



BRIEFING PAPER

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Update on vice-chancellors pay in higher education institutions in England

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Contents:

1. Salary levels
2. Office for Students report on senior pay in England

Contents

Summary	3
1. Salary levels	5
1.1 Times Higher Education annual surveys of salaries 2017-18	5 6
2. Office for Students report on senior pay in England	7
2.1 Signs of pay restraint?	9
2.2 Comment on the OfS report	10
2.3 Ministerial guidance letter to the OfS	11



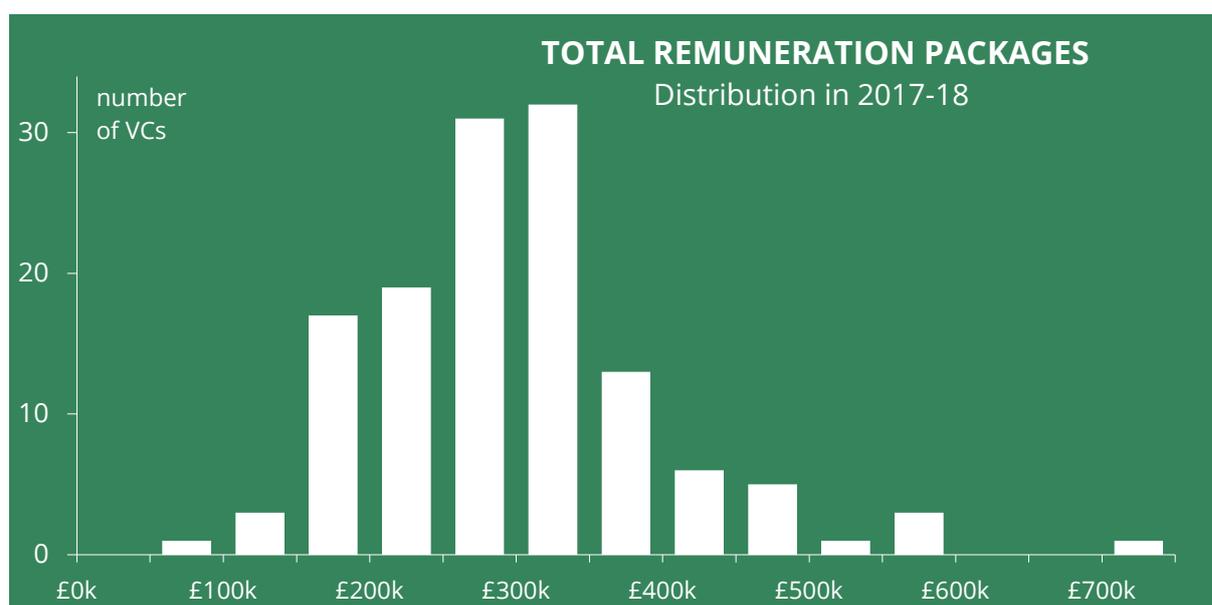
Summary

The pay of senior staff in higher education institutions (HEIs) in England has been under scrutiny since 2017 when it was disclosed that the vice-chancellor of the University of Bath was paid a salary of £451,000 in 2016/17. It was suggested that increases in pay could be linked to the increase in tuition fees in 2012 but this was not proven.

UK VICE-CHANCELLORS' SALARIES			BEST PAID HEADS OF PROVIDER IN 2017-18		
Basic pay + benefits, one-off payments & pension			£ thousands		
	Mean £000s	Annual change in total		Basic salary	Total package
2012-13	255	+3.3%	The Open University	360	718
2013-14	264	+3.3%	London Business School	422	596
2014-15	274	+5.4%	The Open University	360	718
2015-16	281	+2.2%	London Business School	422	596
2016-17	290	+3.2%	Imperial	373	576
			University of East London	319	592
			London Metropolitan University	293	550
			Imperial	373	576
			LSE	344	500
			London Metropolitan University	293	550

In 2017-18 the average basic salary for 'heads of providers' (vice-chancellors) in England was £253,000. The average total remuneration package (including bonuses, one off payments and pensions) was £299,000. The median was somewhat lower at £286,000 in 2017-18.

Six universities in England paid their vice-chancellors £500,000 or more in salary, bonuses and benefits in 2017-18, while nearly half of all vice-chancellors received more than £300,000.



4 Update on vice-chancellors pay in higher education institutions in England

In June 2018 the Committee of University Chairs (CUC) published the Higher Education **Senior Staff Remuneration Code**. This code aimed to help HEIs make senior staff pay fairer and more appropriate, but the code was criticised by the University and Colleges Union (UCU) for being **voluntary and inadequate**.

Library briefing paper, [*Vice-chancellors' pay in higher education institutions in England*](#), 20 June 2018 outlined the policy issues and debate.

The Office for Students (OfS) has a role in senior staff pay as part of its remit to ensure value for money for the taxpayer. In February 2019 the **OfS published its first annual report on senior staff remuneration**, [*Senior staff remuneration Analysis of the 2017-18 disclosures*](#). The report showed that the majority of vice-chancellors received an increase in basic salary or total remuneration between 2016-17 and 2017-18.

This briefing provides an update on senior pay since the introduction of the CUC code and the publication of the OfS report.

1. Salary levels

1.1 Times Higher Education annual surveys of salaries

The *Times Higher Education* (THE) carries out an annual survey of vice-chancellor's pay; this includes basic pay, bonuses, pensions and various one-off payments.

The **variety of different pay packages across UK universities means that making comparisons is not always straightforward.**

Basic salary levels on their own do not tell the whole story. A further difficulty is that it is quite **common for universities to change their vice-chancellor in year.** This affects the average (per post holder) as the individuals involved will not have been in post for a full year. The survey therefore reports change in the *total*/salary for all vice-chancellors at UK universities alongside mean salaries for all post holders.

The annual change in total salaries is a better guide to how pay has changed over time. **Mean averages will also be skewed by a small number of particularly high salaries.** *Median* averages were only reported in the most recent survey.

The table below shows trends in basic salary, benefits and on-off payments from 2008-09 and this plus pensions from 2012-13.

VICE-CHANCELLORS' SALARIES				
UK universities				
	Basic salary plus benefits and one-off payments		Basic salary plus benefits, one-off payments and pension	
	Mean	Annual change in total	Mean	Annual change in total
2008-09	£219,156	+10.6%	..	+10.0%
2009-10	£213,813	-1.2%	..	+0.5%
2010-11	£212,000	+0.9%	..	+1.1%
2011-12	£219,681	+2.7%	..	+0.5%
2012-13	£232,120	+5.5%	£254,692	+3.3%
2013-14	£240,794	+3.6%	£263,566	+3.3%
2014-15	£252,745	+6.1%	£274,405	+5.4%
2015-16	£257,904	+2.5%	£280,877	+2.2%
2016-17	£268,103	+3.9%	£289,756	+3.2%

Source: THE annual pay surveys

The pay figures are necessarily rather 'messy' as they include, in some cases; a wide variety of different one-off payments, backdated pay, data for different reporting years, salaries of acting vice-chancellors etc.

There have also been changes to the number of UK universities over this period. Readers should therefore **view the data with some caution** and not draw firm conclusions from any relatively small annual changes.

The table shows that **annual increases were somewhat higher after 2012**. But it gives **no hard evidence to support the claim that vice-chancellors' pay has been inflated by higher fees** from 2012. It is possible that the cut in pay in 2009-10 and the small increase in 2010-11 were in part due to the financial crisis. These two years make later figures look relatively large.

The 2016-17 mean salary figure (excluding pensions) was skewed somewhat by some particularly high figures. The median level was £261,289.

The **annual average increase in the total pay package from over the decade to 2016-17 was 3.8%** excluding and 3.2% including pensions. This was **well above the increases in UK average earnings** over the same period of 1.8% for the economy as a whole and 2.0% for the public sector.¹

A *Times Higher Education* article from 2017² looked at pay data for England up to 2015-16 to see whether pay increases had got larger since 2012. It found a **real increase in pay between 2010-11 and 2015-16** (where there was no change in vice-chancellor) **of 7%** compared to a **fall of 2.8% in average pay for all academic staff**. However, there was much variation between universities and no clear increase in 2012 or just after. It also found **no link between universities that had seen the biggest increases in income and vice-chancellors' pay**.

2017-18

The *Times Higher Education* published [analysis](#) of 2017-18 pay levels for Russell Group universities in December 2018. It showed that the **average salary and benefits of a vice-chancellor at these universities in 2017-18 was £355,115**. This was an **increase of 1.8** per cent from 2016-17. The **Open University, London Business School and the University of East London awarded the highest remuneration**, with the OU paying £718,000 in 2017-18 (this included compensation for loss of office, to its departed vice-chancellor Peter Horrocks).

The *Times Higher Education* has not published a full analysis of vice-chancellors' pay at all UK universities. New data from the Office for Students was published on this in February 2019 and is summarised in the next section.

¹ ONS [EARN01 dataset](#), March 2019. Total pay series August 2007 to August 2016.

² "[Are rising fees bankrolling growth in vice-chancellors' salaries?](#) *Times Higher Education*, 14 September 2018

2. Office for Students report on senior pay in England

The Office for Students (OfS) **requires higher education providers to make disclosures about senior staff remuneration** at their institution. These disclosures were required in the audited financial statements for the year ended 31 July 2018.

On 12 February 2019 the OfS **published its first annual analysis** of the data on senior staff pay in a report, [*Senior staff remuneration Analysis of the 2017-18 disclosures*](#).

The report looked at the pay of vice-chancellors and other senior staff for 2017-18 and set out details of pay and pay ratios between the heads of providers and all staff.

The main findings of the report were:

Proportion of staff paid £100,000 or more

9. Across all providers, the proportion of all staff paid a basic salary of £100,000 or more in 2017-18 was 1.5 per cent (compared with 1.3 per cent in 2016-17). This shows an **increase in highly paid staff, but it masks considerable variation**. Forty eight providers (**36 per cent**) report a **decrease** in the proportion of staff paid a basic salary of £100,000 or more, and a further three (**2 per cent**) report **no change** in the proportion. There is no discernible pattern in terms of the type of provider that has reported increases or decreases on this measure and so it simply reflects variation between providers.

Remuneration for the head of provider

10. Review of the changes to the remuneration for the head of a provider shows that the **majority have received an increase in basic salary or total remuneration or both** between 2016-17 and 2017-18. However, 13 providers (10 per cent) reported paying a reduced basic salary to their head of provider in 2017-18 compared with 2016-17, and a further 18 (14 per cent) paid no increase in basic salary for the same period. For some of these providers, the reduction arises due to changes in the head of provider (see paragraph 13), but for others there are **genuine signs of pay restraint**.

The **mean average total remuneration package for 'head of providers' was £299,000 in 2017-18, up by 1.9% on 2016-17**. The median was somewhat lower at £286,000 in 2017-18. 12 of 132 universities in England changed their head of provider in 2017-18.

The report showed that **six universities in England paid their vice-chancellors £500,000 or more in salary**, bonuses and benefits in 2017-18, while nearly **half of all vice-chancellors received more than £300,000**.³

The universities with the greatest increases in vice-chancellor pay were:

"Of the 133 institutions included in the figures, some **109 saw their top earner receive a pay rise**, while **13 had no change** and just **11 reduced the salary** of their vice chancellor".

Financial Times, 12 February 2019

³ [*"Vice-chancellors paid £500,000 or more at six universities in England"*](#), *The Guardian*, 12 February 2019

8 Update on vice-chancellors pay in higher education institutions in England

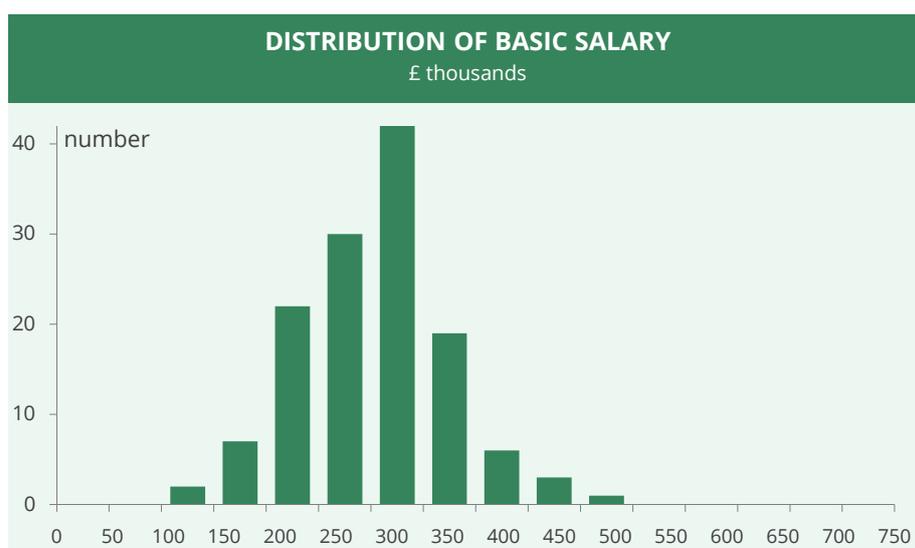
- De Montfort University - from £286,000 to £350,000
- Bishop Grosseteste University - from £158,000 to £188,000
- The University of West London - from £266,000 to £306,000
- The University of Essex - from £257,000 to £289,000
- Anglia Ruskin University Higher Education Corporation - from £257,000 to £289,000.⁴

The table below gives the top ten by total remuneration package and shows that some only make this list due to payouts for loss of office.

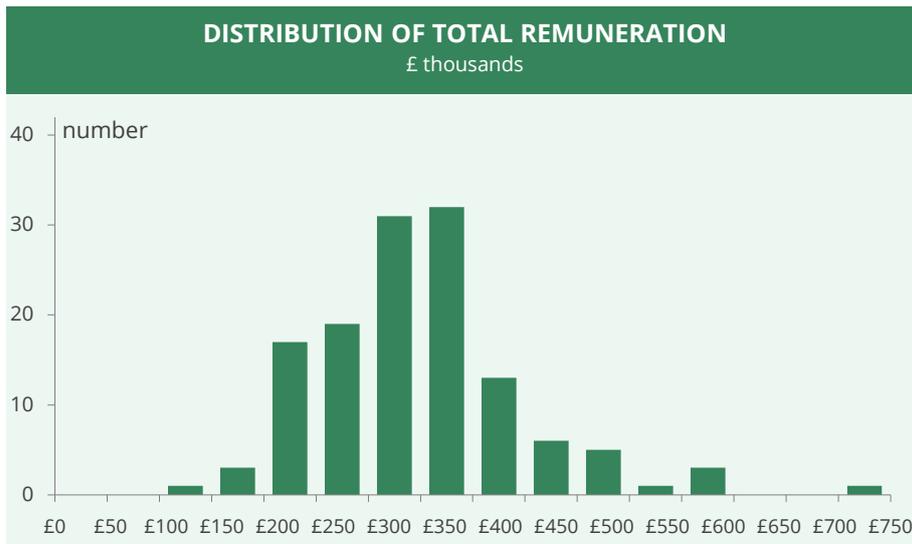
BEST PAID HEADS OF PROVIDER IN 2017-18				
£ thousands				
	Basic salary	Pension, bonuses and other benefits	Compensation for loss of office	Total
The Open University	360	103	255	718
London Business School	422	174	0	596
University of East London	319	90	183	592
Imperial	373	203	0	576
London Metropolitan University	293	140	117	550
LSE	344	156	0	500
The University of Bath	470	22	0	492
University of Cambridge	431	61	0	492
King's College London	350	111	0	461
The University of Sheffield	346	110	0	456

Source: [Senior staff pay data](#), OfS

The following charts look at how levels of basic pay and total remuneration varied in 2017-18.



⁴ ["Some university chiefs paid 13 times more than staff"](#), *BBC News*, 12 February 2019



The OfS report also contained information on **pay ratios of staff**:

The range of pay ratios **was from 3.0 to 13.4 for basic salary and from 2.9 to 12.8 for total remuneration**. There were few common features of providers at the upper ends of these ranges. However, the providers with the lowest ratios were typically the music conservatoires and performing arts providers. These providers tend to be specialist and smaller than average. They have lower incomes and are arguably less complex businesses. Consequently, they appear to be at the lower end of the remuneration range for the head of provider.⁵

The (mean) **average pay ratio was 7.8 for basic salary and 8.2 for total remuneration**.

2.1 Signs of pay restraint?

Nicola Dandridge the chief executive of the OfS said that that the OfS’s report **showed signs of pay restraint at some universities**:

'It is not for the Office for Students to set a vice-chancellor’s pay. We understand that running a university is a significant and complex task, and it is right that those who excel in their roles should be well rewarded. Despite this, where pay is out of kilter, or salary increases at the top outstrip pay awards to other staff, vice-chancellors should be prepared to answer tough questions from their staff, student bodies and the public.

'It is good to see signs of pay restraint at some universities, with some vice-chancellors refusing a salary increase. **A number of governing bodies have reduced the basic pay of their vice-chancellor**, though we acknowledge that it can be difficult to revisit contractual obligations while a vice-chancellor is in post. We expect to see further progress next year.

'Universities receive significant funding, both in the form of direct grant drawn from public taxation as well as funding from student loans. It is important that both students and the public can be assured that they are receiving value for money for this funding, and restraining excessive senior pay is part of this. Universities – and individual vice-chancellors – need to be confident that they

“The salaries of English vice-chancellors **rose almost twice as fast** on average as the pay of rank-and-file university staff in the past academic year.”

Times Higher Education, 12 February 2019

⁵ OfS, [Senior staff remuneration Analysis of the 2017-18 disclosures](#), p11 para 17

can justify the pay that they receive. They should, as a minimum, be following the Committee of University Chairs' senior staff remuneration code, and be prepared to respond decisively where an individual's pay is excessive.'⁶

An article in the *Financial Times* highlighted that in some HEIs **new vice-chancellors were being appointed on lower salaries** than their predecessors:

The University of Bath and the Open University, which featured prominently on an Office for Students' list of the highest basic salaries for university leaders in 2017-18, have announced their new vice-chancellors will receive lower amounts than their predecessors. The University of Southampton, which also featured on the list, said it was "likely" its next vice-chancellor would be paid a lower salary than the incumbent. The moves suggest some universities are responding to the public outcry over their leaders' pay that started in 2017.⁷

2.2 Comment on the OfS report

The Education Secretary Damian Hinds responded to the OfS report and said that **high pay must be justified**:

"We set up the Office for Students to look out for students' interests and it is absolutely right that the OfS demands greater transparency from universities by requiring them to justify the pay and benefits of their vice-chancellors.

"We have given the OfS powers to take action if universities do not do this and we expect them to be used where necessary. "

He added: "Of course salaries need to be competitive - but high pay must be **justified by high performance** on objectives such as widening participation for disadvantaged groups, low dropout rates, growing export earnings and pioneering innovative research. "⁸

The University and College Union said that the report showed that the OfS was a 'paper tiger':

UCU has branded a report from the Office for Students (OfS) into senior pay at universities as lightweight and said it exposed the regulator as a 'paper tiger'.

The union said the report failed to look at the excessive and arbitrary rises still enjoyed by some vice-chancellors, or tackle the expenses and other benefits in kind that have plagued universities in recent years.

OfS chief executive Nicola Dandridge previously told the education select committee that the OfS was 'proposing that anyone being paid more than £150,000 per year will be required to justify it, and the OfS will look at that justification to make sure that it is appropriate'.

The report shows that only four institutions out of 133 (3%) paid their head under that £150,000 threshold, and contained no

⁶ OfS, Office for Students publishes first annual analysis of senior staff pay, 12 February 2019

⁷ "Three top-paying universities cut vice-chancellor salaries", *Financial Times*, 18 February 2019

⁸ "[Some university chiefs paid 13 times more than staff](#)", *BBC News*, 12 February 2019

details about the justification for those awards. Around half (47%) paid out more than £300,000 in 2017/18.

UCU head of policy Matt Waddup said: 'With this lightweight report the OfS has shown itself to be a paper tiger incapable of stopping the pay and perks scandals that have plagued universities. The report simply regurgitates some of the analysis done by UCU and others in recent years, but pulls its punches on how to address the problem.

'The OfS fails to ask why some vice-chancellors are still picking up double digit pay rises and doesn't even look at their expenses or other benefits in kind. This report sends a message that those who accept such largesse have nothing to fear from the new regulator.'⁹

The vice-chancellor of the University of Worcester, David Green said that **calling out high pay could have unintended consequences** for low paid staff:

Instead of reducing senior pay levels, some universities may seek to achieve a "better" median pay level by removing low-paid staff from their direct payroll, Professor Green predicted.

"If this 'median ratio' is persevered with it will probably start to incentivise university executive leaderships and boards to think differently about how they employ students to work in part-time roles at their university, if at all," he explained.

"It will also provide a reputational incentive to outsource jobs in such areas as cleaning, security, grounds and lower-paid roles generally," he said, adding that it may also deter universities from creating junior entry-level academic positions.¹⁰

2.3 Ministerial guidance letter to the OfS

On 27 February 2019 the Education Secretary, Damian Hinds sent a [guidance letter](#) to the OfS setting out the government's priorities for the organisation in 2019/20. The letter said **high pay must be justified by high performance**:

I welcome the recent publication of senior staff remuneration data and analysis. Transparency is key to ensuring justification and accountability. However, **high pay must be justified by high performance**, and expenses and severance **payments should, in all cases, be reasonable and justifiable**. Where issues with senior staff pay lead to concerns over governance, the OfS should consider carrying out independent reviews of the adequacy and effectiveness of management and governance at providers and to require improvements, where necessary, to ensure that these arrangements are fit for purpose.¹¹

Some commentators have expressed concern about the **OfS's ability to carry out potentially numerous reviews** into the management and governance of HEIs and the effect of this on institutional autonomy:

⁹ University and College Union, [Pay report exposes universities regulator as 'paper tiger'](#), 12 February 2019

¹⁰ "Pay ratio publication may fuel outsourcing drive, v-c warns", *Times Higher Education*, 28 February 2019

¹¹ Department for Education, [Strategic Guidance to the Office for Students — Priorities for Financial Year 2019/20](#), 27 February 2019

12 Update on vice-chancellors pay in higher education institutions in England

Mr Hinds' call for the OfS to intervene more frequently in cases of excessive high pay raised "serious questions about institutional autonomy and self-governance", said Mike Shattock, visiting professor at UCL Institute of Education.

[...]

"I do not think that the OfS is really set up to run lots of inquiries into whether vice-chancellors are overpaid or not," said Professor Shattock, a former registrar at the University of Warwick.

"It has only two people on its board, other than its chair, with a university background, so I'm not sure the OfS will want to spend time examining exactly how various institutions' governance is arranged," he added of the body, which has promised "light-touch regulation" of established universities.¹²

¹² ["Doubts raised over ministers demand for more English v-c pay probes"](#), *Times Higher Education*, 7 March 2019

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