had expected to see staff development and training receiving great emphasis in R&DS 1, commented that they had seen evidence of many good initiatives being introduced by HEIs during the funding period.

However, our discussions with stakeholders and focus groups with a range of HE staff revealed concerns that there remains a lack of training and development for some key staff groups, particularly technicians and support staff. Furthermore, increasing training opportunities needs to be matched by the ability to reduce workload in order for staff to be able to attend.

Interviewees also felt that the emphasis on staff development and training in R&DS 1 had raised expectations amongst staff, and that this focus would need to continue if the beneficial impacts were to be felt in HEIs and by the HE sector as a whole.

5.2.6 Summary conclusions

How are HEIs using R&DS funding to implement strategic training programmes, to prepare staff for future changes, progression planning, etc?

- Staff development and training was considered the highest priority of the six priority areas.
- The impact of R&DS 1 funding is perceived by many people to have been greatest in this priority area.
- There has been heavy investment in training courses, especially management and leadership development, but also on a range of other courses.
- There is evidence of recruitment of dedicated staff development and training personnel.
- There has been investment in infrastructure and processes to support effective staff development and training.
- The HR Directors' questionnaire found that R&DS had the greatest impact on providing opportunities to address staff development needs, and the least impact on evaluating the effectiveness of the various initiatives.
- Several HR Directors believed that the emphasis on staff development and training has had a positive impact on staff morale for those who had benefited, and there are expectations that this investment will continue in the future.

5.3 Equal opportunities, equal pay and job evaluation

The evaluation considered the progress that had been made by HEIs under the equal opportunities, equal pay and job evaluation. Specifically, we considered the evaluation questions posed by HEFCE which were:

Equal opportunities – how has the initiative impacted on the role and reward of women and ethnic minorities in HE? How widespread is job evaluation and has it had a positive impact on the move towards equal pay for work of equal value?

5.3.1 A significant shift towards equality and diversity related activities

Our evaluation revealed a significant shift during the period of R&DS 1 funding towards equality and diversity related activities. The fact that institutions also had to comply with new equality legislation was clearly helpful in raising awareness and creating commitment at senior level within HEIs to improving understanding and addressing the diversity agenda.

The questionnaire asked HR Directors to rank the importance of equal opportunities against the five other priorities. 96% (75) of HR Directors from all the institutions rated equal opportunities as a “high” (64% - 50) or “medium” (32% - 25) priority, whilst only 3% (2) ranked this as a “low” priority.

The questionnaire asked views about the impact that R&DS funding initiative has had on equal opportunities issues in the respondents’ institutions. Table 5-8 provides a summary of the perceptions of HR Directors on the impact of R&DS.

Table 5-8: Impact on equal opportunities

	Role and reward		Leadership roles		Academic posts	
	Number	Percent	Number	Percent	Number	Percent
Women	52	67%	51	65%	48	62%
Ethnic minority groups	44	56%	38	49%	33	42%
People with disabilities	33	42%	43	55%	38	49%

Source: KPMG analysis of HR Directors’ questionnaire 2004

Our questionnaire findings suggest that HR Directors perceive the greatest impact of R&DS funding under this priority area to be on the role and reward of women.

Our interviews with stakeholders and institutions revealed a cultural shift in dealing with equal opportunities. One stakeholder reported that heads of institution were now more likely to ask “how” they could effectively address equal opportunities issues rather than “why” they should.

5.3.2 **A range of new or enhanced equality and diversity related activities in evidence during R&DS 1**

Our analysis revealed that during the period of R&DS 1 funding, HEIs undertook a number of new activities related to equality and diversity, in addition to enhancing existing policies and processes. We categorised these activities into four groups:

- awareness and monitoring activities;
- targeted recruitment campaigns;
- job evaluation;
- development and enhancement of equal opportunities policies.

Table 5-9 shows the range of activities undertaken within these four categories.

Table 5-9: Range of activities reported under equal opportunities priority area

Awareness and monitoring	Targeted recruitment campaigns	Job evaluation	Policies
EO monitoring	Measures to widen recruitment pool in disability	Job evaluation scheme in process	Review EO policy against existing legislation
EO data collection	Measures to widen recruitment pool in ethnicity	Evaluation tool being used	Work-life balance policies
Awareness and education of EO	Measures to widen recruitment pool by gender	Salary re-structuring or regrading process	Flexible working policies implemented
EO audit ⁹	Links with local community		Stress policy
Equal pay reviews	Direct marketing to the local ethnic press		
EO surveys and workshops for all staff	Age discrimination consideration		
EO advisory groups	Measures to widen the recruitment pool in under-represented groups		
EO officer recruited			

Source: KPMG document review 2004

5.3.2.1 Awareness and monitoring

A large number of activities have been introduced to improve awareness. Our document review revealed strong emphasis across the sector on these activities including:

- 80% of institutions offered equal opportunities awareness training workshops or training programmes to staff;
- 40% of institutions reported the establishment of an equal opportunities advisory group;
- 33% of HEIs conducted equal opportunities surveys and workshops for staff.

Activities to ensure that appropriate procedures to monitor equal opportunities were in place were also widespread:

- 75% of institutions reported collecting and monitoring equal opportunities data;
- 41% of HEIs reported undertaking an equal opportunities audit;
- 38% of institutions had reported conducting an equal pay review.

⁹ EO audit and equal pay reviews were recorded under the awareness and monitoring heading. However, it is recognised that they are linked to job evaluation and could equally have been placed under this heading.

5.3.2.2 *Targeted recruitment campaigns*

Institutions had undertaken a variety of measures to assist and recruit certain groups of individuals into the workforce, as discussed in the section on recruitment and retention.

- Institutional variations can be seen when comparing the percentage of HEIs focusing on measures to ensure equality in gender and ethnic representation. Over half of pre-1992 universities reported introducing schemes focusing on measures associated with equality in gender. 52% of specialist institutions focused on ethnicity equality issues. See Table 2-12 in the Appendix for further details.
- 45% of institutions reported introducing initiatives to ensure they were accessible to disabled individuals, with many institutions gaining the “two tick” symbol¹⁰.
- Initiatives to recruit more women and other activities to promote and encourage women within the sector (such as “Springboard” programmes) were reported by 41% of HEIs.
- Direct marketing to under-represented groups (e.g. advertising in the local ethnic press) was reported by 22% of the sector. Developing links with the local community was reported by 15% of institutions. This included documenting activities or initiatives to integrate their HEI into the community.

Interestingly, our analysis identified variations by institutional type in the extent to which HEIs have monitored activities which ensure equality in gender and ethnic representation. Over half of pre-1992 universities reported introducing schemes focusing on measures associated with equality in gender. 52% of specialist institutions focused on measures for ethnicity.

5.3.2.3 *Job evaluation*

Our document review revealed that the largest proportion of funding within this priority area had been allocated by institutions to address job evaluation. Of those that reported expenditure on this activity, on average it accounted for 8% of the total R&DS 1 allocation.

The review of AMS returns showed that institutions were at different stages in addressing job evaluation. These ranged from discussions on which job evaluation system to introduce, buying and piloting systems, through to completing and implementing evaluations and then regrading all posts across the institution to new pay structures.

The variable implementation of job evaluation is explored in more detail in Section 4.3.3.

¹⁰ “Two tick” disability symbol recognises commitment to good practice in employing disabled people.

5.3.2.4 *Policies*

The document review found that measures to address equal opportunities primarily focused on ensuring that the necessary policies were in place to comply with legislation, so that all groups – regardless of their race, gender and disability –, received equal status within the workforce. As a result:

- 61% of institutions reported making alterations to their equal opportunities policy;
- 30% of institutions documented policies to support work-life balance. Linked to this, 35% of institutions implemented flexible working policies.

New policy development has tended to focus on support for existing female staff, or women returning to work. A number of HEIs had introduced policies and schemes to assist staff with young children (providing childcare vouchers and holiday discount schemes).

5.3.3 **Variable implementation of job evaluation**

Although R&DS 1 was seen by institutions and stakeholders as decisive in the introduction of job evaluation in the HE sector, our analysis identified that its implementation during the three-year funding period was variable.

One stakeholder expressed the view that the overarching aim of the sector was to work towards a national pay framework, and that activities within job evaluation and other equal pay issues were required to underpin this. In addition, there were legislative pressures on HEIs, with increasing amounts of legislation on equal opportunities and employment.

Our document review found that job evaluation was a reported activity for 84% of all institutions¹¹. However, closer analysis revealed that only 33% of institutions had implemented some stages of job evaluation; 51 % reported they were at the pilot stage.

Many institutions reported delays in implementing job evaluation within the timescale they had included in their HR strategies. These were generally attributed to the delays in implementing the national framework agreement. Table 5-10 details the percentage of institutions that reported implementing job evaluation by type of institution.

Table 5-10: Percentage of institutions reporting undertaking activities for job evaluation, by type of institution

Type of institution	Percentage of institutions undertaking activities under job evaluation	Number of institutions undertaking activities under job evaluation	Total number of HEIs reviewed
Specialist institution	80%	23	29
Pre-1992 university	81%	34	42
Post-1992 university	83%	30	36

¹¹ A recent survey by UCEA on the implementation of the framework agreement (December 2004) found that only 10 HEIs had not yet chosen a job evaluation scheme.

General HE college	100%	8	8
University college	100%	11	11
<i>Total</i>	<i>84%</i>	<i>106</i>	<i>126</i>

Source: KPMG document review 2004

The questionnaire found that 44% of institutions had reported undertaking some form of salary restructuring or regrading process. Activities ranged from institution-wide changes to grading through to salary readjustments within particular sectors of the workforce.

The HR Directors' questionnaire sought to understand, of the institutions that ran job evaluation programmes during R&DS 1, what percentage of total jobs within the institution were evaluated at the end of the academic year 2003-04. Key findings are shown in Table 5-11.

Table 5-11: Percentage of total jobs in HEIs that have been evaluated

	Non response	N/A	<20%	21-40%	41-60%	61-100%	Total
Number	16	27	12	9	9	5	78
Percentage	21%	35%	15%	12%	12%	6%	100%

Source: KPMG questionnaire analysis 2004

Only 6% of the HR Directors who responded to this question stated that between 60% and 100% of their jobs were evaluated, and 15% stated that 0%-20% of jobs were evaluated.

HR Directors were also asked whether this percentage met their target for job evaluation:

- 28% (22) of respondents report that the target for job evaluation has been met and 12% (9) that it has not;
- almost a third (25) reported that this was not applicable, with a high non-response rate at 28% (22).

A total of 45 HR Directors gave additional responses to this question, of which almost half (22) said that they were not yet able to report on the job evaluation as they had not yet carried it out, or that it was still in progress. This is not unexpected, as the target date for implementing the national pay framework is August 2006. Of the remainder, responses tended to cluster around comments that new salary structures had been implemented, that they now met equal pay legislation, and ethnicity and gender could now be better monitored. There were also some responses around the harmonisation of working hours as an outcome of the evaluation.

5.3.4 **Key equal opportunities challenges remain**

Our analysis showed that although progress has been made in addressing the equality agenda, a number of challenges remain.

5.3.4.1 *Equal opportunities*

Many stakeholders commented that the R&DS initiative had forced institutions to move forward in relation to equal opportunities, but there was still a sense that the equality agenda may not yet be sufficiently embedded within HEIs.

A number of challenges were identified including equal pay, the race and gender gap in pay, and a limited understanding of disability issues in equality. Union stakeholders also expressed concern over the increasing use of reward related to contribution.

Although a range of diversity activities has been developed, some stakeholders were concerned that HEIs were still not undertaking sufficient monitoring of equal opportunities targets.

5.3.4.2 *Job evaluation*

Some stakeholders believed that the introduction of widespread job evaluation is difficult to attribute directly to R&DS. They commented that the national pay framework discussions were ongoing at the same time as R&DS was introduced, and that job evaluation was required to underpin the pay framework. In addition, some feel that it is too early to expect to see the impact of funding in this area.

Whilst full implementation of job evaluation across the sector has not yet been achieved, a small number HEIs were able to achieve fully-operational job evaluation systems during R&DS 1. Only 34% of HEIs reported that they were in the implementation stages rather than at the piloting stage. All institutions will need to have fully implemented job evaluation systems by August 2006 in line with the introduction of the new national pay framework.

There were differences in views related to job evaluation and concerns over implementation. Union stakeholders commented that some HEIs have been undertaking equal pay audits before job evaluation, whilst others have not. This has been the subject of ongoing discussion. Another stakeholder commented that many HEIs have been slow to implement job evaluation, and may face difficulties in being able to justify material differences related to supplements.

Some union stakeholders believed that the race aspects of job evaluation have not been considered. In addition, although policies have been developed, some trade unions are concerned that there has been little training around the impacts of the Race Relations (Amendment) Act 2000 on job evaluation. They also felt that there is an assumption within the sector that job evaluation systems such as Hay and HERA (Higher Education Role Analysis) will resolve all equal pay problems.

Whilst there is evidence that the R&DS 1 funding has been directly used to support equal opportunities activities within HEIs, some stakeholders commented that it is difficult to isolate the impact of R&DS action on equal opportunities from other influences. For example, the Race Relations (Amendment) Act 2000 changed HEFCE's responsibilities in this area and introduced a new duty to promote race equality.

5.3.5 Summary conclusions

Equal opportunities – how has the initiative impacted on the role and reward of women and ethnic minorities in HE? How widespread is job evaluation and has it had a positive impact on the move towards equal pay for work of equal value?

- There has been a significant shift towards equality and diversity opportunities during the funding period, which can be attributed partly to the R&DS 1 initiative coinciding with the introduction of new employment legislation.
- Equality activities include: policy development, awareness and monitoring, targeted recruitment and job evaluation.
- Activities undertaken during the period of R&DS 1 appear to have had the greatest impact on the role and reward of women in the majority of institutions.
- The role of minority ethnic groups and people with disabilities has received much less emphasis within R&DS 1.
- Education and awareness of diversity has increased, with a number of institutions now directly ensuring that they encourage and attract a diverse staff base.
- Job evaluation is reported as being undertaken in over 80% of all HEIs. However the extent of implementation has been limited, with over 30% of HEIs still only at the pilot stages (deciding which scheme to adopt etc).
- Challenges remain to be addressed if all HEIs are to be ready to adopt the new national pay framework from August 2006; a few early adopters have already completed the necessary processes.
- Although a range of diversity activities has been developed, some stakeholders were concerned that HEIs were still not undertaking sufficient monitoring of equal opportunities targets.

5.4 Review of staffing needs

The evaluation considered the progress that had been made by HEIs under the review of staffing needs priority area. Specifically, we considered the evaluation question posed by HEFCE which was:

How embedded are regular reviews of staffing needs in the overall academic planning of HEIs?

5.4.1 Staffing needs considered to be lowest priority area

Our evaluation revealed that review of staffing needs was the lowest priority for HEIs.

The questionnaire asked HR Directors to rate the importance of this theme alongside the other five themes. The review of staffing needs received marginally the highest number of “low” importance ratings, with 22% (17) of all institutions rating a review of staffing needs as low importance. This is shown in Table 5-1.

One stakeholder commented that this was the least useful area of R&DS, whilst acknowledging that workforce planning underpinned many of the other initiatives.

5.4.2 A focus on reviewing and enhancing the HR function

Our analysis identified eight activities under this priority area which are set out in Table 5-12.

Table 5-12: Range of activities reported under staffing needs

Staffing review activities in HEIs under R&DS 1
Strengthening the HR department
Regular reviews of staffing needs conducted
Staff restructuring programme
Funds allocated for severance and redundancy
Staffing needs reflected by market demands and technology
Retraining and redeployment of staff programmes
Staffing allocation is aligned to student demand
HE expansion policies impact on staff needs
Enhanced early retirement payments and incentives

Source: KPMG document review 2004

Our analysis revealed that under R&DS 1 there was a clear focus by HEIs on reviewing and enhancing the HR function. Many HEIs reported making changes, sometimes considerable, to the structure, size and remit of the HR function. Table 5-13 shows that over 57% of HEIs reported additional recruitment of staff into the HR function.

Table 5-13: Percentage of institutions reporting strengthening their HR department by institutional type

Type of institution	Percentage of institutions strengthening their HR department
Post-1992 university	36%
General college	63%
University college	64%
Specialist	66%
Pre-1992 university	71%
Total	58%

Source: KPMG document review 2004

5.4.3 **Evidence of increased workforce planning, particularly in HEIs undergoing restructuring**

Our evaluation revealed that although this area is perceived as having a low priority, there is nevertheless evidence of increased workforce planning activities within the HE sector. In particular, we noted:

- annual reviews of staffing needs being increasingly undertaken;
- strategic planning being underpinned by workforce planning;
- prevalence of increased workforce planning activities in those HEIs undergoing restructuring.

5.4.3.1 ***Annual reviews of staffing needs being increasingly undertaken***

Our document review revealed that over 50% of HEIs had conducted a review of staffing needs at some point during the three-year period of R&DS 1. We noted from the questionnaire that around 50% of HR Directors reported that HEIs were using R&DS funding to support annual staffing reviews across their institution.

Some stakeholders felt that undertaking annual staffing reviews would become an increasingly important feature for HEIs wanting to operate in a more competitive HE market as it would enable increased strategic planning.

5.4.3.2 ***Strategic planning being underpinned by workforce planning***

Our interviews with HEIs revealed that staffing reviews were often undertaken as part of the annual budgeting cycle rather than as part of a more formalised strategic planning process. However, we identified evidence of increasing workforce planning activity within the strategic planning process.

Whilst the impact of workforce planning had clearly been seen in HR functions, some stakeholders were concerned that HEIs should be seeking to extend workforce planning into other key strategic activities, such as learning and teaching, widening participation, and preparation for the 2008 Research Assessment Exercise (RAE).

The HR Directors' questionnaire revealed that 76% of HEIs report that a review of staffing needs was being incorporated into the strategic planning process.

The questionnaire also asked HR Directors to comment on whether, compared to the period before R&DS (pre-2000-01) the institution is in a better position with regard to resourcing. Key findings were:

- 70% (54) of HR Directors felt that there had been some or significant improvement at identifying over- and under-resourced areas. None said that they were worse in this respect;
- 70% (55) of HR Directors said that there had been some or significant improvement in their institution's position to switch, increase or reduce resources *effectively*, with no respondents feeling that they were in a worse position;

- 68% (53) of respondents said that there had been some or significant improvement in their institution's position to switch, increase or reduce resources *efficiently*, with no HR Directors saying that they were in a worse position.

A total of 35 institutions submitted additional comments under this section. The responses broadly fall into three categories: those institutions who carry out an annual review of staffing needs, in line with budget allocations for the year; those that have carried out a formal restructuring process recently and have used that process to make an assessment of staff needs; and finally, those institutions that focus on critical areas depending on need (for example a review of a post before a new appointment is made).

5.4.3.3 ***Prevalence of workforce planning in HEIs undergoing restructuring***

Perhaps unsurprisingly, we identified a prevalence of workforce planning in HEIs that were undergoing some form of restructuring during the R&DS 1 funding period. A third of institutions reported undertaking some form of restructuring activities during this time.

Interviews with HEIs in particular showed that significant reorganisations (such as major cost-cutting, closing of academic departments and outsourcing of particular service functions) had necessitated more rigorous workforce planning and identification of staffing needs. Some ongoing monitoring of staffing numbers was identified, along with periodic reviews, for example of the number of temporary staff employed.

The R&DS initiative was reported as being used to provide severance and redundancy pay in 23% of institutions. This was the most prevalent in post-1992 universities, with 42% of HEIs reporting that they had made provision for severance and redundancy. Certain institutions had used the initiative to provide for enhanced early retirement payments and incentives. This approach was reported as being adopted by 15% of institutions.

5.4.4 Summary conclusions

How embedded are regular reviews of staffing needs in the overall academic planning of HEIs?

- Review of staffing needs was considered to be the lowest priority by HEIs, with low levels of activity reported for this priority area.
- In R&DS 1 the focus of staffing reviews has been on HR functions themselves, with an emphasis on strengthening the function through recruitment of new staff (although less so in post-1992 HEIs).
- There is evidence of increased workforce planning e.g. annual reviews of staffing needs.
- There is increasing use of workforce planning to underpin strategic planning.
- More rigorous workforce planning is prevalent in HEIs undertaking a restructuring process.
- Regular reviews of staffing needs are recognised by many as being important in an increasingly competitive HE market.

5.5 Annual performance reviews

The evaluation considered the progress that had been made by HEIs under the annual performance review priority area. Specifically, we considered the evaluation questions posed by HEFCE which were:

What proportion of staff within HEIs have their performance reviewed annually? Has this figure increased since 2001? To what extent is reward now linked to contribution?

5.5.1 Mixed views on the importance of annual performance reviews

Our analysis showed that the concept of annual performance reviews was both contentious and important for HEIs and stakeholders.

There also appears to be different interpretations of performance management within the sector: some use “appraisal” and “performance review” synonymously; whilst others make a distinction between regular reviews related to individual developmental needs, and assessments of an individual’s performance related to institutional goals. This may explain the lower than expected numbers of HEIs reporting that they provide an annual performance review for their staff as required under this priority area.

The questionnaire asked HR Directors to rank the importance of performance reviews alongside the other five themes. As Table 5-1 shows, 50% (39) of institutions rated this as

a “medium” priority, whilst 15% (12) rated it as a “low” priority, and 33% (26) as a “high” priority.

For stakeholders, performance management was cited as one of the main challenges facing the sector, with the introduction of annual performance reviews for all staff representing a cultural shift for many HEIs. They noted that younger HE staff had a different approach to performance reviews and expect them to be in place.

The stakeholders saw performance management holistically, creating a career structure and career progression. They commented that in areas where people are highly motivated and skilled, they are also highly mobile. In areas where recruitment and retention was not such an issue, it has been difficult to get people to move or to maintain motivation. This was seen mostly in the academic departments, but also in administrative and support roles where there is a flat structure with limited career progression and limited availability of training.

5.5.2 **An emphasis on developing the infrastructure for performance review during R&DS 1**

Our analysis identified a range of activities within this priority area, which are listed in Table 5-14.

Table 5-14: Range of activities reported under annual performance reviews

Annual performance reviews
Performance system has been reviewed
Performance related pay or merit/contribution scheme
Annual appraisals are conducted
Management training on appraisals system
Competency frameworks used to assess performance
Performance reviews linked to organisational goals
Percentage of staff receiving an appraisal

Source: KPMG document review 2004

The most prevalent activity under this priority area, reported by all types of HEIs, was reviewing the performance management system. Table 5-15 shows that 68% of HEIs reported conducting this activity.

Table 5-15: Percentage of institutions reporting reviewing performance management systems

Type of institution	Percentage of institutions reporting reviewing their performance management system
Specialist institution	48%
Post-1992 university	56%
University college	46%
Pre-1992 university	45%
General HE college	50%
<i>Total % of HEIs in the sector</i>	<i>68%</i>

Source: KPMG document review 2004

The questionnaire invited additional comments to understand the changes in staff (in varying roles) involved in annual performance reviews, and the changes between 2001-02 and 2004-05. This question received a response from 73% of all of those completing the questionnaire. The majority of these (56%) said that they had put new arrangements in place, or increased the impetus behind existing review processes. This was attributed to new systems linking pay to performance, the emphasis on job evaluation, or simply extra funding that had enabled the review programme to be rolled out to a wider group of staff than previously. 25% of responses came from institutions where systems were already in place prior to funding and there had been no change. The remainder of responses came from institutions with varying responses about the other drivers of changes to their current review programmes, for example as they worked towards Investors in People awards or other accreditation frameworks.

5.5.3 Variable implementation of annual performance reviews

HEIs reported through the AMS returns that annual appraisals are taking place in 38% of institutions and are being considered or piloted in 13% of institutions. A third of institutions reported that they train managers in the correct use of appraisal systems. Where appraisals are being conducted, it was generally reported that they are in place for more senior members of staff. 27% of institutions reported using competency frameworks to assess performance, and 13% of institutions reported on the links between the goals of the organisation and the performance review system.

47% of post-1992 universities reported conducting annual appraisals, in comparison to around 38% of specialist institutions and general HE colleges.

There was, however, widespread use of annual performance reviews at the institutions interviewed. The focus of such reviews appeared to be predominantly on the development rather than establishment of objectives, and assessment of performance. In four cases, where schemes have been recently reviewed, HEIs have adopted a greater focus on performance management. Where targets have been set at some institutions, they have tended to be only for middle ranking and senior staff.

HR Directors were asked what percentage of staff across five staff categories had annual performance reviews before R&DS (2001-02), and the percentage after R&DS (2004-05). Table 5-16 presents the findings: overall, 72% (52) of HR Directors said their institutions undertook annual performance reviews on staff before and after R&DS.

Table 5-16: Percentage of the workforce that underwent performance reviews before and after R&DS

	Before and after R&DS	Non-response	1-30%	31-60%	61-90%
Admin and professional	Before	(24) 38%	(29) 37%	(13) 17%	(12) 15%
	After	(25) 32%	(31) 40%	(3) 3%	(19) 24%
Academic	Before	(24) 31%	(29) 37%	(12) 15%	(13) 17%
	After	(24) 31%	(29) 37%	(7) 9%	(18) 23%
Technical	Before	(25) 32%	(37) 48%	(7) 9%	(9) 12%

	After	(26) 33%	(32) 42%	(3) 4%	(17) 23%
Manual	Before	(28) 36%	(40) 52%	(2) 2%	(8) 10%
	After	(29) 37%	(29) 37%	(8) 10%	(12) 15%
Clerical	Before	(29) 37%	(31) 39%	(8) 10%	(10) 14%
	After	(31) 40%	(31) 39%	(2) 2%	(14) 17%

Source: KPMG analysis of HR Directors' questionnaire 2004

The table shows that in all staff groupings, the institutions that reported that 61-90% of their staff had performance reviews before R&DS, increased after R&DS. This was most significant for both administrative and professional staff (a 9% increase), and technical staff (an 11% increase). However of those reporting that only 1-30% of their workforce received performance reviews, this figure remained relatively static between the years being compared, with the exception of administrative and professional staff, where this figure increased by 1%.

One area on which data reported by HEIs was particularly limited was the percentage of staff who were in receipt of an annual appraisal/performance review. We noted in our document review that only eight institutions supplied this information in their AMS returns.

5.5.4 **Challenges remain in making annual performance review available to all staff in HEIs**

Our analysis noted some innovation in making performance review widespread.

- Web-based performance review systems were piloted at a pre-1992 HEI. The on-line performance review system enables self-assessment, with staff recording evidence to support their objectives. This was seen to assist the audit process and help the HEI move away from paper-based systems.
- Competency sets were developed for Heads of Department at a pre-1992 HEI. Key competencies were identified through focus groups. Competencies are now used in 360 degree appraisals and personal development plans.
- At a pre-1992 HEI, all new “bright and young” academic joiners are put on a fast track five-year personal development plan, which sets criteria based targets and provides a personal mentor.
- An institution-specific 360 degree feedback appraisal system has been developed at a post-1992 HEI. The HEI has developed a bespoke 360 degree tool for personal attributions at each of the three behaviour based levels.
- One HEI has career development appraisals for contract research staff. This entitles casual staff who work more than 135 hours a year to an appraisal.

However, important challenges remain to be addressed in providing annual performance reviews for all staff (as HEFCE required). Whilst a good number of HEIs recognise the benefits of annual performance reviews for career development, or for legal reasons (to enable HEIs to deal more effectively with legal challenge on employment matters), many HEIs appear to have encountered difficulties in overcoming cultural resistance to their use.

As such, a number of stakeholders commented that whilst the profile of performance review had been raised, there has been limited change in the sector over the period of R&DS 1 funding.

5.5.5 **Increasing use of reward related to contribution**

The document review reveals that reward related to contribution and merit contribution schemes were the most commonly reported activities under this priority area, with 59% of institutions reporting some level of activity. Activity varied from the use of rewards related to contribution for senior managers, to financial incentives for increased responsibility given to lecturers, deans or heads of department.

Table 5-17 shows the extent to which incentives such as increased rewards for individuals that took on extra responsibilities in their working role were used in different types of HEI.

Table 5-17: Percentage of institutions reporting reward related to contribution or merit contribution schemes

Type of institution	Percentage of institutions reporting reward related to contribution or merit contribution schemes
Specialist institution	51%
Post-1992 university	58%
University college	64%
Pre-1992 university	67%
General HE college	88%
<i>Total % of HEIs in the sector</i>	<i>59%</i>

Source: KPMG document review 2004

As set out above, there is evidence that reward related to contribution is being used across the sector, with significant usage in general HE colleges. Several stakeholders raised concerns about the link between appraisal for staff development, and reward related to contribution. One supported the use of annual performance reviews, but argued that the use of reward related to contribution and market supplements conflicts with equality policies and worsens inequalities for women, ethnic minorities and people with disabilities. Performance-related pay and market supplements often exclude hourly paid workers.

The document review found that 88% of general HE colleges reported these activities, and 67% of pre-1992 universities, 51% of specialist institutions and 58% of post-1992 universities.

5.5.6 Summary conclusions

What proportion of staff within HEIs have their performance reviewed annually? Has this figure increased since 2001? To what extent is reward now linked to contribution?

- HEIs reported low levels of staff receiving appraisal.
- There have been different interpretations by HEIs of the meaning of performance review and appraisal.
- Mixed views were reported on the importance of annual performance reviews.
- There has been a focus on spending on infrastructure for performance management.
- There appears to be variable implementation of annual performance reviews.
- There has been some innovation in making performance review widespread for all staff in HEIs.
- Important cultural challenges remain in many HEIs in implementing annual performance reviews.
- Rewards related to contribution or merit payments have been introduced in over half

of HEIs, with a focus so far on payments to more senior staff.

5.6 Action to tackle poor performance

The evaluation considered the progress that had been made by HEIs under the action to tackle poor performance priority area. Specifically, we considered the evaluation questions posed by HEFCE which were:

What schemes are in place to tackle poor performance? How embedded is the will to tackle poor performance?

5.6.1 Limited activity to date in action to tackle poor performance

Our interviews with institutions have shown this to be priority area which has received the least attention under the R&DS 1 initiative. There was a recognition by interviewees that academic staff are poor at giving negative feedback, and that under-performers are rarely dealt with effectively.

Institutions and stakeholders stated that there appears to have been a greater focus on rewarding good performance, with various arrangements in place, ranging from the ability to make ad hoc merit payments to discretionary points on the pay spine. Where bonus arrangements have been used, institutions reported that they have had mixed success in using them as a reward for good performance.

One stakeholder commented that there is a big push on performance and management as a result of the national framework agreement, so it is difficult to attribute changes in this area to R&DS 1. However, the funding had put HR at the heart of the discussions.

Our document review identified eight activities undertaken by HEIs in this priority area. These are categorised in Table 5-18 as activities linked to improvements in procedures and policy, monitoring, and support activities.

Table 5-18: Range of activities under tackling poor performance

Procedures/policy	Monitoring	Support
Absence procedures in place	Key performance indicators are collected and analysed	Support mechanisms to assist poor performance
Disciplinary or probation procedures in place	Monitoring procedure	Occupational health workers
Capability procedures in place		Training managers on poor performance procedures

Source: KPMG document review 2004

Most institutions reported that their activities focussed on introducing policy or procedures as the first stage in defining and combating poor performance. A smaller number of institutions reported that a range of support mechanisms was in place to assist poor performers; while a few HEIs reported activities which considered the monitoring process required for this priority area. Our analysis of the AMS returns found that:

- 41% of institutions reported putting in place policies and procedures to combat absenteeism;
- 39% of institutions reported training for managers on procedures to address poor performance
- many institutions had been proactive in providing support mechanisms to assist poor performance. This commonly centred around a counselling and advice service (in 41% of institutions);
- 35% of institutions reported procedures to deal with capability. This included ensuring individuals' performance was up to the required standards;
- the presence of disciplinary or probation policies and activities was reported in 35% of HEIs;
- policies with regards to stress were less commonly reported, and occurred in 22% of institutions;
- 27% of institutions reported employing an occupational health worker;
- our analysis suggests that pre-1992 universities and general HE colleges were more active in implementing activities to deal with poor performers.

5.6.2 **Some evidence of improvement in tackling poor performance**

HR Directors were asked to rank the importance of tackling poor performance at their institution, alongside the other five themes. As Table 5-1 shows that 54% (42) of HR Directors rated tackling poor performance as a "medium" priority, whilst 21% (16) rated it as "low" priority, and 24% (19) as a "high" priority.

The questionnaire asked HR Directors to consider how the institution's actions/initiatives undertaken under R&DS had improved processes against a number of areas identified below:

- 67% (52) of HR Directors consider that the institution is in a better position to train staff in handling poor performance;
- 65% (51) of HR Directors consider that the institution is in a better position to improve processes related to discipline and grievance;
- 63% (49) of HR Directors consider that their institution is in a better position to improve the capability of people in their roles;
- 62% (48) of HR Directors consider that the institution is in a better position to improve the range and quality of support services;
- 35% (27) of HR Directors consider that their institution is in a better position to reduce absence/sickness.

The questionnaire also asked HR Directors to give their view on whether they had seen an improvement in their institution's ability to tackle poor performance as a result of R&DS 1. The following responses were received:

- 73% (57) of HR Directors felt the institution is in a better position to address poor performance effectively;
- 62% (48) of HR Directors said their institution is in a better position to identify poor performance. None said that the institution was in a worse position;
- 60% (47) of HR Directors said their institution is in a better position to see the value of taking action to address poor performance. None said that the institution was in a worse position.

In at least six cases, the institutions interviewed said that they have revised their capability/unsatisfactory performance procedures, but these are seen as applying to only the most extreme cases of under-performance. There is a recognition that the confidence of senior staff needs to be developed if they are to tackle unsatisfactory performance more effectively. The reorganisation of HR teams to form "business partner" roles is seen as a major contribution to this. With professional HR advice being more readily available, senior staff are starting to deal with cases earlier than they have done in the past. For support staff, the management of performance was generally said to be more effective.

There was more success reported in addressing sickness absence, with at least four of the institutions we interviewed having reviewed their policies and procedures, some of them incorporating triggers for management action and targets.

There were mixed views from stakeholders on this priority area. One did not feel that poor performance was a major issue for the sector, but that R&DS has helped to put procedures in place to address this. Another commented that HEIs are dealing with both good and bad performance. This is a slow culture change in the sector, but R&DS gave a push to increase the pace of change. The push started externally from Government, but many heads of institution recognised and were addressing the issue.

Some stakeholders thought it was too early to see any change. One commented that there have been no perceived changes in the way this is handled, but that this may fall out of the implementation of job evaluation by 2006.

5.6.3 Summary conclusions

What schemes are in place to tackle poor performance? How embedded is the will to tackle poor performance?

- Limited activity, or evidence of improvement in tackling poor performance.
- Activities most prevalent relate to training for staff and to the development of policies and procedures to tackle poor performance.
- 42% of HEIs reported introducing policies and procedures to combat absenteeism, and 41% of institutions had put in place some support mechanisms to assist poor performers. These were generally reported as a counselling service.
- Reported focus on this area was low, with none of the activities in this area being reported by more than 42% of respondents.
- According to the HR Directors who responded to the questionnaire, there is some evidence of improvement in tackling poor performance. This is especially true in relation to institutions now being in a better place to improve the capability of people in their roles. This extends to training staff in handling poor performance.
- HR Directors are now more aware of the value in tackling poor performance, and feel they are in a better position to do so because they increasingly have the infrastructure and procedures in place to support them.
- Challenges remain around raising awareness of the importance of managing poor performance, but this will need to occur alongside improvements across the sector in the use of annual performance reviews and other performance management tools.

6 Wider impacts and outcomes

Section 5 considered the impact of the initiative in addressing the six priority areas. This section considers the remaining questions identified by HEFCE. It draws on evidence from the HR Directors' questionnaire, stakeholder and institutional interviews, and focus groups, to consider the wider impacts of the R&DS initiative on HRM within the HE sector and on the HE sector as a whole.

6.1 Changes in HRM profile

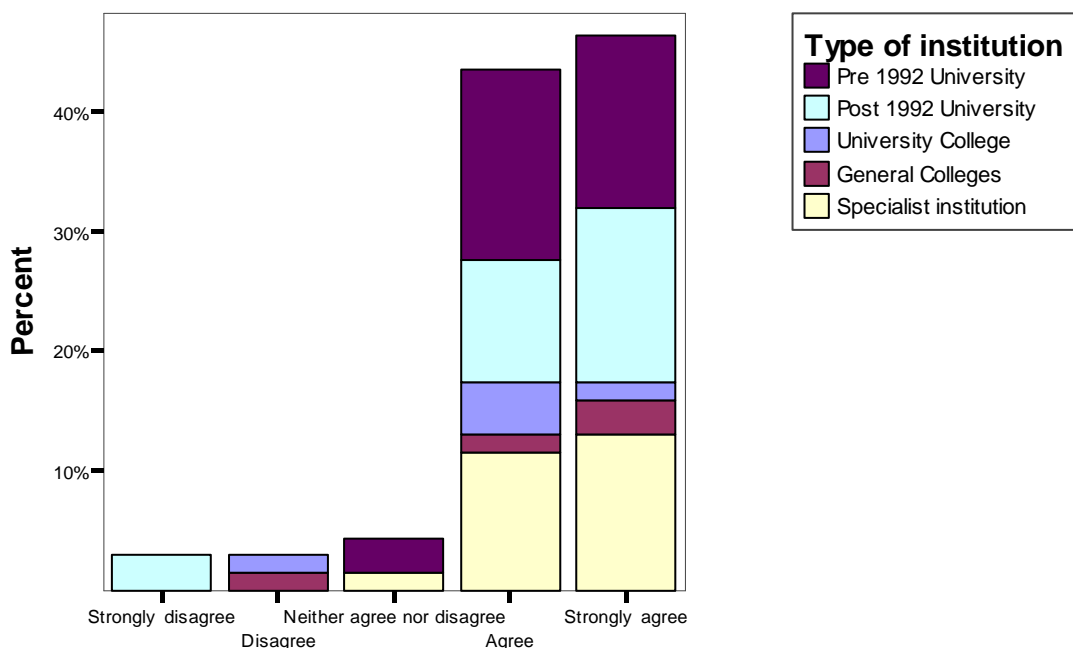
The evaluation also sought to answer:

How embedded is human resource planning within the overall strategic planning of institutions? How do HEIs recognise the importance of good HRM, and how has the status of HRM changed since 2001?

6.1.1 Significant increase in HRM profile, size and stature

Overall, 90% of HR Directors agreed that as a result of R&DS 1 their institutions recognise the importance of good HRM. The chart below breaks down the responses of the 69 HR Directors who responded to this question by type of institution (the data table relating to this chart is in Section 3 of the Appendix).

Figure 6-1: Percentage of institutions that recognise the importance of good HRM



Of the 69 HR Directors responding to this question, 93% agreed that the status of HRM has been raised within their institutions, and only 7% disagreed or did not give a view.

The majority of focus group participants felt that HR had grown in status and profile over the three years. They also described it as having more responsibility and more presence. In particular, they saw a greater appreciation from senior management in their HEI of the skills and experience of HR staff and the advice they provide. Participants thought that the HR department was now consulted more and involved more in strategic HEI-wide decisions. One group described how HR had risen up the corporate agenda, had grown in stature and was now seen as a more proactive and strategic business partner. Participants advised that common changes were the transition to the name “Human Resources”, and the development of clear and distinct HR roles focusing on staff training and development, equal opportunities, occupational health and safety, and recruitment.

All institutions interviewed emphasised the increased profile of the HR function over the period of the R&DS 1 initiative, with senior staff of the institution now much more engaged in HR than previously. Primarily, this is reflected in the quality and the quantity of HR activity that has taken place, as well as its representation at the strategic level in institutions.

All but one of the institutions interviewed have recently reorganised their HR functions, or are in the process of doing so. The favoured model is the “business partner”, aligning professional HR staff with faculties, so that, for example, deans have a nominated contact for all their HR issues. At the same time, we have detected a trend for the identification of specialist posts dealing with HR policy issues, which has meant that many institutions have been able to review their core HR policies. In all but two of the institutions we visited, the R&DS 1 initiative has funded some additional HR posts, which has facilitated these changes.

Several stakeholders commented that R&DS has given HR more standing in terms of money and strategy. One stakeholder felt that the standing and importance of HR has grown, but not as much as in other public or private sector areas. Another suggested that this was because it is not seen as such an attractive place to work due to the level of negotiation required, the lack of career progression in smaller HEIs, and low salary levels. Another felt that the ring-fenced funding stream for HR has helped to increase the importance and influence of HR in HEIs, but that it is too early to see if it has increased the capacity of HR. Another noted that although the importance of HR has changed, many HR staff face problems as they are still not given importance in HEIs.

Stakeholders reported that HR functions have become more professional. R&DS gave extra money to recruit professionally qualified HR staff. Previously, in some HEIs, non-qualified staff were often responsible for HR issues, or HR responsibilities formed part of an employee’s wider role.

Overall there has been an increase in the number of posts, although stakeholders noted that this led to staff shortages, especially in specialised roles such as job evaluation or staff training. Stakeholders commented that the trade unions have been critical that the money was spent on HR posts or infrastructure rather than benefiting HEI staff. This increase in posts was thought have taken place in year one, as R&DS was demanding and needed professionally qualified and quality staff to write a meaningful HR strategy and policies and to deliver the initiative.

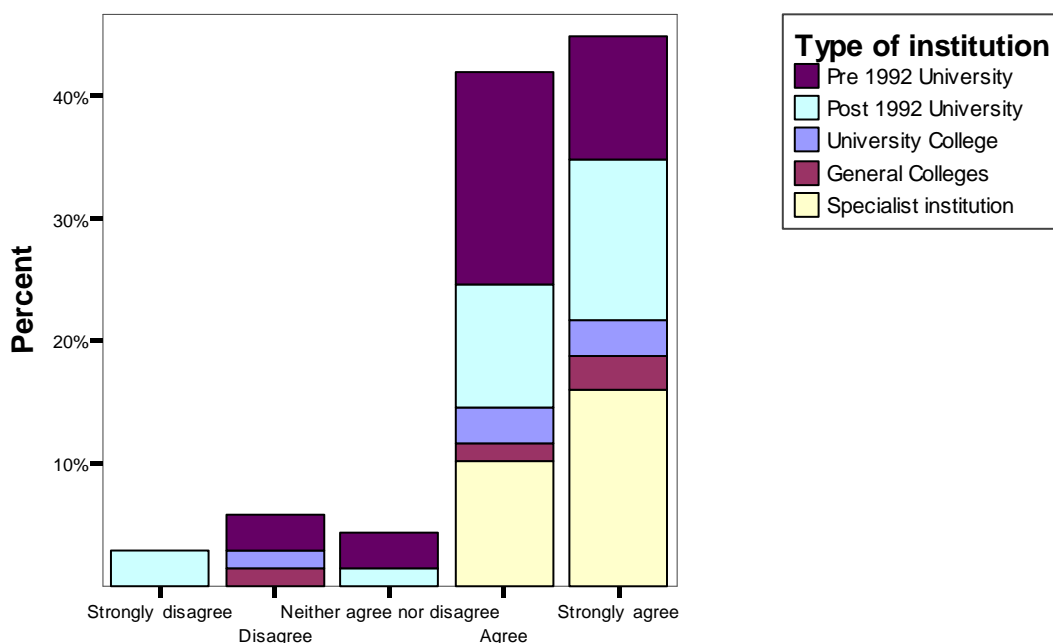
Although some stakeholders noted an increase in the capacity of HR, they raised questions over an increase in HR capability. Several stakeholders noted that companies implementing the job evaluation systems had commented that HR capacity and capability in relation to job evaluation varies between HEIs, and that the HR function is generally less developed than in other sectors. One stakeholder commented that some HEIs bought in HR personnel from the private sector to advise on job evaluation or role analysis. They felt that it took time to induct these staff, who often tried to transfer private sector experience without reflecting on the particular circumstances of HE. Stakeholders have reported that they have seen changes in HR departments around the implementation of the national framework agreement, with many HEIs employing HR staff on fixed-term contracts to assist with implementation (e.g. project managers, role analysts, and clerical staff). This has led to a fragmented approach and many of the staff are perceived to lack experience in this area.

Focus group participants also raised questions about the value that the growth of HR had added. Several described HR as serving the institution rather than the individual. A number of participants suggested that there were issues around the lack of communication from HR. Some participants viewed HR as only featuring in their lives when being recruited or leaving.

6.1.2 **Changing the profile of HR functions from transactional to transformational**

The vast majority of HR Directors surveyed (87%) agreed that, as a result of R&DS 1, their institutions have embedded HR planning within the strategic planning framework. The chart below shows how the responses were broken down by type of institution (the data table relating to this chart is in Section 3 of the Appendix).

Figure 6-2: Percentage of institutions reporting embedding HR planning within their strategic planning framework



In the focus groups, HR staff participants felt that prior to the initiative HR departments were perceived as administrative functions which were very reactive, and that there were no large strategic initiatives. HR was viewed as an operational, support function which was bureaucratic and form driven. In one HEI it was seen as an “add-on” function which lacked stature and was not involved in vital decisions. One non-HR staff participant suggested that prior to the initiative their HR function was a “fire fighting” department with few official systems or procedures in place. Participants felt that prior to the initiative the pace of change across HEIs was generally much slower and made little impact at a strategic level. Staff in the East Midlands group suggested that any changes were small and “one off”, with little clarity about the extent to which they were supporting wider HEI initiatives. These changes were attributed to individuals or champions who had proactively introduced them.

Non-HR staff commented that prior to the initiative, the HR department was known as Personnel and its staff seen as “jacks of all trades” with no clear roles or responsibilities. In a small minority of the participants’ institutions, there were no HR departments prior to the initiative. In these cases, HR responsibilities were an extension of people’s day jobs, with personnel responsibilities added into their job descriptions. The participants generally described the HR service before the initiative as low profile, with one participant from a West Midlands HEI suggesting that “staff were largely unaware that HR existed”.

The groups all gave examples of perceived gaps in HR responsibilities prior to the initiative. These included unplanned recruitment, ad hoc or annual inductions (which in some cases were only available to academics), limited staff development, informal and unfocussed appraisals, no equal opportunities officers and no policies being cascaded to staff.

All focus group participants considered the initiative to have played a role in the transition of HR from a transactional to a transformational function. The size of HR departments was seen to have increased, and in one HEI the number of staff in HR had doubled. Participants from this HEI felt that HR had become “proactive, strategic, professional and systematic” in approach. This view was supported by other participants. One London HEI was described as having moved from being a cost centre to a department which can effectively “add real value”. HR was seen to be more strategic, with focus group participants feeling that HR had moved to a more proactive and outreach role. They also saw a shift from a bureaucratic form-filling role to a more detailed support and development function. However, stakeholders commented that as a result of the emphasis on the transformational rather than operational HR issues, many staff may not have seen changes in day to day HR functions; and HR Directors are often required to “helicopter” between the strategic and transactional HR levels.

The HEIs interviewed noted that activity levels in HR have increased, as has the quality of the work being done. They noted that the transition has been from a primarily administrative function to one which is seen as contributing to the strategic direction and development of institutions. There is a recognition amongst senior staff that an institution’s record on HR innovation and development is an important part of how its overall success is judged.

The in-depth interviews revealed that at a number of institutions the initial or emergent HR strategy was less embedded in the overall strategic planning of the institution than is now the case. Primarily, this was accounted for by the relative weakness of strategic planning activities in institutions. However, in at least five cases the appointment of a new Vice-Chancellor has meant that strategic planning processes have been improved and that, as a result, HR strategies are now more closely aligned with strategic priorities.

Stakeholders commented that the overarching issue was getting the sector to recognise the importance of strategic HR and how key it is to institutional success. They commented that it has been difficult to get the senior management team to focus on people issues and relate them to corporate issues. The funding was felt to have enabled HEIs to address specific issues. There was increased understanding that the function could play a role in the overall strategic planning for an HEI. This was the case even if HR were not represented on the senior management team.

6.1.3 **Changes in approach to partnership working with unions**

Union stakeholders commented that historically the relationship with the unions has been less strong in the HE sector, because of small HR functions or staff being unaccustomed to dealing with unions. Some reported that there has been a change in the way some HR functions operate: new HR staff have been recruited with experience of dealing with unions, or there has been a greater connection at some HEIs with union representatives, and a partnership approach to industrial relations. This was echoed by a non-union stakeholder who commented that some HR departments work in real partnership with the trade unions, for example on the pay framework, and employee relations have increased in profile.

However, views on the extent of partnership working were mixed. One union stakeholder commented that the initiative had increased the amount of negotiations for union representatives at HEIs. They commented that no funding had been directed to increasing trade union capacity and this could impact on the ability of trade union representatives to undertake negotiations or to engage in discussions.

6.1.4 **HR at the “top table”**

In responding to the question about HEI recognition of the importance of good HRM, 56% (34) of the 60 HR Directors who responded noted that their institution had placed the HR Director on the senior management team. 37% (22) identified that the HR Director was not on the senior management team¹².

Stakeholder views were mixed on this issue. One stakeholder reported that overall in the sector they felt that more HR staff are represented on the senior management team or directly report to it. However, another reported that, in their view, not many HR Directors have a place on the senior management team.

Stakeholders agreed that there has been an increase in the profile of strategic HR work related to organisational strategy. One commented that the contribution of strategic HR to corporate success is more transparent across the sector, because it is measured and monitored under the different R&DS priority areas, and because the senior management team are more involved in thinking through HR issues and assessing the potential outcomes.

Our interviews also showed that stakeholders felt that senior management teams now had a better understanding of the role and importance of good HRM in helping HEIs to cope with and adapt to the increasingly competitive HE market.

¹² It is important to note that the interpretation of senior management team differs across HEIs. In addition, some HEIs have a small executive team whilst others have a broader and larger one.

6.1.5 Summary conclusions

How embedded is human resource planning within the overall strategic planning of institutions? How do HEIs recognise the importance of good HRM, and how has the status of HRM changed since 2001?

In relation to the first evaluation question:

- The questionnaire responses found that 87% of HR Directors agree that HRM has been embedded in the strategic planning framework. This is supported by evidence from the other evaluation strands.
- Focus groups commented on the increased profile of HR compared to their perceptions of the function before the funding. They noted that HR was now consulted and involved in strategic HEI-wide decisions and considered to be “proactive, strategic, professional and systematic”.
- The in-depth interviews revealed that the HR strategies are becoming increasingly aligned with strategic priorities, often as a result of the appointment of a new Vice-Chancellor.
- The stakeholders commented on increasing awareness of the importance of strategic HR to institutional success. They noted that there was an increased understanding of the role that HR could play in an institution’s strategic planning.

In relation to the second evaluation question:

- 90% of HR Directors responded that their HEI now recognises the importance of HRM. Over half responded that HR Directors had been placed on the senior management team¹³. This view was supported by some stakeholders.
- 93% of HR Directors agreed that the status of HRM had been raised as a result of R&DS 1. Focus groups and stakeholders reported that HR was now more visible and higher profile. Stakeholders commented that the importance of HR was not as high as in other parts of the public sector.
- Interviews noted that senior staff are now more engaged, and HR more represented at a strategic level within institutions. Many HR functions had been reorganised and departments have grown in size. Some stakeholders noted that in some cases this had led to a shortage of professionally qualified HR staff.
- There was a perception of continuing change: both focus groups and the HEIs we interviewed commented on a shift from transactional to transformational HRM.
- Stakeholders also commented that there had been improvements in some HEIs to partnership working with the unions.

6.2 Impacts of R&DS 1

HEIs were also asked:

¹³ It is important to note that the interpretation of senior management team differs across HEIs. In addition, some HEIs have a small executive team whilst others have a broader and larger team.

What would you identify as the main significant impact of R&DS on individual HEIs and on the HE sector overall?

6.2.1 **Increase in pace of change**

The HR Directors' questionnaire asked for a summary of the key impacts associated with R&DS 1 by asking what the funding helped to achieve. 96% of the respondents agreed that R&DS 1 enabled the institution to accelerate the pace of change in transforming HRM.

Stakeholders' views support this finding. Stakeholders commented on the previous slow pace of culture change in the sector, and noted that R&DS had given a stimulus to change. Another hoped to see more embedding and faster rates of change in the future.

Focus group participants also commented that the initiative promoted a quicker pace of change. Participants in the North East group felt that this was a result of the initiative providing resources and direction as to where best to focus those resources to boost the status of HR. In comparison, some focus group participants from two HEIs felt that progress would have occurred anyway, but that the R&DS initiative helped speed it up. This view was echoed by stakeholders, who commented that most initiatives would probably have been introduced, but that R&DS 1 had led to more uniformity across the sector and led to some HEIs addressing issues which they might have put off or given lower priority.

6.2.2 **Increased activity levels and profile of HRM**

In addition to an increase in the pace of change, the HR Directors summarised the key impacts of R&DS 1 in their institution in the following ways:

- 83% (64) agreed that R&DS 1 enabled the institution to undertake actions/initiatives in different ways than was previously thought possible;
- 67% (51) agreed that R&DS 1 enabled the institution to undertake a greater number of actions/initiatives in a broad range of areas;
- 53% (41) agreed that R&DS 1 enabled the institution to focus a greater number of actions/initiatives on priority areas.

HR Directors were invited to express their view on the main impacts of R&DS 1 on their institution and on the HE sector as a whole. Of the 78 respondents, 57% (44) made additional comments, all of which were positive about the impact of R&DS 1 on HRM processes. The responses drew attention to how HRM now plays a more central role in the institutions, and has enabled the modernisation of processes, updating of IT systems and revision of policies. As a result, many of the institutions have introduced or are updating staff handbooks. Other developments include the introduction of new practices in recruitment, such as "golden hellos" and equal opportunities policies.

The wider benefits to the institution (over and above the central role the HRM function is now playing) were said to include improved staff retention and increased opportunities for staff development.

HR Directors perceived that R&DS 1 had given HR activity in institutions an enhanced profile right across the HE sector. Many of those who responded commented that HRM is far more central to the institutional strategies and that the funding has brought an awareness of the added value that the HR function can bring.

The in-depth interviews revealed that the initiative has increased the profile of HR at all institutions that we interviewed. Senior staff are now better informed about the contribution that HR can make to the achievement of their objectives, with the result that HR's "client" within the HEI is now better informed and more demanding.

Focus group participants commented that senior managers played an important role in driving the changes forward. Participants from an East Midlands HEI considered that their new HR Director had played a significant role in supporting the initiatives.

Stakeholders commented that the most significant impact had in been raising awareness of the importance of strategic HR. One felt that the sector has benefited from the raised HRM profile and embedding of HR strategies within HEI strategies. Another commented that institutions had been given an important steer by the focus on HR, and related this to the Dearing and Bett recommendations.

Another impact noted by some union stakeholders was on improved industrial relations. They felt that HR departments had recognised the opportunity to improve the relationship, and this was possibly due to HR staff being recruited who had worked with unions. Another union stakeholder noted that as a result of the national framework agreement there had been new links and increased dialogue. Overall, the union stakeholders commented that they had expected to see a change in approach and increased involvement of union representatives in discussions. They also noted that they had not seen any application of the money to support an increased partnership approach with the unions.

6.2.3 **Increased planning**

Stakeholders commented that in some HEIs HR has been integrated into how the senior management team works. For example there has been more analysis and planning ahead of the RAE, and a greater focus on how HR can enable the HEI to become a global player. One stakeholder commented that HR planning can have a real impact on what an HEI does. They felt that HEIs have become better at forward planning, for example better at staff planning to compete with other UK and international HEIs in the future. Another commented that the policies and procedures introduced under R&DS have enabled HEIs to develop sustainable international strategies and have a better understanding of what attracts international students and staff. Stakeholders also reported a greater awareness of the length of planning cycles and time required to implement initiatives.

One stakeholder felt that conscious rather than ad-hoc decisions were being made as a result of R&DS 1, and that senior management teams were using data gathered under the R&DS priorities to inform their decisions. In addition, many HEIs were using information more effectively by identifying and addressing exceptions rather than reviewing all monitoring information. Another noted that there had been an increase in profile of all staff and that they are integral to strategic planning.

6.2.4 **A range of impacts seen across the sector**

A number of other, less tangible, impacts were identified through the evaluation fieldwork.

All HR staff who participated in the focus groups were positive about the impact of the initiative. The funding from the initiative was considered to be an enabler. For instance, it had enabled HEIs to bring HR up to date, to “implement initiatives that should have been in place years before” and to adopt best practice from other organisations. It was seen as enabling the HEI to recruit a higher calibre of HR staff. Indeed the roles of some of the participants of the North East focus group had been created as a result of funding from the initiative.

Most non-HR staff in the focus groups felt that there had been changes as a result of the initiative. Participants in the Eastern group in particular felt that the initiative had had a “big impact” and that HEIs were “moving in the right direction”. Participants from one HEI in the South East said that the initiative had “revolutionised” what they were able to do in the research function.

Stakeholders commented that the initiative made an impact because it provided money: they felt that the sector needed a push because it was paralysed by lack of money. The funding also provided a focus, with resources targeted to specific issues under the six priority areas. The R&DS funding enabled the sector to address a range of challenges because HEFCE’s six priority areas gave sufficient flexibility to institutions to address different needs. R&DS enforced best practice across the sector, although some HEIs were already making headway in different priority areas, for example in subject areas or locations where recruitment was an issue.

One stakeholder noted that R&DS had a wide remit of introducing and improving HR processes and systems seen in other sectors such as staff training and development. R&DS gave the opportunity to establish, improve and systematise fundamental HR practices and basic HR building blocks.

One stakeholder also commented that the funding enabled the sector to remain competitive in the face of increasing competition for staff and students from high quality HEIs outside the UK. Another reported a change in the way young academics approach the sector, with many actively seeking out HEIs which offer career development and training.

Stakeholders noted that many of the benefits have been intangible, for example the thought that has been put into the processes and policies and the institutional learning gained.

Another stakeholder was broadly positive, but commented that it was too soon to consider the major impacts. For example, they felt it was too soon to quantify the impact of the national framework agreement, but felt that a real step-change was possible.

6.2.5 **Some negative views of the impact of the funding**

Some negative views of the impact of the funding to date were expressed, largely by some of the trade union stakeholders interviewed.

- Some trade union stakeholders commented that whilst they recognise that there has been a change in thinking at the corporate level, their view was that it has not resulted in changes at the “coal face”. They reported there is a perception that funding has been used to fire-fight issues or employ people on short-term contracts. There was a view that R&DS has not touched the working lives of all HE staff.
- Other stakeholders commented it is too early to say whether the institution-wide job evaluation and any associated training will have an impact on key issues such as addressing equality and pay structural inequalities. They believed this was partly because of delays in implementing job evaluation: some HEIs have still not chosen a job evaluation system or are unable to implement one until 2006 because of lack of funding. Several of the union stakeholders reported seeing limited impacts as a result of the funding, or were not able to see where R&DS had affected organisational performance.
- Some trade union stakeholders raised the concern that funding had been used to increase the size of HR departments, which had not been their understanding of the aims of R&DS or the views of some institution heads. Although, it was recognised that HR departments needed to reorganise to address changes in industrial relations, as recommended by the Bett report, and to deliver the range of activities generated under the six priority areas.

6.2.6 Summary conclusions

What were identified as the main significant impact of R&DS on individual HEIs and on the HE sector overall?

- 96% of the respondents to the HR Directors' questionnaire agreed that R&DS 1 enabled the institution to accelerate the pace of change in transforming HRM. Stakeholders' and focus group views support this finding. Many commented that most initiatives would probably have been introduced but that R&DS gave a stimulus to change, created more uniformity in fundamental HRM practices across the sector, and helped some HEIs address issues which they may have put off or given lower priority without the funding.
- There were increased activity levels, with HR Directors commenting that R&DS 1 enabled them to undertake a greater range and number of activities in different ways. There was an increased profile of HRM and an awareness of the importance of strategic HR noted in the focus groups, in-depth interviews and stakeholder interviews. HR Directors also commented that HRM plays a more central role in their HEIs, and that the funding raised awareness of the added value that the HR function can bring.
- Stakeholders commented that HR had been integrated into strategic planning, with senior management using information gathered under R&DS to inform their decisions. They reported a greater awareness of the length of planning cycles, and the time required to implement initiatives, and an improved approach to forward planning. This contrasts with the low importance given to reviewing staffing needs noted in Section 4.
- Focus groups commented that the funding was an enabler; while stakeholders noted that R&DS gave the opportunity to systematise and improve fundamental HR practices, and enforced best practice across the sector.
- Stakeholders noted that some of the impacts had been intangible, such as the institutional learning and experience gained from the development and implementation of policies and processes.
- However, there were some unequivocal negative views, with several stakeholders reporting that it was too soon to see the impact of the funding. It was recognised that this is partly due to delays in implementing job evaluation systems.
- Trade union stakeholders reported that there is a perception that R&DS has not touched the working lives of HE staff. They were concerned that the funding had largely been used to increase the size of HR departments, rather than the quality of service provided.

6.3 Lessons learnt from R&DS 1

The evaluation explored:

What would you identify as the major weakness(es) of R&DS? How might these have been addressed differently?

6.3.1 Several weaknesses in HR strategy approval process were identified

The in-depth interviews revealed that the process of gaining initial approval for HR strategies was seen as the main weakness of the initiative. Although at least two of the institutions we interviewed received early approval of the strategies, the others did not. The process of submitting and re-drafting of HR strategies was seen by the interviewees as damaging as it:

- wasted valuable time – taking some months in a few cases;
- resulted in strategies that were longer and less focused documents than they needed to be, being written for the purposes of HEFCE rather than the institution; and
- was not transparent as the criteria against which strategies were assessed were not made public.

However, the practice of accepting emerging strategies was considered to be good. These were frequently the first HR strategies produced by the institution, and the process of giving approval for the strategies submitted as part of R&DS 2 was seen as much improved.

Another noted that, from an HEI point of view, there has been, and still is to an extent, ambiguity about when funding was going to be mainstreamed. This has created ongoing uncertainty.

6.3.2 Balancing prescription with institutional autonomy

Stakeholders commented on the prescriptive nature of the R&DS initiative. One noted that some HEIs would have liked to identify their own themes, relating to their mission, and as a result found the six priority areas restrictive. Another stakeholder commented that the R&DS was not considered relevant by some HEIs, as they were already developing these HR areas. Another commented that the R&DS gave sufficient flexibility to address different needs within each institution.

However, it was recognised that the intention of the initiative was to bring all HEIs up to a certain level of HRM. As a result, the initiative had to be sector-wide rather than targeting individual HEIs, and rather than seeming to penalise good practice by not allocating funding to HEIs who already had strong HRM.

Union stakeholders commented that there was a lack of national frameworks to give guidance, such as on parental leave and sick pay. They felt it was left to HEIs to interpret action in six priority areas. They noted that R&DS set a framework in which solutions could be developed, but this approach was more “hands-off” than in other areas of the public sector, where there were more prescriptive national frameworks for pay and equal opportunities.

6.3.3 **Making monitoring more effective**

Stakeholder views on the importance and effectiveness of monitoring were polarised. One stakeholder commented that the level of monitoring seemed just right, as the sector got a degree of freedom to spend the money. Another noted that the monitoring required by HEFCE was demanding, but that it enabled discussions and decisions to be made about key performance indicators. These stakeholders recognised that the degree of monitoring had to be balanced between being seen as burdensome and what was necessary to ensure accountability for public money. They noted that the monitoring is only as good as the targets provided. The use of AMS returns and targets was thought by some stakeholders to give sufficient focus to monitoring. Others felt that the targets were sufficiently broad to allow HEIs to deal with specific issues or external factors. HEFCE feels the level of monitoring is sufficient to detect any lack of progress.

Another stakeholder noted that monitoring has become more light touch throughout the initiative, and AMS information is accepted at face value, because it helps build institutional autonomy and ownership of initiatives. However, spot audits have been used, and further information is requested if it is missing from the AMS. In addition, when HEIs submitted their R&DS 2 expenditure plan, they were asked to submit a statement of investment for R&DS 1 expenditure and funds carried forward, signed by the head of HR and the head of the institution.

In contrast, union stakeholders commented on the lack of accountability and audit trails for R&DS 1. They felt the light touch approach was wrong because the targets were considered to be sufficiently broad to allow an HEI to report on them with little evidence. They felt this was because of a reluctance to encroach on institutional autonomy. In their view, this has led to a lack of transparency in the sector and a perception that in some cases the money was used to fund deficits elsewhere in the HEI. The union impression is that R&DS 2 has tighter scrutiny and requires senior level sign-off of a statement of expenditure.

Another stakeholder commented that they did not have access to monitoring information about progress with R&DS initiatives. Their impression was that there was variability across the sector, with some HEIs actively tackling issues addressed under R&DS, but a lack of will in others.

6.3.4 **Some positive lessons learnt**

Our interviews and focus groups in particular revealed that there were many positive lessons learnt from the R&DS 1 initiative.

6.3.4.1 *Importance of senior level commitment to change*

All focus group participants commented that the success of the changes relied on supportive leadership and obtaining buy-in and commitment from senior management. Two HEIs felt that the support of their new Vice-Chancellors had made a significant impact on embedding HR strategy initiatives. The North East group felt that activities were heavily dependent on the level of commitment from senior managers and their willingness to change.

Another lesson focused on the importance of being clear about the parameters of the HR strategy and what it can be expected to deliver so as not to raise expectations.

6.3.4.2 *Ring-fenced funding was critical to change*

All stakeholders commented on the importance of attaching funding to the initiative. It was felt this made the sector realise the importance of HR. For example, it enabled HR Directors to raise HR issues with the senior management team in order to secure the funding.

6.3.5 **Summary conclusions**

What were identified as the major weakness(es) of R&DS? How might these have been addressed differently?

- The in-depth interviews noted that the process to draft and submit HR strategies was considered to be lengthy and lacked transparency.
- Stakeholders commented on limited national guidance to interpret action in the six priority areas. This created capacity issues for HR departments and trade unions.
- Light touch monitoring was seen as both a strength and a weakness by different stakeholders, either leading to institutional autonomy or to a lack of transparency. Views on targets were equally mixed, with some commenting they were too demanding or too broad to allow effective monitoring. Monitoring was also considered to have limited effectiveness as it has not provided HEIs with a mechanism for identifying improvements in organisational performance.
- The importance of senior level commitment to change, and ring-fenced funding were identified as positive aspects.

6.4 **Challenges for the future**

The evaluation also sought to explore:

What are the main challenges that remain to be addressed, and what would the impact on the sector be if R&DS funding were no longer available?

6.4.1 **A range of challenges identified**

HR Directors were invited to identify and rank the three most significant challenges that remain to be addressed by their institution, with particular consideration of HR issues, HRM policies and processes. Over a third of responses, 38%, identified implementation of the national framework agreement as the biggest challenge, alongside job evaluation (most saw these as interlinked). Other responses ranked by HR Directors as the biggest challenges varied, from tackling leadership issues to implementing communication strategies, and other more institution-specific challenges.

The second and third biggest challenges identified for institutions were very wide ranging. The responses included further development of HR strategies; improving equal opportunities; embedding good practice within HRM processes; strengthening training and performance management; taking account of forthcoming legislation; and enhancing leadership.

The variety of responses indicates that, by their very nature, HRM issues are specific to the individual institutions that responded. This could be seen as positively reflecting enhanced HRM in those institutions within their own organisational strategies.

6.4.2 **Implementing the framework agreement**

The in-depth interviews revealed that pay and the implementation of the framework agreement are seen as key aspects for the future, including the modernisation of terms and conditions as a whole. This seems to be especially felt by post-1992 universities, who emphasise the need to be more customer focused. As part of this, the means to reward excellence in teaching – as opposed to research – is a key aspect yet to be determined. A number of institutions have incorporated some of the additional funding into their on-going paybill, in the form of merit increments and other supplementary payments. If the funding were not available, this would have a major impact. This view was shared by focus group participants who identified work around pay reviews and modernisation, job evaluation and role analysis as key future priorities.

Stakeholders also commented that the future challenge is to see the framework agreement working, as well as delivering performance management and career structures for HE staff. Union stakeholders commented that HE staff expect that the framework agreement will provide a modern pay system and a platform to improve pay. If this is not delivered, then HEIs will have to manage staff expectations and there is the potential for industrial disputes. Another stakeholder noted that HEIs have a clear challenge and opportunity to produce the terms and conditions that will allow all staff to deliver a world class education. Expectations have been raised as a result of the national framework, but this requires real champions in HEIs to ensure success. Union stakeholders noted the importance of improving partnership working, and joint ownership of initiatives such as job evaluation, to ensure success.

6.4.3 **Management and leadership development**

Non-HR staff in the focus groups highlighted the need for management and leadership development, particularly for academics who may not have had to manage and lead teams in the past.

The in-depth interviews with HEIs identified that the continuation of management development initiatives was seen as a key aspect for the future. They also identified a “remodelling” of the workforce aimed at clarifying the roles of academic leaders, providing adequate support staff to “free-up” such senior staff for their leadership role, and equipping academic leaders with the skills they need to fulfil that role.

6.4.4 **Improved performance management**

The focus groups with non-HR staff identified top priorities for HR in the future as follows.

- Participants felt there should be improved recognition and reward for good performance. They thought that HEIs should be incentivising people to perform well. However, the views of staff differed over whether this should include reward related to contribution.
- Participants wanted to see the linking of training and development from appraisal outcomes. They also wanted further support to help them manage their own careers.
- Participants identified gaps in tackling under-performance and wanted measures and procedures for tackling poor performance. In particular, participants highlighted a current lack of measures against which their performance was evaluated. They also commented that there was little support from HR if you are a manager and have a member of your team who is under-performing.
- Staff in the East Midlands group felt there needed to be a greater understanding of performance expectations between managerial and non-managerial staff.

In addition, performance management was seen by HEI interviewees as being a major priority for the future, especially bringing about the change in culture necessary for senior academic staff to address such issues. There is already seen to be a legacy of not addressing such issues effectively in the past, with staff being redeployed into support roles inappropriately.

6.4.5 **Greater emphasis on equality**

Participants in the non-HR staff focus groups wanted an increased focus on equal opportunities, including initiatives for disabled and female workers. Participants in the South East and Eastern focus groups in particular felt that female staff were currently under-represented in top positions across the HE sector. Participants felt there could be a greater degree of consistency in the treatment of academics and technical/support staff. Participants from one East Midlands HEI wanted to see a greater inclusion of manual staff in initiatives. Several stakeholders also reported that equality is becoming more of an issue.

6.4.6 **Improved communication and consultation**

Focus groups with non-HR staff identified improved communication and consultation as a top priority for the future. They felt that communication with staff could be improved.

The focus groups identified significant differences in the communication of the initiative within HEIs. Participants from a West Midlands HEI advised that all staff were informed of the initiative via their annual address from the head of institution while staff from a

South East HEI said that information was provided to staff via the website. There were also differences in the types of staff informed: one South East HEI only informed senior managers and one West Midlands HEI only formally informed academic staff.

The majority of the non-HR participants at focus groups were aware of the initiative. However, there were differences in the extent of their knowledge. Participants in both the South East and West Midlands groups were very knowledgeable about the initiative and impact. In the West Midlands group this was attributed to their roles within the organisation, for instance participants were active members of trade unions or members of advisory groups. Participants from an East Midlands HEI wanted to see more information for staff who were not engaged through trade unions. However, staff felt that their knowledge was due to their own endeavours rather than as a result of good communication. Participants in the Eastern group had all heard of the initiative but were not all aware of what it actually involved. They suggested that because of its title they had expected it to have a more personal effect.

It was felt that greater consultation and involvement of staff was also needed. Staff thought that their feedback was requested but not responded to; they wanted methods for incorporating this feedback to be established. Participants from an East Midlands HEI thought that face-to-face communication (such as focus groups and presentations) would be more effective than the survey method currently used by the institution. Participants from another East Midlands HEI thought there should be a greater focus on including administrative staff in consultations.

Participants in the South West group felt that the initiative had helped improve the consultation process, particularly around the formulation of the HR strategy. However, one Yorkshire HEI indicated that they found that as a result of the consultation process they found it difficult to manage staff expectations about what they were going to receive. Participants in the North East group identified differences in communication strategies, with only two of the HEIs communicating details of the initiative to staff.

6.4.7 **Other future challenges and priorities**

Other issues identified by the focus group participants and stakeholders included:

- evaluating initiatives to see their impact on overall HEI performance;
- a greater transparency in terms of decision making;
- improved monitoring and mechanisms to report or review where the money is being spent;
- preparation for post-2008 funding challenges in the HE sector;
- succession planning and the attraction of younger generations into the HE sector;
- continued ring fenced investment in HR to develop all staff and to compete with other sectors;
- pensions and their impact on recruitment
- remaining dynamic and managing change in the light of external drivers such as availability of funding, the economic climate and international politics.

6.4.8 Summary conclusions

What are the main challenges that remain to be addressed, and what would the impact on the sector be if R&DS funding were no longer available?

- In responding to the questionnaire, HR Directors identified implementing the national pay framework agreement and job evaluation by August 2006 as the biggest challenge.
- The in-depth interviews revealed that the implementation of the framework agreement is seen as a key aspect for the future. This view was shared by focus group participants, who identified work on pay reviews and modernisation, job evaluation and role analysis as key future priorities.
- Stakeholders also commented that the future challenge is to see the framework agreement working and delivering performance management and career structures. Stakeholders noted that expectations have been raised as a result of the national framework, and successful implementation will require champions in HEIs to ensure success.
- A continued focus on leadership development, equal opportunities, performance management and tackling poor performance was identified by several strands of the evaluation, and raised as a particular challenge in the focus groups and in-depth interviews.
- The focus groups also noted the need for improved communication and consultation around future R&DS initiatives to ensure staff engagement.

6.5 Changes in stakeholder demands

How are institutional HR strategies supporting HEIs in adapting to change in student/stakeholder demands?

6.5.1 **Institutions report improved ability to adapt to demands**

The questionnaire invited respondents to state the extent to which they agreed that, through the activities undertaken in R&DS 1, their institution was better prepared to adapt to changing stakeholder and student demands.

Of the 63 HR Directors who gave a response to this question, 59% (37) agreed that their institution was now better prepared to adapt to changing student demands, 35% (22) neither agreed nor disagreed, and 6% (4) did not feel that their institution was better positioned in this respect. 60% (38) of HR Directors identified that their institution was better prepared as a result of activities undertaken under R&DS 1 to respond to increasing diversity in the student body, 32% (20) did not have a view either way, and 7% (5) disagreed that their institution was better prepared to respond to this issue.

In terms of adapting to changing stakeholder demands, 65% (41) of HR Directors agreed that their institution was now in a better position to adapt, 5% (3) did not think their institution was better positioned, and 30% (19) neither agreed nor disagreed.

Some institutions we interviewed recognised that there are changes taking place that result from changes in stakeholder demands, in terms of:

- redeployment, retraining and redundancy issues, which will become more common as under-subscribed departments are forced to downsize or close. As yet, this is an issue that the institutions we visited did not appear to address in an effective way;
- growing internationalisation, which will give a greater emphasis to equal opportunities and diversity issues;
- changing customer demands, which will mean changes in working patterns and greater accountability. These will necessitate changes in the terms and conditions of employment. However, few institutions indicated that they are specifically addressing this issue.

Stakeholders reported that it is not possible to attribute to R&DS how HEIs are responding to stakeholder demands, because many have already focused on good management, forward planning, looking outward or on the “student as customer”. Other stakeholders report that where there is real partnership working with the unions, this has enabled HEIs to respond to changing stakeholder demands.

6.5.2 Summary conclusions

How are institutional HR strategies supporting HEIs in adapting to change in student/stakeholder demands?

- 59% of the HR Directors responding to the questionnaire agreed that their institution was now better prepared to adapt to changing student demands. 60% identified that their institution was better prepared as a result of activities undertaken under R&DS 1 to respond to increasing diversity in the student body.
- 65% of HR Directors agreed that their institution was now in a better position to adapt to changing stakeholder demands.
- The in-depth interviews revealed that HEIs placed greater emphasis on HR issues to counter the impact on their institutions of changing stakeholder demands such as departmental closures or increased internationalisation
- However, stakeholders reported that it is not possible to attribute to R&DS how HEIs are responding to stakeholder demands, because many have already focused on good management and forward planning to address changing customer demands.

6.6 Preparedness for the future

The evaluation sought to explore the following questions.

As relevant to the institutional mission, are the HR strategies sufficiently developed to support HEIs in achieving either/or:

- **Growth in the size and quality of their workforce required to sustain a 50 per cent participation in HE by 2010?**
- **Research excellence?**
- **Success in achieving third stream funding?**
- **Reward and career progression for teaching staff?**

The questionnaire invited HR Directors to express their strength of agreement or disagreement with a set of statements designed to capture a range of anticipated achievements in increasing the value of HRM to addressing future strategic institutional issues. These issues include:

- expansion in teaching staff numbers;
- expansion in student numbers;
- increasing diversity in the student body;
- expansion in research staff numbers;
- achieving research excellence;
- achieving university status;
- succeeding in third stream funding;
- managing institutional merger or partnership.

The responses to these questions are presented below.

6.6.1 **Improvements in readiness for staff and student expansion**

The questionnaire invited respondents to state the extent to which they agreed that, through the activities undertaken in R&DS 1, their institution was better prepared for expansion in teaching staff numbers. Of the 58 HR Directors who responded, 53% (31) agreed that their institution was now better prepared for expansion in teaching staff numbers, 41% (24) neither agreed nor disagreed, and 5% (3) did not feel that their institution was better positioned in this respect.

In terms of preparing for 50% student participation by 2010, the questionnaire put a question to HR Directors that sought their view on whether as a result of R&DS 1 they felt their institution was better prepared for expansion in student numbers. Of the 63 HR Directors who responded, 43% (27) agreed that their institution was now better prepared for expansion in student numbers, 48% (30) neither agreed nor disagreed, and 10% (6) were of the view that the activities their institution undertook during R&DS 1 had had no impact on the institution's preparedness for expansion in student numbers.

As well as increasing the number of students engaged in higher education in the UK, it is likely that the profile of the student body will change to reflect the changing socio-economic backgrounds of home students, and increasing internationalisation of HE. As noted in the previous section, 60% (38) of HR Directors identified that their institution was better prepared as a result of activities undertaken under R&DS 1 to respond to increasing diversity in the student body, 32% (20) did not have a view either way, and 7% (5) disagreed that their institution was better prepared to respond to this issue.

Stakeholders had mixed views on how prepared the sector was to address this issue. Several reported that as HEIs are better at forward planning and assessing staffing needs, they have a better sense of the workforce needed to meet an increase in the participation rate. One commented that HEIs are beginning to make links between participation and HR. They felt that many HEI staff are thinking more in terms of corporate responsibility and meeting strategic objectives. The sector could not have coped with any increase in student numbers without these shifts in attitudes.

However, one union stakeholder commented that the R&DS initiatives and HR strategies were very inward focused, and do not mention how staff will cope with the demands of students. The union stakeholder's view was that there will be little impact in this area unless R&DS is used to provide more administrative support, more posts and increased pay for staff to cope with increased numbers of students, many of whom will need additional support. They noted that the post-1992 sector in particular has been asked to take on more students, many with support needs. However, they felt there has been no funding commitment to address these needs. In addition, many of the HEIs that have participation targets have large numbers of hourly paid or contract staff who often do not have access to facilities to enable them to meet the needs of the increased number of students. Another union stakeholder felt that increased participation could be linked to EO issues, as ethnic minority students may be more likely to choose HEIs with large numbers of ethnic minority academic and support staff.

6.6.2 Evidence of improvements in preparedness for achieving research excellence

Sixty-two HR Directors responded to the question that enquired about their institution's preparedness for achieving research excellence, and the contribution made by R&DS 1 to this. 60% (37) of institutions were reported to be better prepared to achieve research excellence as a result of activities under R&DS 1, 27% (17) did not have a strong view either way, and 13% (8) felt that their institution was in no better position as a result of R&DS 1 to achieve research excellence.

In terms of preparedness for expansion in research staff numbers, of the 58 HR Directors who gave a response, 41% (24) agreed that their institution was now better prepared for expansion in its research staff numbers, 50% (29) neither agreed nor disagreed, and 9% (5) disagreed that through the activities undertaken during R&DS 1 their institution was better prepared for expansion in research staff numbers.

Stakeholders noted that preparation has been under way for the RAE in 2008, and there has been a focus on investment in research staff through developing competitive reward systems and salary increases. The difference now is that HEIs have money dedicated to encourage HR staff to undertake staff reviews and reviews of reward systems.

6.6.3 **Some evidence of success in achieving third stream funding**

Of the 64 HR Directors who gave a response, 53% agreed that their institution was better prepared for success in securing third stream funding as a result of its R&DS 1 activities, 33% (21) neither agreed nor disagreed on this issue, and 14% (9) did not think that its R&DS 1 activities had prepared the institution for success in achieving third stream funding.

The in-depth interviews also identified only two institutions who said they have problems in rewarding staff who are undertaking third stream activities. This was in terms of attracting suitable staff to the sector, incentivising them when they are in post, and retaining them.

6.6.4 **Reward and career progression for teaching staff**

From the interviews held with institutions, some areas were not addressed as part of the HR strategies produced to support the R&DS 1 initiative. Relatively little work has been done on establishing and supporting teaching as a preferred and valued career choice for academics. This remains one of the major issues to be dealt with, especially by those institutions whose primary role is teaching.

Stakeholders commented that HEIs need to promote careers in teaching or administration. This issue is a priority in R&DS 2. Many HEIs with a teaching mission will have been doing this to ensure that teaching staff have the same access to career planning as research staff, and that proper rewards and career progression are in place. They felt it was difficult to see if this was the result of R&DS 1.

6.6.5 **Preparedness to achieve university title status or merger**

Twenty-seven HR Directors gave a response to the question about relating R&DS 1 activities to preparing the institution for achieving full university status, degree-awarding powers, and/or university title. Of the 27 responses, the majority (52%) felt that their institution was now better prepared for this major strategic development, 30% (8) did not have a view either way, and 18% (5) did not think that their activities under R&DS 1 had contributed to their institution's preparedness.

Thirty-six HR Directors responded to the question relating R&DS 1 to an institution's preparedness for successful management of merger or partnership. Of these, 45% (16) agreed that their institution was now better prepared in this respect, 36% (13) did not have a position, and 19% (7) felt that R&DS 1 activities had not made an impact in this respect.

6.6.6 Summary conclusions

Are the HR strategies sufficiently developed to support HEIs in achieving either/or:

- **Growth in the size and quality of their workforce required to sustain a 50 per cent participation in HE by 2010?**
 - **Research excellence?**
 - **Success in achieving third stream funding?**
 - **Reward and career progression for teaching staff?**
-
- The evidence from the evaluation is mixed in relation to whether HR strategies were sufficiently developed to support growth in the size of the workforce.
 - Half of the HR Directors who responded to the questionnaire agreed that their institution was better prepared for expansion in teaching staff numbers as a result of activities undertaken in R&DS 1. Just under half neither agreed nor disagreed.
 - In terms of preparing for 50% student participation by 2010, only 43% thought they were better prepared for expansion in student numbers, and 48% neither agreed nor disagreed that R&DS 1 had had an impact in this respect. Whereas 60% thought that their institution was better placed to respond to the increasing diversity in the student body.
 - Stakeholders' views on this issue were mixed. Several commented that HEIs had become better at forward planning, whilst others commented that the HR strategies developed under R&DS 1 were very inward looking and did not address how staff would cope with the extra demands of students.
 - 60% of HR Directors reported that their HEI was better prepared to achieve research excellence as a result of R&DS 1; and 41% said their HEI was more prepared for expansion in research staff numbers. Stakeholders noted that preparations for the RAE in 2008 are well under way and as a result there has been a focus on investment in research staff, particularly in developing competitive reward systems and salary increases.
 - 53% of HR Directors reported that their institution was better prepared for success in third stream funding.
 - Stakeholders commented that promoting careers in teaching is a priority in R&DS 2. However, many HEIs with a teaching mission will have been ensuring that teaching staff have the same access to career planning as research staff, and that proper rewards and career progression are in place. It is difficult to see if this was a result of R&DS 1.

6.7 Global workforce

How are HEIs, through their HR strategies, dealing with the issues of the global workforce (language, mobility, cultural awareness, etc)?

6.7.1 Mixed views on this issue

Fifty-three HR Directors gave a response to the question that sought to establish whether, as a result of an institution's activities under R&DS 1, their institution was now better prepared to deal with the issues of a global workforce. 36% (19) agreed that their institution was better positioned in this respect, 19% (10) disagreed, and 45% (24) neither agreed nor disagreed on this issue.

Most of the activity undertaken by the institutions we interviewed in preparation for the global workforce was focused on general awareness raising, using traditional training sessions or on-line approaches. In one case, more specific development activities had been targeted at support staff in their specific roles, such as catering staff.

One stakeholder commented that focusing on global workforce issues ignores the recruitment and retention issues of UK academics and staff, and is a short-term fix. As in other public sectors who recruited from overseas, many staff do not stay for long periods.

However, several stakeholders commented that some HEIs are more prepared than others to address issues of the global workforce. They tend to be the HEIs that have been affected by this for longest – in subjects such as medicine, maths, computer science, civil engineering and management, where there is a long tradition of attracting overseas students and staff; or urban HEIs that address the issue out of necessity as they have difficulties recruiting staff. One stakeholder commented that there is a lack of training and development for the current global workforce employed in HEIs.

Another commented that global workforce issues are different for support staff, who generally come from local communities and often mirror the diversity of students. They have to deal with students and receive little support.

6.7.2 Summary conclusions

How are HEIs, through their HR strategies, dealing with the issues of the global workforce (language, mobility, cultural awareness, etc)?

- There were mixed views on this issue.
- 36% of HR Directors agreed that as a result of its R&DS 1 activities their institution was better prepared to deal with the issues of a global workforce. 45% neither agreed nor disagreed on this issue.
- The interviews identified that activity in preparation for a global workforce was focused on general awareness raising, using traditional training sessions or on-line approaches.
- Several stakeholders commented that some HEIs are more prepared than others to address issues of the global workforce, particularly in subjects where there has been a long tradition of overseas students and staff coming to the HEI, or for HEIs in urban areas with a diverse student population. They also noted that global workforce issues are different for different groups of staff.

7 Counterfactual

Although our analysis has shown that the changes to HRM in the HE sector during the period of R&DS 1 funding can not easily be attributed to the R&DS initiative alone, it is important to consider what might have happened had the funding not been available.

In considering “the counterfactual”, this section explores stakeholder and HEI perceptions in particular.

7.1 Incentivising sector-wide improvements in HRM

Institutions interviewed stated that they would have wanted to introduce, and in some cases planned to introduce, many of the activities for which R&DS 1 funding was used. However, many reported that the speed at which such initiatives were introduced would have been considerably slower, since R&DS 1 introduced a tight timescale and a financial incentive to address a wide range of activities.

Most notably, interviewees felt it unlikely that a sector-wide approach to improving HRM would have occurred.

7.2 HR strategies and accountability

In 2000-01, many HEIs did not have an HR strategy and many would not have developed such a stand-alone document, had the R&DS 1 initiative not required them to do so. The development of the strategy was perceived to be important because it raised the profile of HRM within HEIs and allowed HR functions to move away from simple “transactional” activities, to consider wider “transformational” activities linked to strategic change within institutions.

Furthermore, HR strategies contained objectives and targets which made HR functions and institutions more accountable for their actions in respect of HRM. This would not have happened without the R&DS initiative, which imposed both an external accountability and a legitimacy for HRM activities.

7.3 “Ring-fencing” of R&DS 1 funding

There were differing views expressed on whether the ring-fencing of R&DS 1 funding was critical to the success of the initiative. Some institutional interviewees expressed the view that they would have preferred the funding to have been made available via block grant, so that they could have had greater autonomy in how the money was used.

On the other hand, some institutions were grateful that the funding had been ring-fenced, because it had created a focus on using significant amounts of funding specifically for HRM which would not have happened had the funding been included within the block grant.

Stakeholders believed that the ring-fencing of the funding was important in ensuring a sector-wide approach, although there was some criticism that the priority areas identified

were restrictive and for many institutions might not have been the most important HRM activities they would have wished to address.

7.4 A partnership approach between HEIs and stakeholders

Many interviewees commented that R&DS 1 had engendered a greater partnership approach between HEIs and key stakeholders (such as the unions), which would have been more difficult to develop without the existence of the initiative and the funding.

Union stakeholders commented that without funding there would be no national framework agreement, because R&DS had been used as a way of implementing this, and that the sector would have faced increasing numbers of equal pay claims had the emphasis on job evaluation not been made.

7.5 Good HRM is important to institutional health and long-term viability

A number of HEI and stakeholder interviewees felt that the R&DS 1 initiative had focused attention on HRM at a critical time for the HE sector. Without the R&DS 1 initiative, interviewees doubted whether the shift in staff morale – which they perceive from improvements in pay, career structures and in performance management – would have occurred.

Similarly, a number of stakeholders felt that the emphasis on developing good HRM across the sector had been important in ensuring that HEIs maintain their market share in an increasingly global HE sector. Without R&DS funding, innovations in recruitment and retention, and in particular those related to pay, such as market supplements, would not have been so widely used.

8 Conclusions

R&DS 1 was a major funding initiative which provided £330 million of ring-fenced support to the English HE sector between 2001 and 2004. The R&DS 2 initiative is already under way, covering the period 2004-06.

This evaluation has considered in detail the impact of the R&DS 1 initiative to date. The evaluation has explored the impact of the R&DS initiative in requiring HEIs to address the six priority areas set out by HEFCE in its invitation to apply for funds (HEFCE 01/16). It has also considered the wider impact to date of R&DS 1. In the remainder of this section we present our key conclusions taking account of the evaluation questions posed by HEFCE.

8.1 Impact of R&DS 1 in addressing the six priority areas

Our evaluation shows that during 2001-04 activities related to recruitment and retention, staff development and training, and equal opportunities received the greatest attention across the sector, with reviews of staffing needs, annual performance review and action to tackle poor performance taking a lower priority in most HEIs.

Within each priority area, a range of activities were developed, and within the period 2001-04 institutions have implemented these to varying degrees. Our key conclusions are as follows.

- **Recruitment and retention** – HEIs embarked on a range of activities to improve recruitment and retention of staff. We were able to find no evidence of monitoring of the “quality” of staff recruited. However, perceptions from HEIs and stakeholders were that quality has improved because of improved procedures and because the R&DS initiative has raised staff morale. They confirmed that although recruitment is more difficult for some posts, retention remains buoyant within the sector.
- **Staff training and development** – our evaluation showed an extensive range of activities being developed and undertaken in relation to staff training and development. Most notably, HEIs had invested in management and leadership training and development, recognising the strategic importance of such activities to an institution’s longer-term future.
- **Equal opportunities** – there has been a significant shift in diversity-related activities within the HE sector. The impact on the role and reward of women appears to have been greater than on that of ethnic minorities. Job evaluation, though increasingly widespread in the sector, has been slower to implement than had been anticipated. The understanding of equal opportunities issues, particularly equal pay for work of equal value, has increased in the sector during R&DS 1.
- **Staffing needs** – although a lower priority for many HEIs, our evaluation showed evidence of an increasing use of reviews of staffing needs and workforce planning to underpin strategic planning. HEIs increasingly recognise the importance of matching staffing provision to the demands of the market, and the use of reviews of staffing needs is acknowledged as an important tool for this.

- **Annual performance reviews** – although there is a growing understanding of the importance of effective performance management of all staff within HEIs, there remains a cultural reluctance in some HEIs to adopt annual performance reviews for all staff. There is still limited information provided by HEIs on the proportion of their staff who have their performance reviewed annually. There is, however, increasing use of rewards linked to contribution, with a wide range of market supplements, performance-related pay schemes and merit contributions.
- **Action to tackle poor performance** – evidence suggests that there has been limited activity in this priority area, with the focus being on developing systems and policies to enable this to be addressed. There is, however, evidence of improvement in HEIs taking action to tackle poor performance and of an increased recognition, largely from HR Directors, of the need to do this if HRM is to be as effective as possible.

8.2 Wider impacts of R&DS 1

Through this evaluation we were able to explore the wider impacts of R&DS 1 on HRM within the sector and on the sector as a whole. We found that the initiative had wide-ranging and often intangible impacts on HRM and institutions. One of the main impacts was an accelerated pace of change in transforming HRM. Whilst it is recognised that many of the initiatives may have been introduced by individual HEIs in response to market forces or regulation, R&DS funding was an enabler, providing a stimulus and continued momentum for change. It allowed fundamental HR practices to be systematised and improved and created more uniformity in the basic building blocks of HRM across the sector.

HRM has become increasingly integrated into strategic planning. The profile and awareness of the value of strategic HR has been significantly raised. Across the sector, HR departments have moved from transaction-based functions to real agents for transformational change at the individual and institutional level. HR functions are now being consulted and involved in strategic HEI-wide decisions, and in some cases are now represented at the senior management level within an institution. Many HR functions have been reorganised, and departments have grown in size, raising the concern that this took the focus away from other areas of R&DS. However, growth was recognised as being necessary if HR departments were to implement the wider-ranging R&DS initiatives. There were reported improvements in the approach to partnership working with the unions through implementing the R&DS 1 activities.

The increase in capacity and profile of strategic HRM may have led to an improved response to changing stakeholder demands. Our evaluation found that over half of HR Directors felt that their institutions were now better prepared to adapt to changing student or stakeholder demands as a result of activities undertaken in R&DS 1. Institutions seemed to be more aware of the emphasis on HR issues created by changing stakeholder demands. Despite this positive and encouraging finding, it is recognised that it may not be possible to attribute this solely to R&DS, as many HEIs have been adapting to stakeholder demands in response to changing market forces and Government policy. The evaluation findings were broadly positive about the overall preparedness of HEIs and the sector to address forthcoming HE-wide challenges such as widening participation, achieving research excellence, reward and career progression for teaching staff, or dealing with issues of a global workforce.

Lessons have been learnt from R&DS 1, such as the importance of senior level commitment to change and of ring-fencing the funding. Weaknesses identified focused on process issues, such as the complex and time-consuming process for submitting the original strategies. There was a recognition of the need to balance institutional autonomy with prescription. Overall, the structure of the six priority areas was seen as helpful, but created capacity issues for HR departments and other stakeholders as there was reportedly limited national guidance on interpreting action in the priority areas. Light touch monitoring is seen as both a strength and a weakness by different stakeholders, either leading to institutional autonomy or to a lack of transparency. Views on targets were equally mixed, with some commenting that they were too demanding or too broad to allow effective monitoring. Monitoring was also considered to have limited effectiveness as it has not provided HEIs with a mechanism for identifying improvements in organisational performance.

The evaluation identified some negative views about the wider impacts of the funding in the sector, although it was recognised that this is partly because of delays in implementing job evaluation systems. There was a perception that R&DS has not always touched the working lives of HE staff, but has focused on HR processes, infrastructure and increased staff numbers.

8.3 Implications of this evaluation for future R&DS activities

During the course of the evaluation, we have identified a number of challenges which remain to be addressed within HRM in the HE sector.

8.3.1 Challenges remaining

As we have indicated, one of the most significant impacts of the R&DS 1 initiative has been the raising of the profile, size and status of HR functions across all types of institution within the sector. Our interviews, particularly with stakeholders, lead us to conclude that the embedding of HR in HEIs still has some way to go. For example, HR strategies will need to be increasingly integrated with other key institutional strategies and activities, such as learning and teaching, preparation for the 2008 RAE and widening participation, as well as with overall strategic planning and assessments of organisational performance.

Other important challenges can be summarised as follows.

- HR Directors responding to the questionnaire identified implementing the national framework agreement and job evaluation by August 2006 (for those who had not already achieved this) as the biggest challenges.
- Interviews with HEIs and stakeholders showed that the implementation of the framework agreement is seen as a key aspect for the future. This view was shared by focus group participants, who identified work on pay reviews and modernisation, job evaluation and role analysis, where not yet achieved, as key future priorities.
- Stakeholders also commented that the future challenge is to see the agreement working and delivering performance management and career structures. Stakeholders noted that expectations have been raised as a result of the national framework, and successful implementation will require real champions within HEIs to ensure success.

- A continued focus on leadership development, equal opportunities, performance management and tackling poor performance was identified by several strands of the evaluation, and raised as a particular challenge in the focus groups and in-depth interviews.
- The focus groups also noted the need for improved communication and consultation around future R&DS initiatives to ensure staff engagement.

8.3.2 **Future funding issues**

The evaluation has considered views from a wide range of interviewees, from HEIs and other stakeholders, and concluded that the ring-fencing of funding in R&DS 1 was crucial to ensuring a sector-wide, structured and time-bound approach to improvements in HRM.

The profile of HRM and of HR functions within HEIs has clearly been raised by R&DS 1. Given the decision to move R&DS funding into block grant, ongoing consideration should be given to ensuring that this profile is not diminished and that the momentum given by R&DS 1 to modernising HRM within HEIs is not lost.

Important notice from KPMG about this report

We were engaged by HEFCE to conduct a study consisting of an evaluation of the first round of R&DS funding covering the period 2001-2 to 2003-04 (“the study”) and to report to HEFCE on our findings, details of which appear in this document (our “report”). The terms and conditions of our engagement by HEFCE and HEFCE’s requirements are set out in a contract between us (“the contract”). In order to provide this report, we have carried out the relevant work as specified in the contract. Our work did not amount to an audit conducted in accordance with auditing standards and does not give the same level of assurance as an audit. In performing our work we relied on information supplied from various sources. We did not attempt to verify the accuracy or completeness of any such information.

This report has been prepared for HEFCE solely in connection with and for the purposes of the study. It has been released to HEFCE on the basis that it shall not be copied, referred to or disclosed in whole (save for HEFCE’s own internal purposes or to its advisers in connection with the study) or in part, without our prior written consent. We have consented to its disclosure in full on HEFCE’s web-site and to third parties on condition that this important notice appears prominently in full.

This report was designed to meet the agreed requirements of HEFCE and particular features of the engagement of KPMG were determined by HEFCE’s needs at the time. This report should not therefore be regarded as suitable to be used or relied on by any person or organisation other than HEFCE for any purpose or in any context. Any person or organisation other than HEFCE who or which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of this report to any other person or organisation.

List of abbreviations

AMS	Annual monitoring statement (returned by HEIs to HEFCE)
DfES	Department for Education and Skills
ECU	Equality Challenge Unit
EO	Equal opportunities
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HR	Human resources
HRM	Human resources management
R&DS 1	Rewarding and Developing Staff in Higher Education initiative, round 1 (2001-02 to 2003-04)
R&R	Recruitment and retention
RAE	Research Assessment Exercise
SCOP	Standing Conference of Principals
T&D	Training and development
UCEA	Universities and Colleges Employers Association
UUK	Universities UK