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Joint Higher Education Trade Union Pay Claim 2015/16

Submitted 18 March 2015

Background

The five recognised higher education trade unions are submitting two separate but equal claims for Pay and Pay Equality Matters to be negotiated concurrently within the 2015/16 New JNCHES negotiating machinery.

The 2% pay award agreed by all parties in the last negotiating round was the first settlement for many years to start to address the preceding years' cumulative loss in members pay. It was also agreed against the backdrop of wide spread and prolonged industrial action within the sector.

The HE trade unions want this New JNCHES round to build on last year's small positive pay increase that addresses the substantial loss in members' pay over the last five years.

The erosion of the value of take home pay in recent years is felt across all grades of staff in higher education covered by the national pay spine. Our members are reporting real falls in income and difficulties in maintaining their standard of living.

The relative decline in pay and the need for it to increase has been recognised by both UK political and business leadership; notably the Governor of the Bank of England, The TUC, the Institute of Directors and the Prime Minister.

A real terms increase this pay round would start to make good the loss in members pay over the last five years. It is affordable given the health and success of the sector and will ultimately benefit the UK economy.

New JNCHES negotiations can and should result in pay increases and not the declines seen in recent years.

The trade unions genuinely want to secure an uplift in members' pay that will enable an agreement to be reached for the next 12 months.

Pay

The trade unions are seeking a positive response from the employers to our claim for an increase to the pay spine that addresses the following issues for 2015/16:

- The current cost of living increases experienced by our members over the last 12 months. The most recent RPI figure published in February 2015 is 1.1%. It is forecast that RPI will rise over the next 12 – 18 months.
- The real terms loss in the value of pay for members who have not seen their wages match inflation over the last five years. Despite a 2% increase in 2014/15 the current real terms pay gap calculated over five years has widened to 15%.
- Low Pay / Living Wage - The Trade Union side is looking to ensure that no University pays any member of staff below the Living Wage / London Living Wage.
- London Weighting – An increase in the minimum allowance of up to £4000.

For most HE staff the last five settlements have amounted to approximately a 4.8% increase in pay. When the annualised RPI increases over this period are combined with the forecast RPI rate up to July 2015, cumulative inflation will have increased by approximately 19.8**%.** Depending on the salary point the result in real terms is a cut of over 15% in the value of take home pay, with some employees seeing even worse cuts.

It is the trade union side's view that these and future negotiations should start from the basis that existing salaries will at least be increased by RPI Inflation as the opening position.

HE pay settlements vs. RPI

5 year time series from 2009 baseline (2009-2014)

Year	RPI annual change %	Indexed % change	Pay settlement %	Indexed % change
2009	Baseline	100	Baseline	100
2010	4.6	104.6	0.4	100.4
2011	5.2	110.0	0.3	100.7
2012	3.2	113.6	1	101.7
2013	3.0	117.0	1	102.7
2014	2.4	119.8	2	104.8

Inflation Forecasts to June 2016

Based on the forecasts of eight City economists (detailed below) RPI is expected to be 1.3% in July 2015. This will increase the indexed change from 2010 to 21.4% and will increase the total real terms decline in HE pay to 16.6%. Further increases, with RPI upwards of 2.9%, are forecast into 2016.

RPI inflation forecasts

All-items retail price inflation forecasts, 24 February 2015									
	CB	CG	JPM	MS	NO	RBS	SB	SG	Rounded average
	% inc	% inc	% inc	% inc	% inc	% inc	% inc	% inc	
February 2015	0.6	0.9	0.9	1.2	0.9	1.0	1.0	0.9	0.9
March	0.6	1.0	1.0	1.2	1.0	0.9	1.1	0.8	1.0
April	1.0	1.1	1.1	1.2	1.4	0.9	1.0	1.2	1.1
May	1.0	1.4	1.3	1.4	1.5	0.9	1.2	1.3	1.3
June	1.2	1.4	1.3	1.2	1.3	0.8	1.0	1.5	1.2
July	1.1	1.4	1.4	1.3	1.3	0.8	1.1	1.7	1.3
August	1.0	1.5	1.2	1.3	1.3	0.8	1.0	1.8	1.2
September	1.0	1.7	1.4	1.5	1.7	0.9	1.1	1.9	1.4
October	1.1	1.8	1.7	1.4	1.7	1.2	1.2	2.1	1.5
November	1.4	2.2	2.1	1.7	2.1	1.4	1.5	2.2	1.8
December	1.5	2.4	2.3	1.9	2.2	1.5	1.5	2.2	1.9
January 2016	1.6	2.7	2.8	2.4	2.7	1.8	2.1	2.8	2.4
February	1.7	2.9	2.8	2.4	3.0	1.9	2.2	3.1	2.5
March	1.8	3.0	3.0	2.5	3.0	2.1	2.3	3.3	2.6
April	1.9	3.1	3.1	2.5	3.1	2.1	2.5	3.1	2.7
May	2.5	3.0	3.2	2.5	3.3	2.2	2.6	3.2	2.8
June	2.8	3.2	3.3	2.4	3.3	2.3	2.7	3.1	2.9

Forecasters: **CB** Commerzbank; **CG** Citigroup; **JPM** JP Morgan **MS** Morgan Stanley; **NO** Nomura; **RBS** Royal Bank of Scotland; **SB** Scotiabank; **SG** Société Générale

SOURCE: IDS

The table above shows forecast changes in RPI to June 2016 from eight City economists and a rounded average of their forecasts. These forecasts show that:

- RPI will steadily rise throughout 2015-16 and into 2016-17, the final month of the current forecast (June 2016) shows expected RPI of 2.9% and some forecasters predict RPI will rise to 3.3% in early 2016.
- The current low levels of RPI are due to falling commodity prices, mainly oil, but also falling food prices and some utility price cuts, especially those for gas, however oil prices have begun to recover, with most analysts regarding the recent fall as a short-term phenomenon. This means that inflation is likely to steadily rise, probably by autumn 2015.
- At the end of the year, the recent fall in oil and food prices will drop out of the annual comparison, and the rise in inflation will become more rapid with the publication of the RPI for the year to January 2016. At this point, forecasters are predicting a rate of around 2.4% for the RPI.
- After this, the city economists expect the Bank of England to raise interest rates in the first quarter of 2016. If this happens it will have a further upward effect on inflation and RPI could well reach 3% or so by summer 2016.
- The latest set of predictions indicate that economists see the risk of deflation diminishing.

Loss in value of Pay

The loss in value of pay has resulted in HE staff having less disposable income and facing increasing financial difficulties.

Take-home pay for staff in the sector has been further reduced by increases in member's pension contributions. There is also a prospect of increased national insurance contributions for members of contracted out schemes.

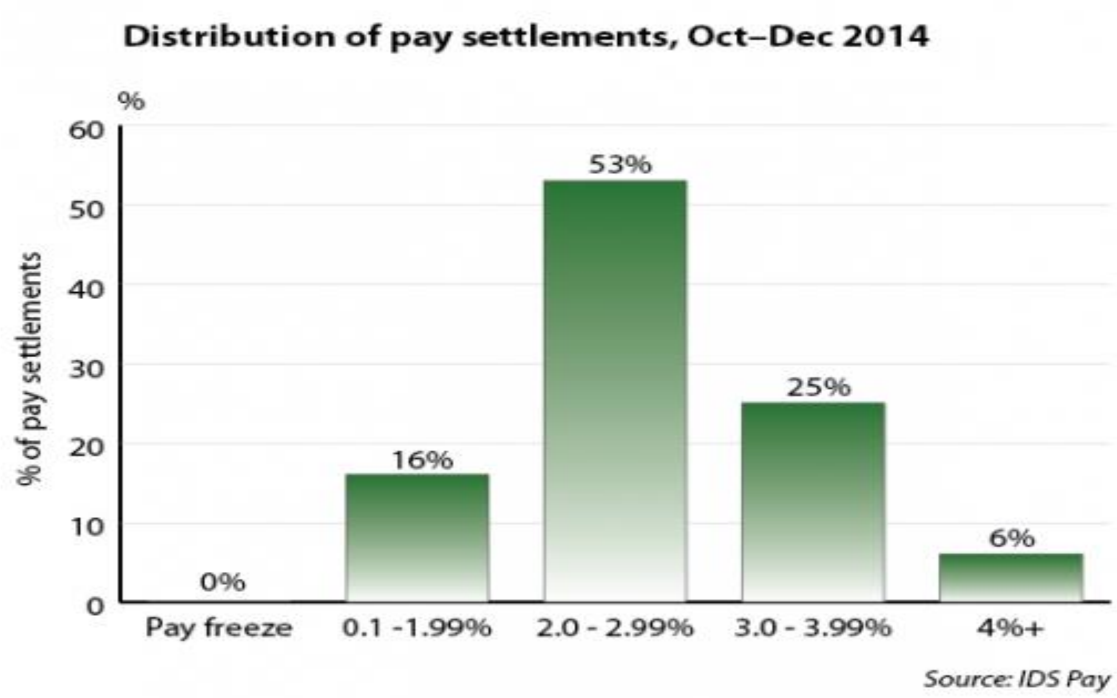
Cumulative shortfall across pay scales

Real terms cumulative annual & monthly shortfall August 2010 - August 2014			
HE spine point	Cumulative annual % shortfall 2010/11 – 2014-15	Annual cumulative shortfall 2010/11 - 2014/15	Monthly cumulative shortfall 2010/11 - 2014/15
	%	£	£
22	11.3	2,802.53	233.54
29	11.4	3,479.65	289.97
30	11.4	3,587.74	298.98
35	11.5	4,181.63	348.47
36	11.5	4,311.87	359.32
43	11.6	5,336.11	444.68
49	11.7	6,400.03	533.34

The trade union side want our universities to be able to continue to recruit and retain high quality staff and continue to deliver world class teaching and research and high quality support services to students. We also want our members to receive a decent pay rise this year and reverse the losses of recent years.

Latest settlement data

Average private sector settlements for the quarter to the end of December 2014 are 2.5%, based on 26 settlements and Not for Profits settlements are averaging 1.8%. There were no public sector settlements in that period, although there were three in September 2014 at 1%.



- The median pay settlement across the economy remained at 2% in the three months to December 2014, unchanged from the previous two months' figures. This compares to an overall median settlement of 2.5% across the whole of 2014.
- Average private sector settlements for the quarter to the end of December 2014 are 2.5%, while not for Profits are averaging 1.8%.

Low Pay and the Living Wage

Low pay in higher education remains an issue. UNISON conducted an FOI request of universities in October 2014. The results show that despite the increase applied to the bottom spinal column points by the 2014/15 pay award over 40 higher education institutions fail to pay the Living Wage/ London Living Wage to some groups of staff. Many of the lowest paid workers on campus working full time in higher education do not have a decent standard of living because they are earning less than a Living Wage. The Living Wage would lift working people out of poverty. A final pay settlement should reflect a level of decency and fairness for all of those working on campus.

The trade unions are looking to the sector to commit to a pay spine that ensures that the lowest paid do not fall behind the rest of society and to ensure that as society becomes more prosperous workers in HE are able to keep up.

Large numbers of employers in the sector already see the benefit of Living Wage accreditation. Many HEI's in the devolved nations have already started to pay the Living Wage, which is seen as the decent way to treat their staff. Similarly there are an increasing number of 'Living Wage' towns, cities and regions where HEI's are based such as York and Newcastle.

Since 2010 essential living costs have increased drastically. Electricity prices have jumped by 22-39%, Gas by 17 to 45%, Food by 19%, Water by 20% and Transport by over 19%. The cost of many goods and services still continue to rise, which means that although HE employees got a 2% pay increase, salaries for the lowest paid have felt the hardest impact.

The trade unions believe that the Living Wage / London Living Wage should be the minimum threshold for low pay in the sector. This is currently set at £7.85 per hour outside London and £9.15 per hour in London.

Pay of vice-chancellors and principals (VC&P) and UK academic staff

There has been much publicity over recent months about the high levels of remuneration of vice-chancellors and other senior posts and the lack of transparency and oversight by remuneration committees.

The pay of VC&P has been more aligned to the remuneration of FTSE Chief Executives pay than to the marginal increases endured by staff in the sector. There has been mounting criticism at the size of these increases and Government Ministers at Westminster and Holyrood have also expressed concern in relation to senior staff salaries.

UCU recently published the findings of its Freedom of Information request (FoI) on VC&P pay. In 2013/14, the average vice-chancellor salary for was £260,290. Eighteen vice-chancellors enjoyed a pay increase of more than 10%, with the largest being 70.2%. On average vice-chancellors were paid 6.4 times more than the average salary of staff. The union's data also found that 20 institutions had more than 100 members of staff earning over £100,000 a year.

The latest FoI data also shows a significant rise in the numbers of HE staff earning more than £100,000 pa. This has roughly doubled in the last couple of years, and the rising trend in senior pay continues year on year.

There are now 5541 staff paid at or over £100,000 pa. This compares with a figure of 2761 in the last HESA data set from 2011/12.

It is the trade unions' view that the increases in reward and the increasing numbers of senior staff attracting six figure salaries, should be seen in the context of the perceived lack of fairness, transparency and balance when real term pay cuts continue to be the experience of the vast majority of HE staff.

The trade union side believe that the pay of vice-chancellors should be capped at ten times the level of pay of their lowest paid staff.

Affordability

A HEFCE report from October 2014 on the financial health of the higher education sector 2013/14 to 2016/17 captures the following in its summary;

The financial results for the higher education sector 2012/13 showed a sound position overall. It is worth noting that this report used data that did not include the recent additional 30,000 students recruited following the removal of the cap.

The short term viability of institutions was not a concern and no institutions are close to the risk of insolvency

HE Key Finance Measures over 5 years

Total for all UK HEIs

Total for all UK HEIs	2009/10	2010/11	2011/12	2012/13	2013/14	5 year % change
Total Staff costs as a % of Total expenditure	56.6	56.2	55.5	55.2	55.4	-1.2
Total Capital expenditure	3,609,561,000	3,726,385,000	2,793,173,000	3,107,322,000	3,905,893,000	8.2
Total Income	26,795,787,000	27,561,539,000	27,922,316,000	29,143,869,000	30,738,378,000	14.7
Surplus/Deficit for the Year	822,897,000	1,201,103,000	1,113,830,000	1,083,393,000	1,176,136,000	42.9
Total reserves	12,329,938,000	14,644,730,000	14,745,167,000	17,902,466,000	19,411,798,000	57.4

The table shows that over the last five years capital expenditure has increased by 8.2%, income has increased by 14.7%, surpluses have increased by 42.9% and reserves are up by 57.4%. At the same time staff costs as a % of expenditure have fallen by 1.2%.

Funding

In England, the HEFCE 'funding letter' indicates the Government's view that there will be an increase in the total funding available to HE from £11.1bn to 12.1bn in 2015-16.

The reduction in the teaching grant will be offset by a greater reliance on fees. The result is a predicted net increase of 9% in aggregate funding.

Scotland

An EIS initial analysis of HE Financial Statements for Scottish Universities shows healthy finances with the sector's income, reserves and surpluses at record levels. There was a small increase in the pay of Scottish University Principals in 2013-14. The number of senior staff that are paid over £100K per annum has increased significantly in 2013-14 compared to the previous year. This reinforces the perception that senior staff pay is increasing at a faster rate than ordinary staff pay in New JNCHES. The Scottish Government has made it clear that it wishes senior staff pay to increase at the same rate as ordinary staff.[1]

The Scottish Government has consistently funded the HE Sector well in recent years. The SFC settlement for the HE Sector for 2015-16 is £1,062.5m of university programme funding and £36m of college and university capital funding. This represents a small increase on the

[1] http://www.timeshighereducation.co.uk/news/new-scottish-education-secretary-sets-out-priorities/2018051.article

previous year's SFC programme funding. It should be noted that the total income for Scottish Universities in 2014-15 was around £3,200m with Scottish Universities continuing to bring in disproportionally large amounts of research grants and overseas students from outwith the EU.

London Weighting

The cost of living in London is rising faster than anywhere else in the UK. London Weighting varies greatly within the London region HE sector, from £2134 to over £3000. Some institutions have frozen London Weighting for 20 years, whereas others have linked it to national pay increases. The rate of London Weighting should reflect rising living costs and inflation and it is the trade unions' view that it should be harmonised within institutions.

The trade unions are claiming for an increase in the minimum allowance to £4000. This could be phased in.

Conclusion

Higher Education is undergoing a period of unprecedented and rapid change. There are increasing expectations from government, employers and students that all HE staff will continue to deliver excellence in teaching, research, scholarship and support.

It is clear that members have been be rewarded with small increases in pay that have resulted in year on year real term pay cuts despite working harder and longer than ever.

The HE trade unions' view is that the 2% settlement in the last round was the start of a process of catch-up in correcting the loss in members pay over recent years. We want the employers to build on that outcome and make a positive response to our pay claim in this negotiating round.

At the same time as members have suffered a prolonged period of wage restraint, they have experienced significant and far reaching changes to the planning, organisation and delivery of their work. The last five years has seen the emergence of the student experience as the predominant strategic focus within the sector.

As a consequence, support services and staff have been outsourced, new innovative teaching and learning practices have been developed and deployed, work intensification for all grades is now widespread and significant levels of additional unpaid work is undertaken in support of providing world class levels of student experience and in attracting new students.

It is the trade's union view that this year the pay award should reflect, recognise and reward the collective contribution that our members have made over the last five years to the national and international success story that is UK higher education.

The trade unions believe that our claim is reasonable and justified for the reasons given above and we look forward to a positive response to the claim.

We are seeking to negotiate an offer on both pay and pay equality matters that we can recommend to our members.