

Development of HR strategies: learning from assessing strategies and advising institutions

**A report to the HEFCE by the Office for Public
Management**

November 2002

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Introduction

This report has been prepared by OPM (the Office for Public Management) for the Higher Education Funding Council for England (HEFCE) and other bodies with a direct interest in the HEFCE initiative, *Rewarding and Developing Staff in Higher Education*. These other bodies include the Universities and Colleges Employers Association (UCEA), the Higher Education Staff Development Association (HESDA) and the Equalities Challenge Unit (ECU).

The report brings together the learning emerging from the work OPM has been undertaking on HEFCE's behalf, providing advice and evaluating human resource strategies from higher education institutions (HEIs). It is a by-product of that work, rather than the result of a specific research exercise. While the findings are based on some quantitative evidence, their real strength lies in the rich qualitative evidence and the interpretation of the OPM assessors and advisors.

OPM was initially commissioned in 2001 to carry out a systematic evaluation of the human resource strategies received from the 130 HEIs that responded to the HEFCE invitation to take advantage of the special funding initiative, covering a three year period from 2001 to 2004 and supporting human resources (HR) development work in the sector. HEFCE provided guidance about what the HR strategies needed to address in order for the institution to qualify for the special funding allocation. This included evidence that the strategies:

- were integrated with the institution's mission and strategic plan
- covered the six suggested HR priority areas (see below)
- supported additional activity or the extension of existing activity that would yield further improvements in HR practice
- contained targets that could be used to assess the effectiveness of expenditure.

The six main priorities for work in the sector were:

1. Recruitment and retention
2. Staff development and training
3. Equal opportunities, including job evaluation and equal pay work
4. Reviews of staffing needs
5. Annual performance reviews
6. Action to tackle poor performance.

These six conditions provided the core criteria for the evaluation process that OPM used to assess the HR strategies, and they are used as the basis for this report.

Institutions were able to submit an HR strategy for the full three years (a full strategy) or to make an interim submission for the first year only (an emergent strategy), with the expectation that a further, refined and updated strategy submission would be made in 2002. In the first assessment exercise in 2001, the bulk of institutions submitted emergent strategies and nearly all were approved with that status. Forty-two institutions submitted full strategies, of which nineteen were approved and twenty-three were approved with emergent status. In autumn 2001, a series of workshops was run by UCEA to support the institutions' continued work on their HR strategies, and a draft good practice guide was made available. The guide was refined and updated in March 2002. HEFCE also offered consultancy advice and support to all HEIs, through OPM. Nearly all institutions took advantage of this advice. A total of 109 institutions presented full strategy submissions in June 2002. Following assessment by OPM, the vast majority of these were approved as full strategies by the advisory group, although a significant proportion of approvals included further conditions to be fulfilled by the institution as part of that acceptance.

The analysis contained in this report draws on OPM's assessments of the 109 institutions' HR strategy submissions in 2002, together with our broader understanding gained from working with HEIs in an advisory capacity.

The way that some spending plans were presented made categorisation and therefore comparison impractical. The analysis of spending and investment information in this report is therefore based on a sample of 53 institutions' plans. (A summary of the statistics extracted from these 53 institutions is given in Appendix 1.) It should be noted that this is not a random sample of the 109, but a self-selecting one made up of institutions that structured their strategies more closely around the six priority areas. The investment analysis may therefore be somewhat skewed and includes a higher proportion of post-92 universities and HE colleges than pre-92 universities. This needs to be kept in mind when interpreting the evidence presented here and drawing conclusions from it.

Overview

Our (OPM's) assessment of HR strategies from institutions based on an agreed template in both 2001 and 2002 showed some consistent messages about relative strengths and weaknesses and about the state of HR development in the sector.

It is clear that some significant improvements were achieved between HR strategy submissions in 2001 and those in 2002. In a good number of institutions considerably more work went into the analysis that underpinned the strategy and its development in 2002, which in turn helped institutions to define priorities more clearly and develop more robust plans to improve HR practices in the future. There is also some evidence that a wider cross section of managers and other staff were brought into the work.

The submissions in 2002 showed noticeable improvements in:

- The clarity of direction and focus in the strategies
- Integration between HR strategies and wider corporate goals and other institutional strategies, including teaching and learning strategies and research
- The assessment of current practice and performance in HR and the lessons learnt from past experience
- The importance given to managing organisational and cultural change in the implementation plans, including arrangements for monitoring and evaluating the work and communicating with staff.

These are all essential building blocks for the achievement of transformational change in HR practice in the sector.

However, the conditions set as part of the acceptance of the majority of strategies in 2002 suggest that there are a number of common problems, which many institutions still need to address by:

- Providing improved data on key HR activities as part of the evidence base to underpin priorities, set quantitative targets and monitor progress.
- Developing more SMART targets, especially at the output and outcome level. The need for improved targets was particularly noticeable in the equal opportunities section of many strategies.
- Providing more detailed implementation plans, including clearer timescales and accountabilities, tighter project management and clearer processes for both monitoring and evaluating the work
- Providing a clearer breakdown of spending plans and the division between core funding and HEFCE special initiative funding.

These are explored in more detail in the discussion of the six priority areas that follows. There are also a number of underlying factors, most notably the capacity of the HR function and its relationship with the rest of the institution, and we have examined these following the sections on the six priority areas.

Based on our analysis of expenditure patterns included within HR strategies for a sample of 53 institutions, it is possible to see where they are spending their special funding allocation across the six HEFCE priority areas. By far the largest slice of funding is being committed to work on staff recruitment and retention initiatives. Almost a third on average of all expenditure across all priority areas is earmarked for recruitment and retention work and the bulk of this is for market supplements and other pay/performance enhancements. The second largest expenditure, with over 20% on average of institutions' budgets committed, is on staff training and development. This was closely followed by Equal Opportunities (EO) including job evaluation and equal pay work, which on average receives just less than 20% - with slightly more proportionately committed to job evaluation and equal pay compared to other EO initiatives. The remaining expenditure was 12% of budgets on average identified for initiatives linked to staffing needs work, and 8% and 4% respectively on average for expenditure linked to annual performance review and managing poor performance. These are very much an average across the expenditure plans analysed. In practice there was quite wide variation between institutions in respect of the absolute and proportionate size of expenditure in each of the six priority areas.

Recruitment and retention

The current situation

Recruitment and retention of staff is widely recognised by institutions as an essential aspect of HR management and a key strand in their HR strategies. Most strategies refer to the fact that the institution's ability to achieve the aspirations set out in its mission and corporate plan – to deliver high-quality research and teaching – is critically dependent on its capacity to recruit and retain high-calibre staff.

It is difficult to quantify the extent to which institutions have problems in this area because many still lack accurate data, but most identify problems in recruiting and retaining specific categories of staff rather than difficulties with all posts. This concurs with the conclusion in the Bett report ('Independent review of higher education pay and conditions' – chaired by Sir Michael Bett, 1999) that recruitment and retention problems are 'particular rather than widespread' (pp 56-57). The annual survey reports of recruitment and retention in UK HEIs (*Recruitment and retention of staff in UK higher education – a survey and case studies 2001, UCEA 2002*) shows that many HEIs see problems with recruitment and retention as getting progressively worse among certain groups of academic staff, and increasingly among support staff as well. The difficult areas identified in our analysis of HR strategy submissions are the same as those publicised in the UCEA surveys. For academic staff these are in such disciplines as engineering, education, accountancy, economics and law. In some cases, HEIs say they experience problems recruiting and retaining staff in certain clinical and medical disciplines. Among support staff the main perceived problems are with computing, finance and, in certain cases, administrative and clerical staff – especially in institutions in London and the south east and some locations in the south west. The main reasons for difficulties with the recruitment and retention of support staff were identified by institutions as inability to compete with private sector pay rates, difficulties with high cost of living and transport difficulties.

Use of information

The ability of HEIs to manage recruitment and retention effectively depends on their gathering and analysis of data. Without adequate information, institutions are unable to gauge accurately the nature of the problems they face or to develop appropriate responses.

Our assessment of institutions' HR strategies suggests that monitoring of recruitment and retention is improving, but in many it still falls well short of the systematic data collection that is required. In some cases HEIs were still relying on anecdotal evidence and did not have accurate data for such areas as the number of vacancies, hard-to-fill posts, instances of re-advertising of posts, numbers of applicants per post, successful short listing and appointments meeting post criteria. In terms of retention, institutions did not always have accurate and recent data on turnover, leavers and their destination or staff perceptions of rewards and job satisfaction. Many institutions also lacked external data such as labour market information on pay and rewards packages offered by competitors.

The need for institutions to improve their data gathering was reflected in the conditions set; just over 15% of those receiving conditional approval of 'full strategies' were specifically asked to improve baseline data or provide evidence to support initiatives being suggested in action plans. A high proportion of these action plans concerned recruitment and retention. Similarly, over half the institutions given conditions were asked to develop improved, measurable outcome targets or develop more rigorous processes for evaluating the impact of initiatives. Many of these related to recruitment and retention.

Some HEIs gave considerable space in their strategies to their learning from work done over the past year, while others gave much less consideration to this and to monitoring the impact of future initiatives, such as changes to reward strategies.

Objectives and planned activities

The availability of data clearly has an effect on the ability of institutions to benchmark performance and set meaningful objectives and measurable targets. Those with good data were able to set quantified targets around such areas as:

- reduction in turnover and vacancies,
- increases in:
 - applicants on short lists
 - those successfully completing probation
 - staff satisfaction.

These targets were often combined with intermediate objectives that would help the institution to achieve these goals, such as changes to policies affecting work-life balance and the development of career paths.

Institutions without adequate data had to use more process-based objectives that reflected the wide range of activities being undertaken. These approaches to tackling recruitment and retention difficulties tended to fall into the following categories:

- the totality of the recruitment process
- advertising practices, using different media
- selection processes
- induction processes and probation
- pay and grading
- staff satisfaction, working practices and non-monetary rewards.

The recruitment process

Some strategies aimed specifically at improving the process of recruitment of staff to the institution. This included initiatives aimed at improving the overall efficiency of the recruitment process, in terms of both the length of time taken from the beginning of the recruitment exercise to getting people in post and the overall cost. Other initiatives also aimed at strengthening the effectiveness of the process – delivering candidates of the right profile and calibre.

Advertising

Institutions with plans to improve the recruitment process often want to review spending on recruitment advertising, and in some cases to cut expenditure by a proportion. A significant number of institutions are starting to rely more heavily on web-based recruitment of staff, especially for recruiting academic staff, and they see this as a way of reducing costs. Several institutions are analysing responses to advertisements and redirecting their efforts to the media and times of year that yield the best results. In some cases, planned action strongly reflects corporate goals and values, for example advertising abroad and in the ethnic minority press to increase the diversity of applicants.

Selection processes

Most HEIs have recognised that selection is an important part of their equal opportunities practices and have sought to train those involved. Almost two-thirds of all 109 institutions whose HR strategies were assessed in 2002 have plans to provide such training to all selection panel members. Some others mentioned this provision just in relation to those chairing selection panels. A significant number are also planning to improve training and development for all those involved in selection panels as part of their wider equal opportunities commitments.

A small number of institutions have explicitly recognised that their reputation can be enhanced or damaged by selection processes and are therefore seeking to gather information from applicants about their experience of the process.

Many institutions are now using well-developed job descriptions and person specifications, increasingly competency based ones, as the basis of their selection procedures. Where this is not already established practice, as is often the case where HR processes in general are less well established in the institution, arrangements are being tightened up. There is little mention of assessment centres or the wide range of selection methodologies that are used elsewhere in the public sector. This may be because the problem is perceived as recruiting rather than filtering out inappropriate candidates. This may be an area that would benefit from further investigation.

Induction and probation

Several institutions recognised the importance of a good induction process in helping staff complete their probationary period successfully. The use of 'buddying' arrangements and the exploration of the expectations of new staff were among the more innovative approaches being used. Institutions are putting more emphasis on performance and are tending to use recruitment and subsequent induction processes as means of ensuring that those who join the institution are capable of performing at a high standard.

Pay and grading

Pay-related investment in recruitment largely concentrates on direct enhancements to pay and other incentives, such as market supplements or relocation packages. When an institution is in an area of high-cost housing, greater priority is attached to the latter. Most institutions using market supplements and enhanced recruitment packages outline plans to use this approach in a targeted way, although in some cases the criteria for targeting and assessing the effectiveness of this spend are not transparent in institutions' plans. Some institutions are using market supplements for support staff, such as computer staff or manual craft grades, as well as for academic staff. For those 53 institutions where investment plans have been analysed, nearly a third (28%) are investing in market supplements, merit pay or discretionary award schemes.

Where institutions are using pay and rewards to strengthen staff retention, the diversity of approaches is wider. More than half of institutions are planning to develop and implement some kind of performance related pay (PRP) (see section on annual performance review). A small proportion of institutions already have these schemes in place, at least for some staff. Very many more are planning to extend and develop these, with various merit or discretionary payments being offered to all staff rather than just some grades. Typically, current schemes just cover senior staff and department heads. A number of institutions are revising and updating annual review procedures to accommodate new PRP mechanisms.

While some institutions are reinforcing the link between individual performance and reward through formal individual PRP schemes, others are taking a broader approach. Some are developing group-based rewards. Others are linking performance and reward within a broader framework, for example: recruitment and induction processes are being used to ensure that new staff have the ability to perform at the high level required and that their expectations match those of the HEI concerned. Performance management systems with disciplinary and capability procedures are used to ensure that existing staff also understand and meet performance requirements. Individual recognition including monetary rewards is then discussed in the context of overall performance.

Some institutions have rewards strategies for academic staff that are addressing staff retention issues by making changes to grading structures, such as (in one pre-1992 HEI) abolishing the Lecturer 'A' grade or doing away altogether with the lecturer grade and

establishing senior lecturer as the main academic career grade for the institution. The costs of implementing these schemes are often quite substantial and consume a large part of funding allocations. In some cases, institutions recognise that there will be a major opportunity to address pay and grade issues as part of wider job evaluation for staff in the institution.

Other rewards

A good number of institutions are using funding from their special funding allocation to support improved arrangements for sabbaticals or more time off for research or consultancy, as part of supporting wider organisational goals of improving research performance as well as improving staff retention. In some cases, institutions are offering to fund support staff to assist with research and other duties. There is recognition that this not only contributes to strengthening staff recruitment and retention, it also potentially contributes to improved research performance as well.

A wide variety of other schemes are in place offering non-pay benefits to contribute to staff retention. These include initiatives for flexitime and more part-time working, extended schemes for workplace nursery places, waiving of study fees for postgraduate study, assistance with NVQ work or Continuing Professional Development (CPD) schemes for support staff and personal health insurance. In some cases, institutions linked these kinds of initiatives to a wider programme of work to support staff retention, including staff development, internal communication and staff involvement to create a positive working environment.

Staff satisfaction

Many HEIs recognise the need to address issues that cause staff to leave, and are planning a more systematic use of exit interviews in the future to identify such problems. The more forward-looking institutions also use or are intending to use regular staff opinion surveys as part of their improved monitoring arrangements for staff recruitment and retention.

Pattern of spending on recruitment and retention

The following table shows the pattern of spending on recruitment and retention. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average - % of allocation spent | 30% | 27% | 28.5% |
| (Average – excluding those spending nothing) | (31%) | (29%) | (30%) |
| Highest | 71% | 74% | 72% |
| Lowest | 2% | 1% | 2% |
| Number spending above average | 24 (out of 51) | 23 (out of 49) | 23 (out of 51) |
| Number spending nothing | 2 | 4 | 2 |

The average spending on recruitment and retention initiatives in HR strategies (among the 53 HEIs where data has been analysed) is around 30% of the total expenditure, making this the area where most money from the special allocation is being spent. This is not surprising, given the position of pay and rewards in the sector compared to other sectors and what was said in the Bett and Dearing reports, as well as the expectations among many in higher education that addressing substantive issues of pay and rewards in the sector is central to this whole initiative.

However, there are differences within the 53 HEIs whose expenditure plans were analysed. Fifteen are spending more than 40% of their total allocation on staff recruitment and retention and of these six (11%) are spending more than half of their total budget in this area. At the other extreme, two institutions (5%) are not spending anything at all. A further nine HEIs are spending less than 10% of their total budget allocation. Among the HEIs spending less than 10% of their budget on recruitment and retention initiatives, four are spending the money on reviews of staffing needs – probably on implementing restructuring plans. A further four are putting proportionately more money into staff development. The rest (two) are putting larger sums into equal opportunities – especially job evaluation or performance management work.

Staff development and training

The current situation

We found that staff development and training is the strongest and most well developed part of most HR strategies. The role of staff development in supporting wider institutional objectives is much more clearly demonstrated in the 2002 submissions than it was in 2001. The specific focus for staff development work is generally much more closely linked to the strategic priorities in the institution, such as improving research capability, improving the quality of teaching and learning through professional development including using Information and Communications Technology (ICT) and improving equal opportunities practices across the institution. There is also a significant emphasis in many institutions on management development activity.

One of the processes that clearly helped many institutions to develop a clearer focus and commitment to staff development is the Investors in People (IIP) initiative. Around a quarter of all institutions whose strategies were evaluated in 2002 have responded to the encouragement of the Bett and Dearing reports to pursue IIP accreditation as part of strengthening HR processes in the institution. A good number of these have already achieved accreditation for parts of the institution and, in a few cases, for the whole institution. Some of the potential benefits of undertaking the IIP work are improved links between corporate and individual objectives and more systematic processes for identifying training and development needs. IIP usually reinforces the importance of the role of appraisal or annual performance review.

Use of information

As with other areas of HR activity, there was acknowledgment that improved data is required to support a more systematic and comprehensive approach to staff development. A number of institutions referred to the need to keep a more comprehensive database of available training and development opportunities and of what individual staff had received. Others wanted to be able to market programmes more efficiently and target them more effectively, to help address problems with low take-up and low turnout. Some institutions were planning IT-based learning resources that staff could access and use themselves.

The information required in this area are training or development needs, what is being delivered, to whom, how and at what cost, and the impact the activities are having. Each of these is explored below.

Identifying training needs

Many institutions have put more effort into analysing training and development needs in order to link the requirements of individual staff and those of the institution as a whole in a more precise and coherent way. Others have yet to establish a comprehensive and systematic way of doing this. Some institutions have in place processes for developing a

corporate, top-down view of the key skills and competencies that are needed to support institutional goals, and seek to integrate this with a bottom-up process for building a clear picture of personal development needs surfacing from annual appraisal and review. Those with less well-developed processes for analysing training and development needs rely too heavily on the bottom-up. As a result they end up responding to development needs in a piecemeal way, rather than as part of a coherent exercise. In some institutions the whole analysis process seems patchy and sporadic.

Delivery and evaluation

As indicated above, there are considerable gaps in HEIs' knowledge about what is being delivered, at what cost and to whom, particularly when responsibilities and budgets are devolved and when the focus is on individual needs. However, most are making progress both with establishing databases and in providing more corporately sponsored activities, which are more easily monitored. The greatest weakness is still the evaluation of development activities, particularly assessment of impact.

Some institutions recognised the importance of evaluation to demonstrate the effectiveness of development activities, to validate the investment and confirm the achievement of the desired outcome. The most commonly quoted process was post-programme feedback evaluation sheets. However, some institutions described more extended processes, such as requiring those receiving development to report back to colleagues and managers on the impact and benefits. Prescribing defined learning or development outcomes at the outset and having effective mechanisms for assessing the achievement of these is an essential part of evaluation. In some cases, institutions built a more thorough assessment of the impact of staff development activities into an annual reporting process.

The evaluation of development activities can be difficult. Nevertheless, evaluation has to be seen in the context of what a particular initiative is designed to achieve. If it is to help individuals to achieve their own development goals then it is reasonable to assess this by asking participants about the value of the programme and whether they are applying the skills the programme hoped to deliver. However, many interventions are designed to achieve organisational goals, such as better use of an appraisal system. In this case the evaluation may include feedback from the managers involved but should also include an assessment of whether more appraisals were undertaken and how those involved experienced them. A small number of institutions are using staff surveys to collect this information. A similar example is the impact of programmes to improve teaching standards, where the evaluation needs to include the views of students and external assessors. Organisations that have or are seeking IIP status will recognise the need for this type of outcome-level evaluation, so it is anticipated that good practice will spread. However this still leaves a large number of HEIs who will need further encouragement to move in this direction.

Improvements in evaluation will feed through into better designed, targeted and implemented development activities, as institutions learn from what has and has not worked in the past.

Objectives and planned activities

Generally, objectives set in this area were relatively clear and outcome focussed and there was evidence of considerable commitment, with some institutions setting targets for staff development as a proportion of overall staffing budgets (between 1.5 and 5%). Many institutions' action plans specified clear output targets in terms of numbers and percentages of the target group who would be successfully provided with support as part of specific initiatives. Fewer were able to develop clear outcome measures in terms of evidence of specific skills and competencies attained, improved individual performance or organisational change. Nevertheless, targets were generally 'smarter' in this area than in the other priorities. Some institutions had outcome targets – for example some institutions were planning to use staff opinion surveys to identify the impact of development activities.

Strengthening skills in supporting learning and teaching, as well as in research, figures strongly in most institutions' HR strategies. Professional development for academic staff is seen as central. Many institutions have set up special units devoted solely to this. Almost three-quarters (72%) of the institutions whose strategies were evaluated in 2002 are promoting and supporting membership of the Institute of Learning and Teaching (ILT), often by paying individuals' professional subscription fees. A substantial number of institutions are also providing development programmes aimed at encouraging greater proficiency in ICT based learning. Some institutions are providing support to staff to acquire postgraduate teaching qualifications.

A desire to promote the growth of research capability in some institutions has led to plans for programmes on research skills, or in some cases the offer of assistance from a research support unit that will be set up for this purpose. This is usually in institutions where research is currently less well established. Institutions with large numbers of contract researchers, as part of the work on the Research Careers Initiative set up by the sector and research funders, are planning to offer specially tailored programmes for researchers, including induction and help with proposal writing and grant application, as well as career support. Others have opened the door for research staff to join programmes available for other staff in the institution.

Substantial numbers of institutions plan to provide training and development programmes as part of their wider initiatives on diversity and equal opportunities. For example, one institution has developed a 'Springboard' development programme for women staff. In some cases these initiatives are for those involved in recruitment and selection; in other cases they are focused on raising general staff awareness and understanding about equal opportunities. Just over 60% of all institutions whose strategies were reviewed in 2002 say

they plan training for those involved in selection panels. Just less than a half have plans for wider awareness raising training on diversity and equal opportunities.

Management development programmes also feature as an important element of overall staff development plans. Overall a fifth of the total expenditure on staff development is earmarked for programmes for managers. Equal opportunities and wider people management skills are a common focus of many management development programmes, as were project management and planning, leadership and managing change. Not all of this work was through formal learning programmes. Many institutions are planning more flexible learning approaches, including action learning sets, coaching and mentoring, visits to other institutions and networking, 360 degree appraisal and team development; this was especially the case in those programmes planned for senior managers. Some institutions are building modular programmes around competency frameworks. Many institutions already have collaborative arrangements with other institutions, not just for management development but in some cases for non-managerial staff as well.

While there is a range of different approaches, support staff on the whole appear to us to be less well catered for than academic staff and managers. Programmes planned for support staff often focus on IT skills, and, in some cases, customer care. Other institutions offered a range of programmes linked to different aspects of personal development and key skills, including support in attaining NVQ qualifications.

Pattern of spending on staff development

The following table shows the pattern of spending on staff development. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average – percentage of allocation spent | 23% | 21% | 22% |
| (Average – excluding those spending nothing) | (23%) | (21%) | (22%) |
| Highest | 66% | 51% | 52% |
| Lowest | 2% | 3% | 2% |
| Number spending above average | 28 (out of 53) | 22 (out of 52) | 23 (out of 53) |
| Number spending nothing | 0 | 1 | 0 |

After recruitment and retention, staff development is the second major investment area for most institutions. On average across the 53 institutions where investment plans were analysed, staff development receives almost a quarter of the overall funding allocation over the next two years. Once again, there is a lot of variation between institutions. Twelve (23%) intend to devote over a third of their total spending allocation to staff development,

with two of these committing over half of the total budget. Interestingly, those spending the most in both percentage and absolute terms tend to be the post-92 institutions. At the other end of the spectrum, six of the 53 have plans to spend less than 10% on staff development across 2002-3 and 2003-04. All of the institutions analysed are spending some funds on staff development.

Within the overall spend on staff development, management development was often the most significant item. This can be seen in the following table, which shows the pattern of spend on management development as a percentage of the total spent on staff development. (As before all the figures are derived from a sample of 53 strategies.)

Pattern of spending on management development

The following table shows the pattern of spending on staff development. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average – percentage of allocation spent | 21% | 20% | 21% |
| (Average – excluding those spending nothing) | (30%) | (30%) | (29%) |
| Highest | 80% | 91% | 84% |
| Lowest | 7% | 6% | 4% |
| Number spending above average | 18 (out of 37) | 15 (out of 36) | 15 (out of 39) |
| Number spending nothing | 16 | 17 | 14 |

There are considerable variations in planned spend around an average of 20%, with some institutions spending as much as 90% of their staff development budget on management development and about a third of those in the sample spending nothing.

Equal opportunities

The current situation

In this section we consider both specific and broader approaches to equal opportunities. Whilst definitions will vary, we refer here to equal opportunities in the narrower sense as the auditable systems and procedures which are designed to ensure that no one is treated differentially on the basis of their race, gender, or other personal characteristic. In a broader sense we refer to equal opportunities as a proactive approach which attends to, for example, those working patterns, cultural assumptions and organisational arrangements which seek to ensure that an institution is as welcoming as possible to all sections of the community. This kind of wider and more fundamental approach to improvement is often referred to in terms of diversity.

There is a wide range of practice in this area, arising from what appear to be varying degrees of understanding and commitment. The best institutional strategies are very good, taking a broader view of equal opportunities, making links to corporate priorities of diversity amongst staff and students, inclusiveness and widening participation. However some institutions are struggling to turn acknowledged legal requirements into action and to implement their own policies on the ground. The emphasis which was placed on having measurable outputs and outcomes in this area should help institutions focus on the need to secure tangible improvements as well as enabling them to evaluate progress more effectively.

The vast majority of institutions are planning activities and spending on job evaluation and equal pay (which is dealt with in a separate section below) and on wider work on EO, including improving the proportion of under-represented groups who apply to, hold and are appointed to senior positions. Considerable attention has been given by most institutions to race equality issues prompted by the requirements of the Race Relations Amendment Act 2002 (RRAA), and some have clearly drawn upon and made use of guidance from the Commission for Racial Equality (CRE) in undertaking this work. Disability as an aspect of diversity is identified by a small number of HEIs and a few acknowledge that this is an issue that has been overlooked, but many fail to raise it. However a few have made excellent progress in this area in relation to physical access and support for other forms of disability. Harassment and bullying are also part of a broader look at equal opportunities for a few institutions. It will be interesting to see whether those who have made broader connections to corporate goals of diversity find this a more powerful motivator for action than a more defensive desire to avoid legal challenge, which is the other main driver for change in this area.

Equal opportunity has several dimensions and gender is probably the one that, in general, HEI strategies deal with best. Most HEIs recognise the need to respond to the RRAA, but often seem less advanced with their thinking in the broad area of race. Evidence from the

Association of University Teachers (AUT) survey suggests that around 30% of black and ethnic minority staff experience racial harassment and 40% believe institutional racism exists; stories in the press seem to back this up. It has been suggested that the informal networks that operate in the sector can create class, gender and racial barriers. At the same time, some white male academics feel they are treated unfairly because of policies that are designed to protect minorities. This is a difficult area, but problems will be best resolved if they are acknowledged. Having good quantitative and qualitative data, both about the individual institution and others against which it might be benchmarked, provides an important factual base to explore what is really happening.

Use of information

Since last year there has been an improvement in the number of institutions that have access to the baseline data they need in order to assess the current position and monitor improvements. (We analysed a sample of 30 in detail: about half had adequate or good data and slightly less than half had no or insufficient data.) In a small number of cases, the data extended to external benchmarking, sometimes against labour market information and in others to benchmark data provided by the Equality Challenge Unit (ECU). Collecting adequate data is crucial if HEIs are to meet their legal obligations, particularly under the RRAA. It is also needed if institutions are to make an adequate assessment of the current position, set targets and monitor progress.

Given its importance, it is perhaps surprising that more HEIs have not yet developed the baseline data, and the associated performance indicators, that they need. The main reason for this, in most cases, is the historic lack of HR data. Most HEIs are now seeking to rectify this. A small number now have data going back over several years which allows them to monitor progress. However the vast majority do not yet have the necessary HR systems in place and when they do, it will take time to build an adequate picture of trends. In most cases it would be possible for HEIs to make an informed estimate of the current situation, either because the total numbers in the institution are small or because the numbers of senior women, ethnic minority and disabled staff are small. It appears that some HEIs are nervous about the use of hard data in this area and that others need some encouragement not to let the desire to have accurate information prevent them from working with data that will be 'good enough'. In a small number of cases the action plan suggested that data would have been collected and published by the spring of 2002 but then it was not referred to in the strategy document in June 2002. Surprisingly, several of those that had adequate data (about a third) could have done a lot more to analyse it, giving a more critical assessment of the current position. This would help to give a clearer perspective on planned next steps.

Current and anticipated legislative requirements are key drivers of what data is collected, along with the particular objectives of an institution. As indicated in the good practice guide (HEFCE 02/14), there are likely to be some minimum requirements here, such as total staff

categorised by age, gender, ethnic group and broken down by salary, department and grade. Similarly, applicants for posts need to be analysed by gender and ethnic group. Many institutions have some of this data, but only a few have subjected it to detailed analysis and used this to inform new initiatives. However a small number of HEIs have gone further and are analysing reasons for leaving, for example to see if their family-friendly policies are effective.

In addition to numerical data most HEIs recognise that they need to do more to assess qualitative information which relates to their equal opportunities objectives. Some HEIs have undertaken staff surveys to see how staff experience and feel about their policies and practices. Others have undertaken a review of existing policies and practices, sometimes using the ECU. Such reviews can give rich data about how policies translate into practice on the ground and provide the basis for further intervention, e.g. the development of training packages or the introduction of support for those with family commitments.

Objectives

As is to be expected, there was a strong link between the use of baseline data and qualitative information and the strength of the analysis and the objectives and targets set. Improvements in numerical data have led to some improvement in outcome level targets but the lack of data continues to make this aspect of the strategies relatively weak. Out of the sample of 30, referred to above, about half need to make significant improvements in their targets, a quarter have a timetable for producing better targets and about a quarter have good outcome level targets already. Targets for increasing the number of senior women managers are the most common and tend to be the best framed at the outcome level; those for ethnic minorities are usually the most in need of development. A few HEIs have set interesting targets in relation to their family-friendly policies, e.g. for the retention of employees with children.

As noted earlier there is still some reluctance to set outcome targets and this contributed to many strategies being approved with the condition that such targets be set (61% of the total who submitted strategies have been asked to improve their targets in this area). In some cases there is a 'philosophical' objection to setting outcome targets for equal opportunities, although this does not arise in relation to other HEFCE requirements. A few institutions have argued that it is better to seek to travel in the right direction and to monitor progress than to lose support by setting rigid and possibly inappropriate targets. However, if an institution takes appropriate actions to achieve reasonable and measurable improvements, then there may well be little difference in what happens in practice. The real issue is the willingness of institutions to analyse their present situation to take into account legal requirements, be guided by their own espoused values, and to work to achieve the necessary improvements in a reasonable time frame.

A minority of institutions (10% of a sample of 30) have good targets but gave insufficient information about how they would be achieved. Clearly it is important that targets are achievable and this can only be determined through an analysis of the present situation and a judgement about what activities will deliver which improvements, together with effective monitoring and evaluation.

Planned activities

Ideally, planned activities derive from an analysis of present problems and include what is needed to achieve desired outcomes. There are an increasing number of HEIs who demonstrate such good practice. The best have equal opportunities embedded across the whole strategy. Equal opportunities objectives and activities are then part of a broader approach to organisational change.

For the reasons described above, it is not always clear how activities link to analysis and objectives. The most common activities are:

- **new posts and structures.** A small number of strategies specify the appointment of staff to support equal opportunities work, the expansion of the HR department or the creation of new equality and diversity units. Others are amending their institutions' formal committee structures and creating equal opportunity committees with formal responsibilities for achieving targets. At least one is establishing a disability group to advise on issues and actions.
- **revised or new policies and action plans.** Many institutions identified the need to review their policies last year. A few HEIs still identify the need to do this, to develop codes of practice and in some cases to develop family-friendly policies and to seek to improve work life balance.
- **training programmes.** This was the most widely utilised activity. Nearly 48% of the sample have or are planning to provide equal opportunities/diversity training. However the scale of the training activities varied enormously; one institution has allocated £650,000 for diversity awareness training. Most are proposing more modest programmes, aimed at managers or those involved in recruitment. (60% are providing training for those involved in recruitment, although this is wider than just diversity/equalities training). Some have made training mandatory for those on selection panels, while others are simply making the training available. Some have made links to performance management training and the broader management role. One institution was bringing groups together to explore religious and cultural issues, to build confidence in handling these issues through active engagement with them.
- **mentoring.** A small number of HEIs are using mentoring schemes for ethnic minority staff.

- **data gathering and dissemination.** Data is discussed above. Other examples include focus groups for under represented staff to both understand their views and help engage them in the process of change.
- **recruitment practices.** Analysis of responses to advertising campaigns to identify their impact on the number of applications from under represented groups was mentioned by several institutions, as was the use of the publications targeted at ethnic minorities.

Pattern of spending on equal opportunities activities

Leaving aside spending on job evaluation/equal pay, which is dealt with separately below, the following table shows the pattern of spending on equal opportunities activities. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average – percentage of allocation spent | 8% | 8% | 8% |
| (Average – excluding those spending nothing) | (9%) | (9%) | (9%) |
| Highest | 30% | 37% | 31% |
| Lowest | .07% | .05% | .06% |
| Number spending above average | 18 (out of 47) | 16 (out of 44) | 18 (out of 47) |
| Number spending nothing | 6 | 9 | 6 |

The table indicates a wide variation in the proportion of the budget allocated to this area and that the average is pulled up by a few high spenders. The median spending, amongst those who are spending anything, is a little over 6%. As with all spending figures from the strategies, it is necessary to be aware that one is not always comparing like with like. For example, some have included EO training in this section, others have included it under wider staff development.

Job evaluation and equal pay

The current situation

A large number of institutions cite the slow progress with national pay negotiations and with the piloting of HERA (Higher Education Role Analysis, a computer-based tool to help HEIs categorise roles and set grades) as the reasons why they have made less progress in this area than they would have liked. The vast majority are planning to undertake, or have started and are expecting to complete, an equal pay review over the next two years, although in some cases the timetable for the implementation of the review will be beyond 2004. The majority are putting aside money both for the process of job evaluation (JE) or pay audit and for the anticipated impact on salaries. The amounts being set aside for salary impact vary from nothing to over £5million, well in excess of the special funding allocation. Some institutions are taking this opportunity to harmonise the terms and conditions of different groups of staff. A small number of institutions are linking action in this area to their recruitment and retention needs and this, along with the different time scales, may account for some of the differences in planned spending. However a few institutions already have in place effective JE and equal pay processes, and do not need to anticipate major pay adjustments.

Objectives and planned activities

The Bett report noted the problem of women being paid less than men, but decided against national targets because of the variations between institutions. Instead it recommended that institutions set their own targets. However for now, most of the objectives HEIs have set in this area are for the commencement or completion of job evaluation, or an equal pay audit. In the absence of information about the current position, it is not possible for many HEIs to identify the scale of the problem or to set specific outcome targets for its resolution. Most are hoping that HERA or one of its alternatives will provide a means of identifying the pay discrimination that may have developed in the past.

On the basis of comments made in the strategies, it seems there is a general lack of expertise in JE in the sector, and many institutions need to buy in consultants to undertake JE and pay audits, and/or to train internal staff in the techniques. This lack of expertise has led most institutions to put their faith in external systems, which tend to be large scale and will take time to introduce, hence the long timescales in some cases. There is some reluctance to do smaller scale, less intensive work e.g. taking a sample of benchmark salaries, which would not be comprehensive but could lead to some progress more quickly. Some HEIs have recognised that they can make improvements – such as rationalising existing grades and job clusters – which will be valuable in themselves and which will also ease the application of JE. By contrast, others may not have recognised that JE is not a panacea that can be applied to chaotic grading systems, without some preliminary work, or that in itself it cannot ‘solve’ the problem of pay discrimination. JE provides an objective basis from which to implement equal pay.

Institutional activities need to be seen in the context of national developments. A small number of HEIs have been involved in the HERA pilot and others have been involved indirectly through their relationships with these institutions. Consequently some HEIs are making good progress with JE and are able to make realistic estimates of the cost of implementing the outputs from the exercise. This will enable these institutions to tackle the potentially difficult issue of pay discrimination in a timely fashion. At the other extreme, some HEIs have yet to decide which JE scheme to use. Some of these may have access to other sources of data but, on the whole, it appears that many are making guesses about the impact of JE on their pay bill in future years. In the meantime such institutions are at risk of the challenge that they are discriminating against women. This was rarely mentioned in the strategies.

The anti-HERA stance of the AUT may have contributed to some HEIs standing back from making a decision about which JE scheme to use. It may also have encouraged those who do wish to move forward to begin with staff outside academic pay structures.

Other indicators of the lack of expertise in this area are the belief displayed in some strategies that JE would help to resolve market pay issues, whereas JE is specifically designed to address internal differentials not external pay relativities. Similarly, few strategies showed recognition of the impact of applying a JE scheme. Experience elsewhere has shown that it tends to create considerable discontent: those who gain often show little gratitude, believing that it should have been done earlier; those who are unaffected wonder what the point was; and those who lose are, not surprisingly, resentful. This calls for careful management of expectations and of the processes used before during and after the exercise.

Pattern of spending on job evaluation and equal pay

The following table shows the pattern of spending on job evaluation and equal pay. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|-----------------|
| Average - % of allocation spent | 9% | 14% | 12% |
| (Average – excluding those spending nothing) | (13%) | (21%) | (17%) |
| Highest | 61% | 87% | 76% |
| Lowest | 0.7% | 1% | 0.3% |
| Number spending above the average | 14 (out of 37) | 15 (out of 36) | 14 (out of 38) |
| Number spending nothing | 16 | 17 | 15 |

This variation in spending, from nothing or a fraction of a percentage of the HEFCE special funding to 76% of it over two years is considerable. Of course, the majority are between these two extremes, with 17 out of 53 spending between 11% and 25%. There are also a significant number of low spenders, 11 spending under 5% and five high spenders, over 30%.

Reviews of staffing needs

The current situation

Of the six key priority areas identified by HEFCE, this area is frequently the least well addressed in the 2002 submissions; in a small number of cases it is not addressed at all. In others, because of implicit dependence on robust HR information, institutions regard comprehensive reviews of staffing needs as a longer-term objective, rather than as a key element in actions for the next two years. Where it is being addressed by institutions in their plans for the next two years, it is usually as part of a general overhaul and update of the human resources information system and what it might be expected to deliver in the future.

Reviews of staffing needs and workforce planning require: sensitivity to external forces and drivers of change; an ability to link longer-term aims and aspirations with the specifics of staffing and resource allocation; cross-linkages between current and future workforce profiles and recruitment/reward strategies or staff development plans; and connections into equal opportunities and diversity aspirations and plans.

Many institutions responded, at best, partially to these challenges. Most institutions described where and how staff planning processes fitted into resource allocation ones. This was either top-down, with strong senior management involvement, or bottom-up, where departments and faculties presented plans and made bids for additional resources. Several institutions were seeking to devolve more responsibilities for workforce planning, along with budget management responsibilities, to departments and faculties.

The linking of staffing, budgets and student demand is short term in many institutions. In the majority of cases, institutions have not, and are not planning to undertake a systematic skills audit as part of this work. Nevertheless there were a small number of institutions that have used this opportunity to take a longer-term look at their staffing needs as part of a wider strategic review of the work of the institution. This has usually led to significant restructuring and possibly redeployment or redundancy.

Data analysis and use

The general paucity of internal and external, quantitative and qualitative data makes workforce planning difficult. However more HEIs are now collecting the internal data they need and a good number had plans to invest in enhanced HR information systems. The gathering and use of external information is less well developed, with few institutions feeding external data such as labour market information into their workforce planning process. Even when data is available it is not always analysed, for example, in some institutions data on the current profile and skills mix of the workforce was not explored. A good number of HEIs are aware of the age profile of staff and beginning to think about the consequences of this, but succession planning is often not systematically addressed. A

small number of institutions are seeking to improve the ability of their staff to make effective use of this information to make better-informed staffing decisions. Improved skills and competencies in workforce planning may be an issue more institutions should address.

Some strategies do not consider how the skills and competencies identified in corporate plans will be acquired in-house or through recruitment. Research capability is rather better addressed in this respect than, for example, developing greater capacity for innovation, commercialism and entrepreneurialism amongst staff, or the ability to work successfully in partnership with other organisations.

Objectives and priorities for action

As indicated above, weaknesses in the available data make it hard for many HEIs to set quantifiable targets. Many have settled for improvements in processes and the introduction of new HR systems, which will provide improved information in future. Those that have looked at longer-term needs have set objectives for the completion of restructuring, and in some cases are allocating significant sums to fund current or anticipated severance and redundancy arrangements. In some institutions the staffing position is being reviewed on a much more frequent basis as a result of the requirements of a financial recovery plan.

Falling student demand in some subject areas (such as chemistry, physics and certain languages) has led to the need to phase out courses and subject areas and to make consequential staffing readjustments. As part of these restructuring plans some institutions have schemes in place to retrain and re-deploy staff where they can, rather than make staff redundant. Those institutions that are not currently facing this situation, but anticipate the need to pursue restructuring initiatives, are engaged in updating policies and procedures for handling these eventualities.

Interestingly, few institutions discussed the staffing consequences of significant expansion plans as part of their reviews of staffing needs, despite the evident context of the government's plans for growth in student participation in HE.

Pattern of spending on reviewing staffing needs

The following table shows the pattern of spending on reviewing staffing needs. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average – percentage of allocation spent | 13% | 11% | 12% |
| (Average – excluding those spending nothing) | (18%) | (17%) | (17%) |
| Highest | 60% | 65% | 60.5% |
| Lowest | 0.7% | 0.6% | 0.6% |
| Number spending above average | 14 (out of 37) | 12 (out of 35) | 13 (out of 37) |
| Number spending nothing | 16 | 18 | 16 |

The analysis of the 53 HEIs' overall investment plans reveals that 37 (70%) plan to make some expenditure on work in relation to reviews of staffing need. The other 30% have no planned expenditure at all in this area, although they may be planning to address priorities in this area from other budgets or from existing staffing resources.

Once again, the average expenditure masks some huge variations in the amount institutions are committing to this priority area. Of those investing, 12 institutions (32%) out of the 37 in 2002-03 and seven (19%) in 2003-04 are spending a quarter or more of their allocation on initiatives linked to reviews of staffing needs. In both 2002-03 and 2003-04, four of these (11%) are spending over 50% of their allocation. This evaluation of proportionate spend is also reflected in the size of the investment in financial terms. Fifteen institutions in year two of the plan and 16 in year three are budgeting over £100,000 in this area – over ten in each year are planning spend in excess of £250,000. Of these, one in the first year and four in the second year aim to spend over £1million. Though some of this expenditure is on improved information systems, a major part of these large budget commitments is more likely to be focused on managing the *implications* of future staffing decisions. A number of institutions, especially post-92 HEIs, are setting aside large sums in their HR development budgets to address the implications of restructuring. In some cases this is supplementing monies made available from other budgets.

Annual performance reviews

The current situation

All institutions have some systems in place through which performance review can occur, although these are in various states of effectiveness. The Bett report referred to 'benign neglect' and too much of a focus on development needs. These themes are still relevant: although some HEIs now have effective systems in place, which may have been audited as part of the achievement of IIP, these are the minority. The vast majority (91%) are introducing or planning to introduce new systems.

The strategies provide little background information on existing schemes or much analysis of them, how well they work, and why. In some ways this is understandable because it is clear that many HR departments do not have good information about how many staff engage in a review meeting, let alone anything about the quality of the meeting. Many HEIs are still hoping to move forward by undertaking a review of their existing arrangements. As with job evaluation some of these reviews have been on hold while national negotiation of the pay spine and the piloting of HERA are completed.

Despite the lack of quantitative information there are some clear themes in the problems identified by HEIs. The uneven use of the systems is one of these. Whether someone gets a review may be more the result of a manager's predilection rather than the needs of staff. The result is that a relatively low proportion of staff receive a review. The disparity in the type of system in use for different groups of staff is also significant. Many HEIs have different systems for academic, manual, administrative and clerical staff; this appears generally to be the result of historical accident rather than conscious design. Underpinning most of the difficulties, however, is the issue of managerial skill and attitude. One HEI very candidly admitted that the problem was most managers are not committed to annual performance reviews (APR) and this is the rock on which every new system founders. While others did not offer this conclusion, the vast majority recognised that they need to improve their managers' ability, confidence and willingness to undertake reviews of performance. The wide range of skills and attitudes amongst the managers involved leads to inconsistency in whether APR takes place and the quality of the review meeting. Consequently, many HEIs are proposing to make a substantial investment in training managers in the use of these systems.

Objectives

The objectives or targets being set in this area reflect the problems and the actions to deal with them – e.g. the review of an existing system, the introduction of a new system, or the

training of managers – with relatively few institutions setting genuine outcome targets. It is harder to set outcome targets in this area but not impossible; while a small number of HEIs are using staff feedback, possibly via surveys, to assess the quality and impact of APR, more are looking at simple output measures, typically the percentage of staff having an APR meeting.

While desired outcomes might not have been well captured in the stated objectives, there are clear trends in the changes that HEIs are trying to achieve in their APRs. As indicated above, APR schemes have historically focused on personal development and career goals. A greater emphasis is now being placed on performance and on linking individual to organisational goals. Similarly, an effort is being made to move from a series of fragmented schemes to a more uniform approach, while recognising that some flexibility will be needed to meet the needs of different staff groups. For example, one institution had successfully piloted a 'job-chat' scheme whereby annual appraisals for certain manual and clerical staff were undertaken by phone where it was not possible to meet their manager for a face-to-face session.

Planned approaches

The methods being used to bring about these changes varied. Some HEIs appear to assume that a new system will of itself be enough. Others are introducing wider sources of data, such as 360-degree feedback, observation of teaching, student feedback and peer assessment, to create pressure for change. Management training to build skill and confidence in the use of the APR system was the most common approach, which reflects the identified problem of senior staff who have not seen this, or other managerial tasks, as part of their role. A related approach is to seek to embed the performance culture as part of the induction process. Clarifying and creating appropriate expectations is an important part of a longer-term culture change that is necessary if these new systems are to work effectively.

The pattern of spending on annual performance reviews

The following table shows the pattern of spending on annual performance reviews. The figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|----------------|----------------|
| Average - percentage of allocation spent | 7% | 9% | 8% |
| (Average – excluding those spending nothing) | (12%) | (15%) | (13%) |
| Highest | 48% | 76% | 48% |
| Lowest | 0.7% | 0.6% | 0.7% |
| Number spending above average | 14 (out of 32) | 13 (out of 34) | 11 (out of 34) |
| Number spending nothing | 21 | 19 | 19 |

This shows a very wide variation in planned spending from nothing to nearly half of the HEFCE grant over the two years. Where there are large sums involved this reflects allocations being made to pay enhancements, or to redundancy/termination payments within this category. The more modest average spending of 8% over the two years reflects, typically, spending on consultants to devise new schemes or to provide management training. Where nothing is being spent, this does not mean that nothing is being done, rather that there may be in-house resources available or that the spending is under another heading, such as staff development for management training in APR. It is not possible to make like-for-like comparisons with last year but a sample of 50 strategies in 2001 showed an average spending of around 17%. It is not clear why this should be a lot lower. The most probable cause is that the spending on pay and training is now more likely to be captured in other categories.

Rewards linked to performance

All institutions are concerned to improve performance and to ensure the staff they have and recruit perform to a high standard. The majority are putting in place a range of systems from recruitment to termination of employment to ensure that this happens. Thus, there are a wide range of rewards being made available to staff, from the opportunity to attend specific events, to flexible working arrangements and opportunities to undertake particular types of work. Many institutions are reviewing and updating promotion and annual performance review procedures. Some HEIs are working to define the skills and competencies associated with particular academic posts, such as professor, reader or senior lecturer to establish a clear benchmark of expected performance from individuals holding these positions, as well as setting clear parameters for promotion.

As part of their performance management work, institutions are seeking to be much more explicit about what is expected from staff and what kind of recognition and reward might be appropriate when staff excel. Equally they are also seeking to tighten up the 'floor' of poor performance and to make it clear what the consequences will be of underperformance, as well as what support members of staff may expect to receive to address continuing underperformance.

Performance-related pay

Individual performance-related pay (PRP) is a particular approach to linking performance and rewards and should be viewed in this broader context of performance management and rewards strategies. We assembled information about the use of these types of schemes. Views about the use of PRP or merit- or contribution-based schemes are mixed. About 44% of institutions have no explicit plans for the development of PRP schemes as part of their HR strategies. Of the remaining 56%, we estimate that about 15% currently have a scheme in operation, sometimes for all staff but more often just for senior staff. A further 20-30% of HEIs are thinking of extending their PRP schemes or are actively investigating it at the moment.

The arguments for and against PRP have been fairly well rehearsed both in the HE sector and across the rest of the public and private sectors. Those in favour point to the need to reward performance as opposed to time served. Often, those against see a range of practical difficulties in measuring performance or offering sufficient rewards to affect behaviour, and have concerns about the impact of the scheme on the motivation of those who are performing well but not 'outstandingly'.

As a consequence of the variety of schemes being tried, within two to three years there should be more evidence to draw on about what works, what does not and why.

Managing poor performance

The current situation

Many HEIs recognise that this is an area that has been neglected in the past. Most institutions have policies that apply to discipline and grievance and have taken the opportunity to update these or are planning to do so. As in other areas there is a general lack of data, for example number of days lost due to sickness absence, number of grievances, number of disciplinary cases, and a lack of analysis of the extent to which poor performance is a problem or what causes it. As with APR, many institutions acknowledge that their managers feel under-equipped to deal with such issues and tend to avoid them or pass them to HR staff.

Many HEIs are now distinguishing between discipline and capability in their policies, although most managers feel as uncomfortable, if not more so, tackling issues of competence as they do matters of discipline. A significant number of institutions are taking a wider view of performance and are looking at support for staff and managers, through probation, induction and training alongside discipline and capability.

Objectives

The objectives being set for this area reflect a lack of data and analysis and tend to be at the level of process, such as the completion of policy reviews and the introduction of new policies. Many are seeking to improve managers' understanding of their role and their skill and comfort in carrying it out, and some have objectives about providing management training.

A small number of HEIs explicitly recognise the importance of staff capability in relation to student experiences and satisfaction with their programmes but so far this is not captured in objectives, for example using student feedback data. Similarly, those that have identified the difficulty in getting managers to take action rarely carry this into objectives that would measure whether they *are* taking action, e.g. the number of cases or whether improved willingness to tackle absence was leading to a reduction in days lost.

Planned activities

The most commonly proposed activity, along with policy revision, was management training.

The importance of setting and maintaining expectations underpins some actions of improved induction and probation where 'buddying' arrangements, for example, are seen as being helpful. Similarly for established staff the APR system can be used to negotiate a 'deal' (e.g. we will provide career development, support with stress, coaching and counselling but in return we expect delivery to certain standards.) The term 'psychological contract' was not spelt out, but the concept lies behind these proposals. Such an approach

is moving towards preventing problems from arising by having mutually agreed expectations. One institution was seeking to identify the actions that lead to poor performance so that these are better understood and can be picked up earlier or prevented.

Because of the importance of staff support for action in this area, several institutions explicitly mentioned involving trade unions and professional bodies in negotiating changes.

Pattern of spending on managing poor performance

The following table shows the pattern of spending on managing poor performance. Figures are derived from a sample of 53 strategies.

| | Year 2 | Year 3 | Combined |
|--|----------------|---------------|-----------------|
| Average – percentage of allocation spent | 4% | 3% | 4% |
| (Average – excluding those spending nothing) | (7%) | (6%) | (6%) |
| Highest | 50% | 50% | 50% |
| Lowest | 0.3% | 0.2 % | 0.2% |
| Number spending above average | 10 (out of 31) | 9 (out of 31) | 9 (out of 32) |
| Number spending nothing | 22 | 22 | 21 |

Again, there is a wide variation in spending and the highest levels do not reflect core activities, which generally require relatively modest amounts, but are more likely to include redundancy, early retirements and termination agreements. As last year the bulk of institutions are spending less than 5% of the special funding in this area.

HR capacity

Having sufficient qualified staff is crucial in the development of strategic thinking about HR and the implementation of strategies once agreed. Most HEIs continue to invest in HR capacity. All but the smallest institutions have professionally qualified heads of HR, usually supported by small but increasingly qualified teams. Many have appointed staff with specialist expertise in equal opportunities, job evaluation and organisation development as well as HR generalists.

Staff development is an area where many are planning an expansion of capacity. Typically most institutions have relied on a mix of some programmes designed and delivered in house together with some bought in. Most aim to continue this mixed delivery approach in future and this is reflected in the roles of the HR staff concerned. Many institutions already have staff development units and, in some cases, have set up separate learning and teaching units to provide specialist support to academic staff development. Where these units are outside HR functions, it creates a need for co-ordination and integration. In some of the smaller institutions staff development capacity is an issue as there is often only one HR professional or a very small team, which does not include a training and development specialist. In these cases, access to other institutions' programmes was one way to attempt to address these needs.

The increased involvement of HR professionals has helped to raise the quality of thinking and practice and this is reflected in many of the strategies. Nonetheless, the production of HR strategies stretched many HR teams' resources. The process of identifying problems and collating information in a more systematic way, and of offering a level of professional expertise, encouraged more managers to tackle HR problems such as sickness absence and underperformance. Many HR teams struggled to develop their strategy while at the same time meeting these operational requirements.

The relationship between HR and the rest of the institution, particularly its senior management is crucial in how these tensions are handled. Some HEIs are using the arrival of skilled HR professionals and the requirement to produce a strategy as part of a broader approach to change. Others maintain a narrower focus, and hold HR at arm's length. This has made strategy development more difficult, particularly where those involved found it hard to get a critical mass of people together to think about HR issues and the strategy required to resolve them. This was easiest when HR was fully involved in broader strategic planning processes. This remains an area where a considerable number of HEIs can make improvements.

It is hard to estimate the amount of HEFCE funding going to HR staff but we judge it to be between 5% and 10%. Continued investment in HR staff and their development seems essential if the benefits gained from this initiative are to be maintained. The other significant

investment made by most HEIs was in HR information systems, which are desperately needed to deal with the problems of lack of data identified elsewhere in this report.

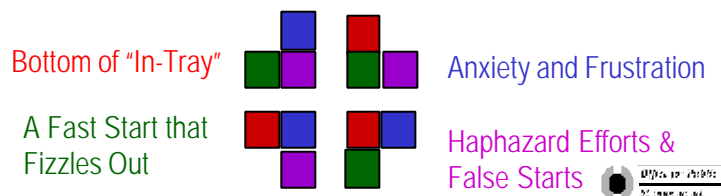
Issues for the future

The general picture in regard to HR strategy development and implementation in the sector, as set out in this report, is one of awareness being raised and considerable progress being made, but of uneven development. A key challenge for the sector as a whole is how to achieve consistency of human resource development in all the priority areas and improved human resource management across all institutions. In this section we set out our views on how the momentum of the Rewarding and Developing Staff (RDS) initiative can be sustained, building on the approach that has been taken to date.

Arising from our work on organisational development and change, we have developed a useful framework for assessing the requirements for successful change. The diagram below illustrates the four pre-requisites, and what often happens if one of the four is absent.

Prerequisites for successful change - and effect when one is missing

| | |
|-----------------------------|------------------------------|
| PRESSURE FOR CHANGE | CAPACITY FOR CHANGE |
| A CLEAR SHARED VISION | ACTIONABLE FIRST STEPS |



The RDS initiative has done much to put these four prerequisites in place. The balanced approach which HEFCE and the Advisory Group have adopted has in practice covered all of the dimensions of this model.

In terms of *clear shared vision*, the consultation and launch of the initiative developed clear priorities and criteria. The picture was further developed through the regional seminars and the development of the good practice guide. HEFCE's vision for the role of HR in the sector has been clearly set out during this process, and there have been a number of opportunities for sharing and engagement. The advice we provided to institutions in autumn and winter 2001/02 was also helpful in promoting a shared view of the key HR issues for the sector and how they can be tackled.

Building on the Bett and Dearing reports, and Ministerial statements, *pressure for change* across the sector has been achieved through linking special funding to the development and assessment of HR strategies. The requirement to submit emerging or full strategies in order to access the funding has clearly signalled the importance attached to the initiative and has generated pressure on institutions to respond. The next stage for some institutions - assessment of conditions set, to avoid suspension of funding – has also emphasised that this is a ‘something for something’ approach. In addition, the requirement that HR strategies include clear implementation plans and SMART targets has ensured that *actionable first steps* have been identified by institutions. This third prerequisite has therefore been well established, and the focus for the future needs to be on promoting further action (not on further analysis as a substitute for action).

Capacity for change is often the most difficult prerequisite, both in terms of assessing capacity and of building capacity. In this case it should be considered in relation to capacity of institutions, of the sector generally, and of HEFCE in its role in leading and supporting change around HR issues. As set out earlier in this report, a significant number of institutions have used some RDS funding, or have been prompted by the RDS initiative, to enhance their professional HR capacity and to refocus the HR function on a more strategic role. We set out below our suggestions as to how other aspects of capacity might be built further.

Clear shared vision

The vision underlying the RDS initiative was always likely to find a largely receptive audience among senior HR professionals. The initiative has undoubtedly ensured that HR managers have a more significant role in shaping institutional priorities and brought strategic thinking about HR issues to the attention of senior managers. We have seen over the last two years how crucial it is that the senior management of the institutions are actively engaged in HR developments and give the issue the priority it deserves. To sustain and develop this in future, continued ministerial support will be a key ingredient. HEFCE, through its range of interactions with the top teams in universities and with the sector as a whole, will need to continue to emphasise the importance of the priorities in RDS, and to make explicit linkages with other initiatives. The role of HEFCE regional consultants should similarly be to demonstrate, in their contacts with institutions, that this initiative has not gone on to a back burner.

At an institutional level, it is evident that, for many, the vision of the modern, integrated approach to strategic HR is not yet fully embedded and that some staff may not be aware of the HR policies and practices which they may reasonably expect from their employer. We therefore consider it essential that continuing efforts are made by individual institutions

and sector bodies to promote the value and relevance of strategic HR and everyday good practice to HEIs of all kinds.

It is also clear that progress in many aspects of HR strategy is dependent upon the interplay between national and local developments. This suggests that policy makers need to give attention to ensuring that sufficient senior management attention continues to be given to HR issues and that national agreements are reached (or it is made clear that institutions should no longer wait for decisions at that level).

Pressure for change

Other than the process of assessing compliance with conditions, where these have been set, we understand that monitoring of the targets set out in HR strategies will be through institutions' annual operating statement (AOS) submitted to the HEFCE. This will helpfully serve to emphasise that HR strategies should be fully integrated with wider corporate strategies. At the same time, there are issues to be considered as to how to keep up the pressure for change in rewarding and developing staff as part of a balanced approach. These issues include:

- in a climate of competing demands for resources, if further funding can be made available, should it be ring fenced for another period, after the initial three years, to keep a specific focus on RDS priority areas?
- while a further round of formal HR strategy assessment should not be necessary, can HEFCE reiterate the criteria for use of funding and actively use AOSs over the period to monitor what funding has been spent on, and what impact it has had?
- can monitoring of AOS focus on achievement of outputs and outcomes (not just completion of processes) and - for monitoring to be taken seriously – can there be feedback (both positive and negative)?
- would HEFCE wish to retain some reserve powers to suspend funding if, in exceptional cases, it does not appear to be being used appropriately?

We are aware that HEFCE is proposing to support work on development of key performance indicators for HR, in response to significant demand particularly in relation to race equality schemes. A performance benchmarking approach of this type will in our view be helpful, and will also enable further evaluation.

Governance arrangements can be a powerful force in support of HR developments. At a minimum, those in governance roles should be aware of current HR issues and practices, which might require some training or development activity. Some university council HR sub-committees or steering groups have been taking a close interest in HR strategy development and implementation, and providing appropriate challenge, for the past two

years and more. To widen this approach, we would encourage HEIs to appoint people with HR experience from other sectors to these groups to provide external challenge.

On the specific priority area of equal opportunities, legal requirements, and for example codes of practice from the Equal Opportunities Commission and the CRE have provided some pressure for change, but the possibility of a 'test-case' as a means of focusing further attention on these matters should not be overlooked.

Capacity

The investment being made in HR systems and in HR staff should help maintain progress and the very uneven nature of progress itself indicates the opportunity for learning across the sector. Many of the HEFCE requirements are relatively new to a substantial number of HEIs, and there is a great deal to learn. We consider it important that there is a continuous process of 'harvesting' and sharing new evidence and insights as they emerge from the implementation of HR strategies. In this report we have indicated a number of areas where intelligence may be genuinely new – for example in the effectiveness of market supplements, the introduction of PRP, and so forth.

The benchmarking project proposed by HEFCE will enable process benchmarking also to be addressed. We would suggest that institutions would welcome process benchmarks in areas such as embedding performance management systems.

A related, but perhaps quicker exercise, would be further sharing of current good practice. In the light of our analysis of 2002 strategies, it is clear that in each priority area there are some institutions demonstrating very good practice. Our impression is also that there are growing levels of preparedness to share ideas and experience. A series of practice exchange workshops might be valuable, around the following themes:

- use of data and qualitative information
- setting equal opportunities in a wider diversity context, and practical steps to support achievement of targets
- selective, shorter term initiatives in the area of job evaluation
- managing expectations and roll-out of job evaluation
- performance related rewards
- training and development needs analyses.

We know from our experience in the HE sector and elsewhere, and from research which we undertook for the Cabinet Office, that face to face interaction is a most effective way of sharing of good practice. HEFCE has already emphasised the benefits of networking and

buddying, and we actively encouraged these throughout the advice process. Pump priming funding might be used to further promote the establishment of networks.

Finally, in relation to the capacity which HEFCE is able to offer to the sector, we feel that there may be a need for support for key staff, such as HEFCE regional consultants, to ensure that they are able confidently to challenge and support HEIs around HR strategy issues. Given the shortage of specific experience in job evaluation within the sector, and the cost of external expertise, a central advisory or consultancy resource with skills and experience in this area might also be useful. Other areas where we may anticipate the need for further support include:

- better and more meaningful evaluation processes
- embedded linkages between different aspects of the strategies, perhaps prompted by more widespread IIP accreditation
- workforce planning processes
- understanding staff responses to particular rewards, including pay, flexible working, childcare, housing support and so on.

Actionable first steps

Many HEIs have, through this initiative, committed themselves to a range of actions which may represent for them fundamentally new ways of behaving. It would not be a surprise to find some struggling to carry out their intended actions. In some instances, the level of appreciation of just what is involved in, for example, creating a more diverse workforce is low. Sustained improvements over time will require recognition by institutions and by HEFCE in monitoring of a cycle of 'second and third steps' as implementation leads to learning, improvement and, very probably, a new set of challenges.

Appendix 1

Statistics derived from HR strategy submissions in 2002 on selected issues.

| | YES | | NO | |
|--|---------------------------|-------|-------|-------|
| Appointment of staff devoted to planning/organising management development | 61 ³ | (56%) | 48 | (44%) |
| Support for ILT (e.g. accrediting courses, promotion of ILT membership) | 78 | (72%) | 31 | (28%) |
| Inclusion of training for all staff serving on recruitment/selection | 66 | (61%) | 42 | (39%) |
| Inclusion of EO/diversity training for all | 62 | (57%) | 46 | (42%) |
| Revision to existing appraisal schemes | 99 | (91%) | 10 | (9%) |
| Introduction of PRP (broken down by teaching, research or admin staff) | 61 | (56%) | 48 | (44%) |
| | <i>Includes:</i> | | | |
| | Y for all groups: | 16 | (15%) | |
| | Group unspecified: | 17 | (16%) | |
| | Merit system: | 5 | (5%) | |
| | Planned: | 5 | (5%) | |
| | Admin & other staff only: | 1 | (1%) | |

1. Where there is no clear evidence in the strategy or issues are not mentioned, responses are included in the answers
2. Where institutions are undertaking some work on the issue or have work planned for the future they have been included in the 'YES' answers
3. Within this figure 11% of the 56% is where HEFCE special funding has already been used for this purpose. This also includes the appointment of consultants to do the work in future rather than 'in-house' staff appointments.