

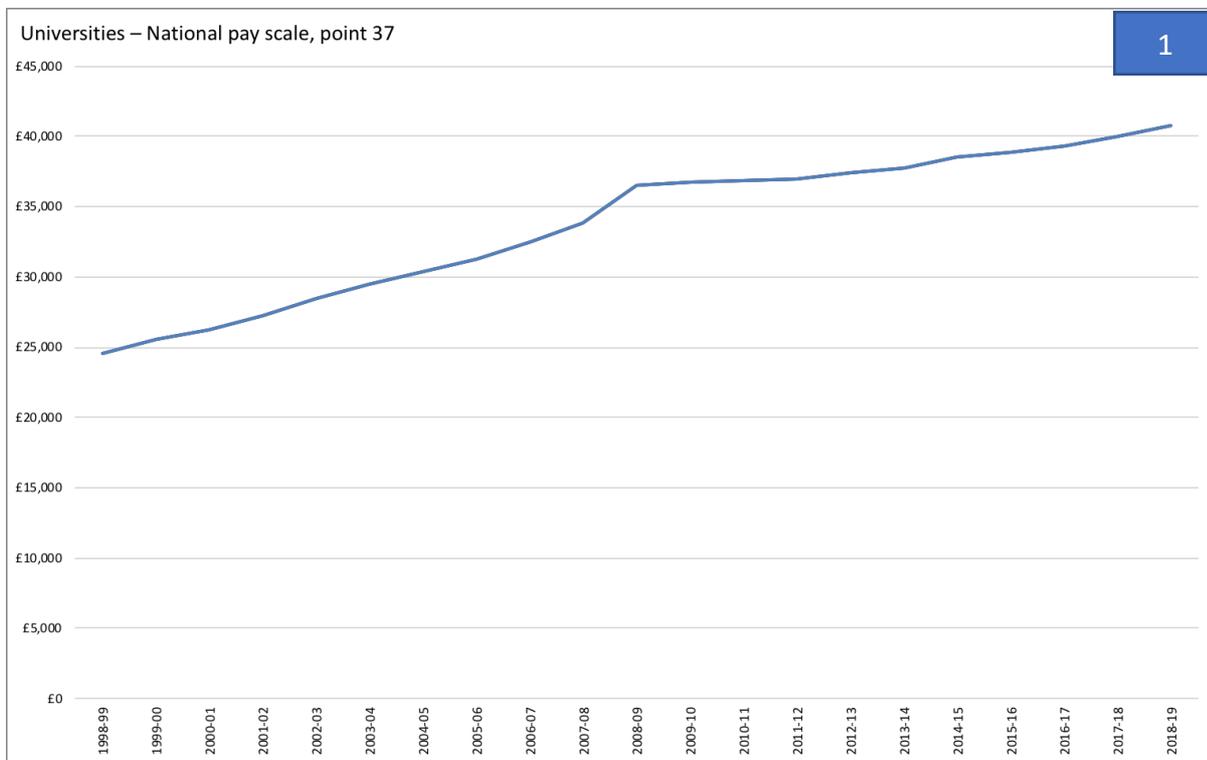
**Pop goes the weasel? That’s the way the money goes.
Can University of Leicester afford to pay its employees more?**



A briefing prepared by Leicester UCU.
9 October 2018

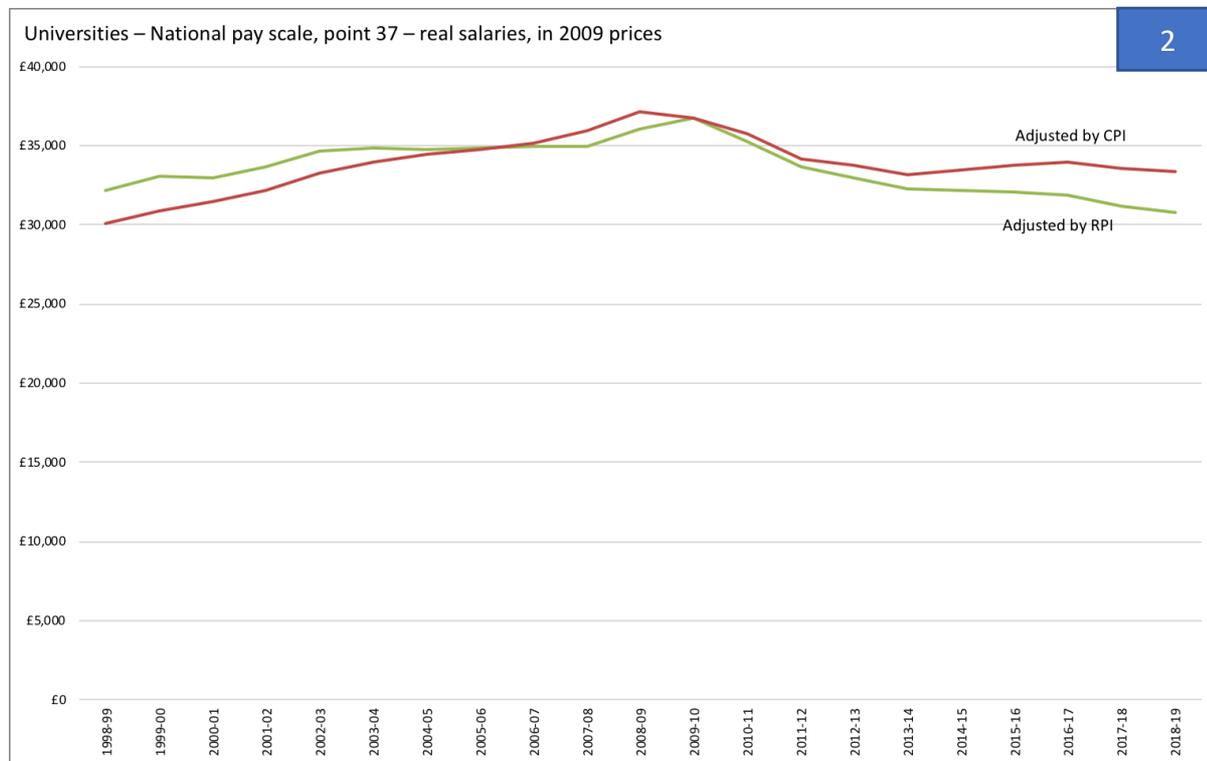
The real pay of a starting lecturer – and other university workers on the national pay spine – has stagnated over the past 15–20 years. The University of Leicester’s vice-chancellor has enjoyed an real-terms increase in his remuneration of 40% over the same period – he now earns seven times the salary of a starting lecturer – whilst the University’s other top earners have seen their salaries grow by roughly 20%. The University of Leicester’s income and expenditure have grown by 70% since 1999/2000, but spending on staff has increased by only 50%. While income and expenditure at first tracked each other closely, over the past decade a gap has opened up between the two, such that the institution now makes an annual operating surplus. What growth in staff numbers there has been, has been concentrated in the category of ‘administration, library, computer and other related’: their numbers have more than doubled; spending on ‘administration and central services’ has grown by 87% in real terms. There have been big increases in capital – mostly infrastructure – spending, which has resulted in growing annual ‘depreciation’ figures in the annual accounts – and further widening the gap between income and day-to-day spending on items such as staff salaries.

In the context of UCU’s current dispute with employers over pay – and the ballot for strike action, open until October 19 – it’s useful to take a closer look at our employer’s finances. In this first chart we’ve plotted the annual salary for someone on point 37 of the national pay scale – that’s the point a typical lecturer will start on, at University of Leicester and at other universities. We see that this point-37 rate grew at around 3 or 4 per cent each year between 1998/99 and 2007/08. There was then a year when it rose by 8 per cent. Since then it’s rarely risen by more than 1 per cent each year. Other points on the pay spine have risen in a similar way.



So it looks like pay has gone up. But, of course, prices have also risen and they have risen by more than university salaries. Once we take inflation into account we see that our wages have

fallen over the past two decades. There are two common measures of inflation, the retail price index (RPI) and the consumer price index (CPI). Since, 1998, prices have risen by something between 50 per cent (if you use the CPI) and 75 per cent (if you use the RPI). Thus, the what's happen to *real* wages – i.e. accounting for inflation – is the following. This chart shows the salary levels expressed in so-called 2009 prices (and that explains why the two series intersect in this year).



What chart 2 shows is that, over the past two decades, real wages for a starting lecturer (and every other point on the pay spine) have either declined by about 5 per cent (if you use the RPI to make the inflation adjustment) or risen by 11 per cent (if you use the CPI). The ‘true’ figure will lie somewhere in between. If we look only at the last ten years, real wages have fallen by between 9 per cent (CPI) and 16 per cent (RPI). It’s worth pointing out that academics and other university employees have suffered a worse deterioration in our incomes than other workers in the UK economy: real median wages in Britain are either 2 per cent lower than they were in 1998 (RPI adjustment) or 13 per cent higher (CPI adjustment). All this we know: each month we see how much money goes into our bank accounts and we see how much we shell out for rent or mortgage payments, food, energy and so on!

So it would seem reasonable for us to demand higher-than-inflation pay increases in order to recoup some of this decline in salary.

But what about university finances? We’ve heard a lot from vice-chancellors and other university leaders about the ‘challenging’ higher education environment – Brexit, increasing competition, both domestic and from overseas institutions, demography and so on. Can our employers actually afford to pay us more?

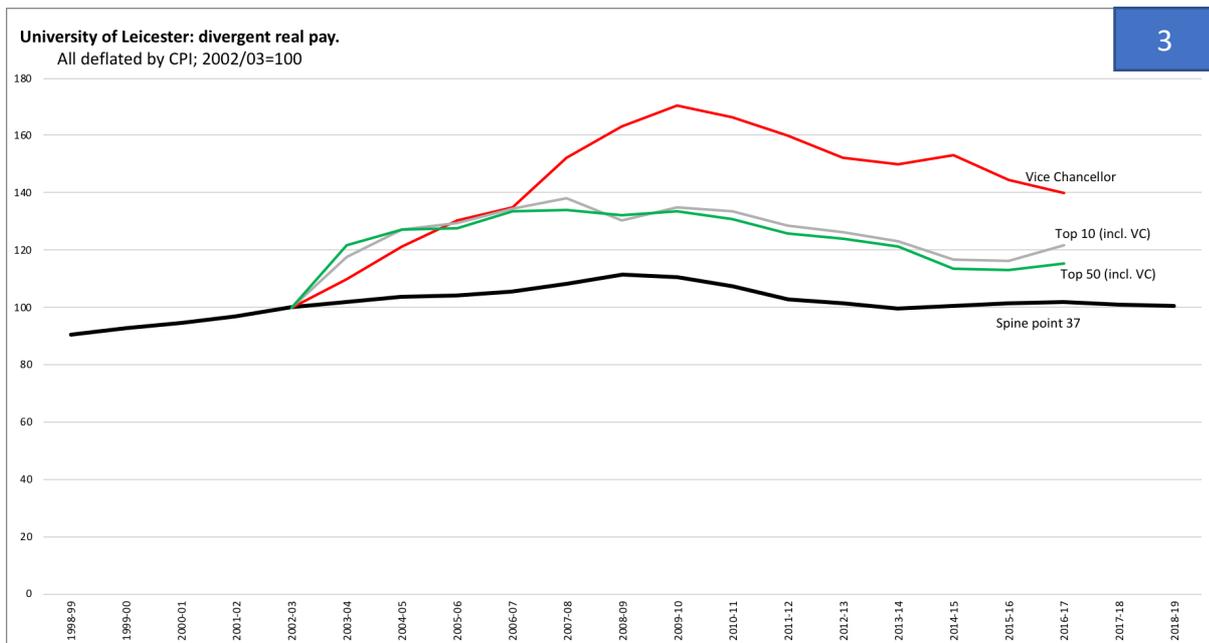
Let’s take a look.

To begin with, another commonplace observation. Some individuals have enjoyed generous increases in their income. In 2002/03, for instance (the earliest data easily available), the vice-chancellor of University of Leicester (Bob Burgess) received ‘emoluments’ of £152,000 (including pension contribution). Twelve years later this had more than doubled to £313,000. Since then, the VC’s remuneration (including pension) has since fallen back to £288,000 in 2016/17. Once we take

inflation into account, our VC's salary has increased by between 26 and 40 per cent over the past decade and a half. (The lower figure is obtained by deflating by the RPI, the higher figure by deflating by CPI.) But it's not just the man at the top. Since 2002/03, the collective income of the University of Leicester's top ten earners (including the VC) has risen from £1.3 million to £2.2 million: in real terms that's an increase of between 10 and 22 percent. The combined income of the top 50 earners (again including the VC) has risen from £5.2 million to £8.1 million over the same period, an increase of between 4 and 15 percent once inflation is accounted for.

One way of showing this growing inequality is to set all incomes equal to 100 for a 'base year' and then follow their trajectories. Setting 2002/03 as our base year, we get the following picture. Here and from now on we will deflate only by the CPI. Using the RPI obviously gives slightly different figures but the story remains the same.

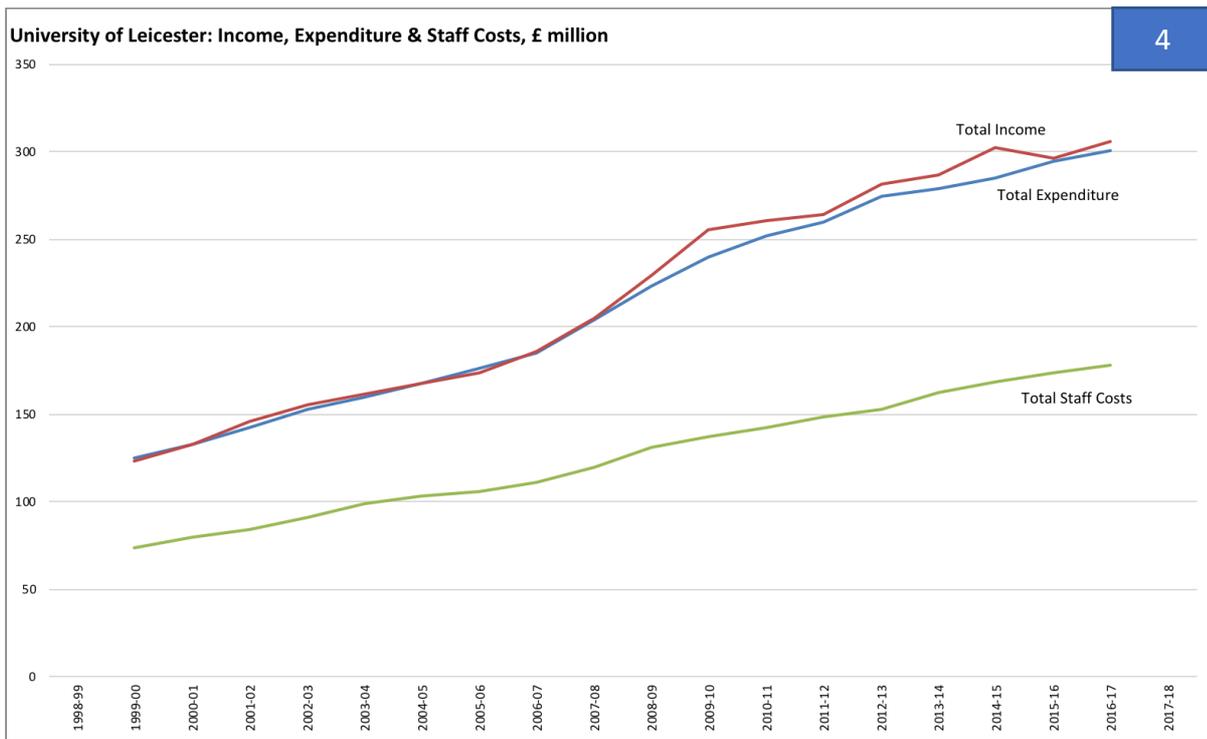
Note that that the spine-point-37 line continues to 2018/19. This is because the national pay spine data is publicly available. Of course, the value for this year (2018/19) may go up – that's what we're currently in dispute about! The series for the VC and other top earners begin only in 2002/03 and continue only to 2016/17. That's because we've taken this data from the [University of Leicester's Financial Statements](#) and this is the data that is available so far. Annual financial statements are typically published around the end of the calendar year, so the figures for 2017/18 should become available in December 2018, or January 2019 at the latest.



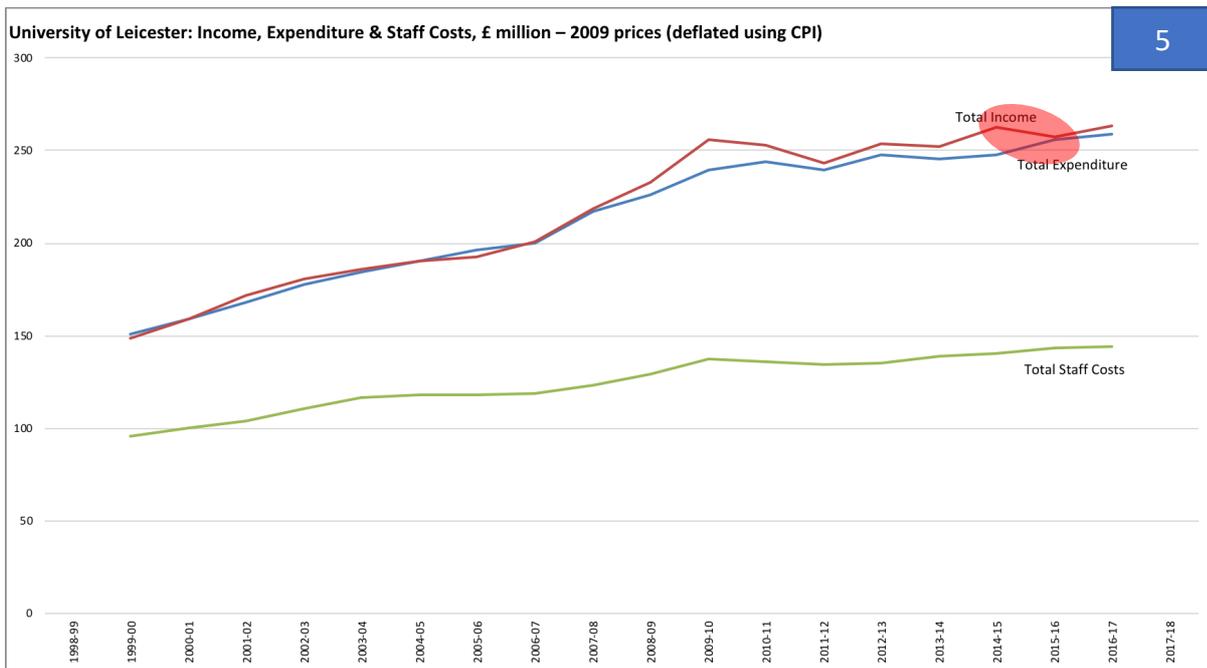
Remember this chart shows just the extent to which those at the top have seen their remuneration grow more quickly than the University's other employees. Although VC and other top earner pay appears to have fallen back a bit over the past decade, the VC still earns seven times as much as a starting lecturer, compared to five times as much 15 years ago. In 2016/17, the University of Leicester's top-ten earners *all* received at least £180,000, four and a half times as much as the £39,324 salary for a spine-point-37 employee; the top 50 earners all received more than £120,000.

What these figures tell us then is that the University of Leicester can clearly afford to increase the salaries of *some* of its members.

Now let's take a look at the bigger picture. The University of Leicester has grown over the past two decades, in terms of student and staff numbers and in terms of income and expenditure. The following chart shows the growth of total income, total expenditure and total spending on wages and salaries.



Of course, we get a more accurate picture if we take inflation into account. Here are the same series – income, expenditure and staff costs – expressed in 2009 prices.

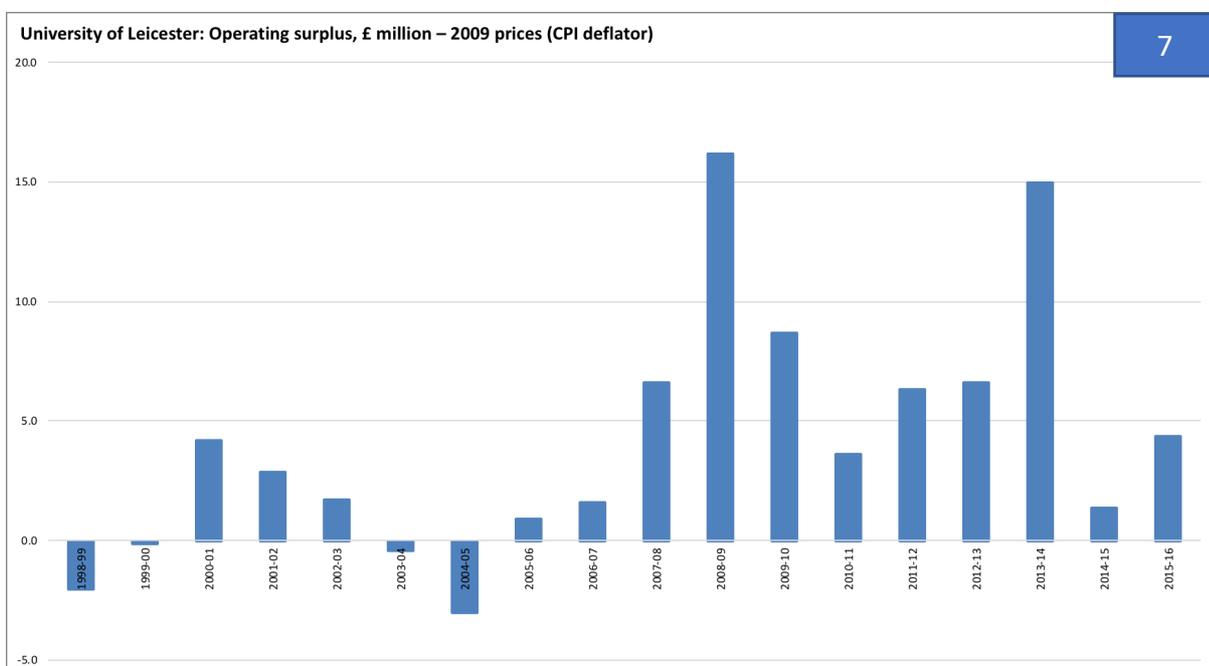
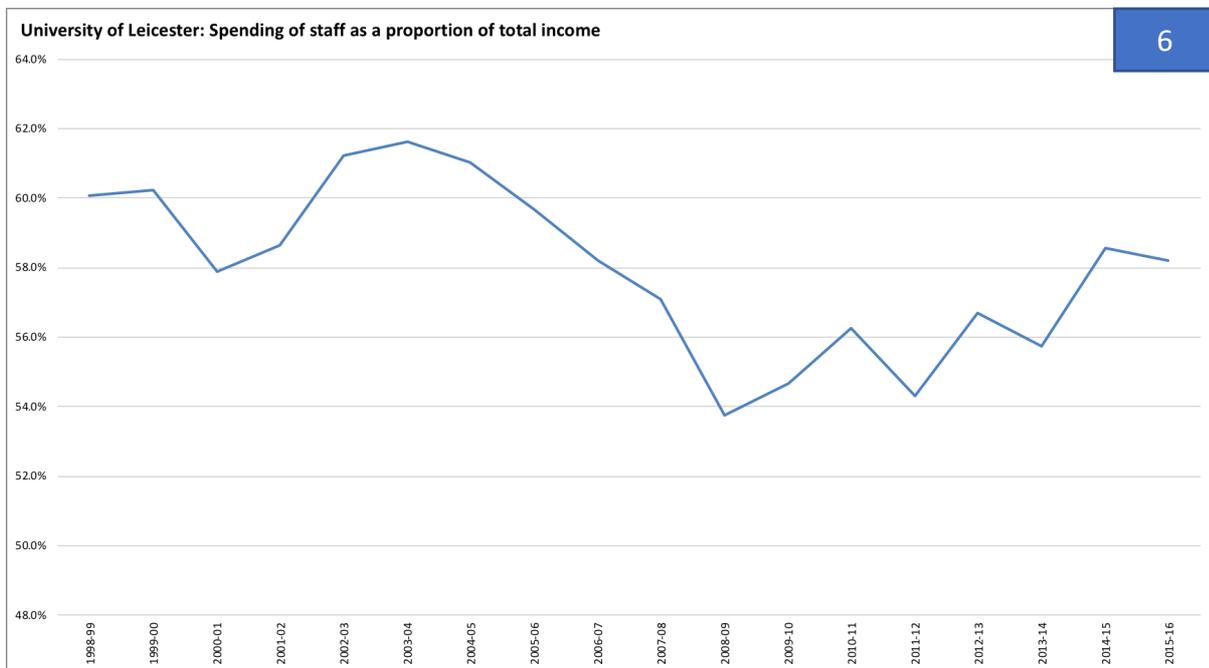


Two things are apparent from these two charts. First, whilst spending on staff has grown over the two decades (by about 50 percent in real terms), income and expenditure have both grown much faster (by more than 70 percent). Second, income and expenditure have tracked each other quite closely. But from 2006/07, there was a sharp uptick in the growth in both, which levelled off around 2009/10; moreover, at this same time, a gap opened between income and expenditure: this gap represents operating surplus, which has been positive in every year since 2006/07.

We should also note the slight dip in income recorded between 2014/15 and 2015/16. (We've highlighted this on the chart.) In 2015/16 all universities in the UK were required to adopt a new accounting standard known as FRS102, which has been interpreted for the sector by the FE & HE

Statement of Recommended Practice (SORP). In brief, the new code changes the way some income, expenses, assets and liabilities appear on financial statements. For more information, see [this useful blog post](#). It's quite likely this accounting-code change explains this apparent drop in income – while 'reality on the ground' has not changed at all.

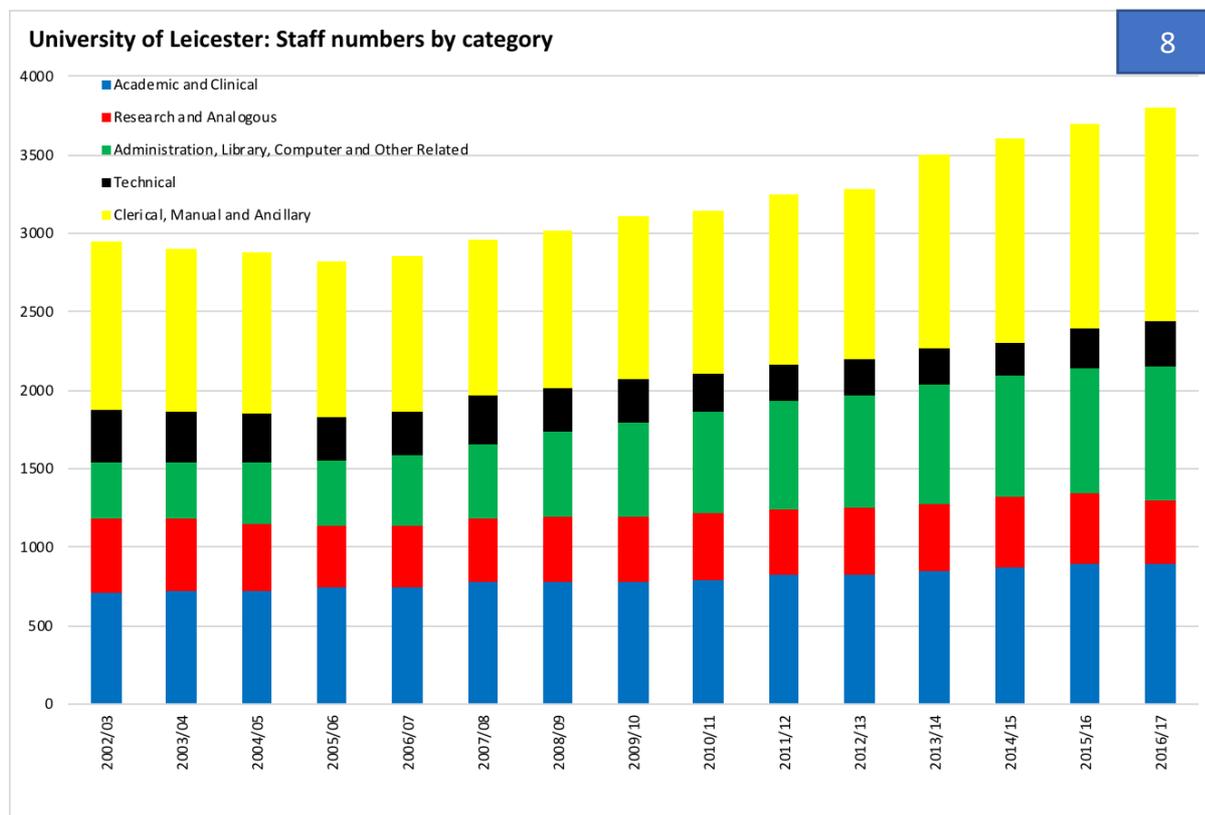
The following two charts make these things even clearer. The first shows spending on staff as a proportion of total spending; the second the University's operating surplus, expressed in 2009 prices (i.e. taking inflation into account).



We've seen that the University's income and expenditure have outstripped its spending on wages and salaries – though the chart above does seem to show that staff spend as a proportion of total income has risen by 4 percentage points over the past decade, from a low in 2008/09 of 54 percent. It's possible this recovery explains some of the University Leadership Team's recent obsession with this indicator. And we've seen that *some* members of staff have enjoyed generous increases in their remuneration – whilst most employees' wages have stagnated. But it's also

worth looking at what areas the ULT has chosen to spend, in terms of both staff expenditure and non-staff expenditure, particular capital spending.

First, staffing. As we've noted, total staff costs have risen by roughly half in real terms over the past 20 years. Rising VC and other top earner remuneration explains only a tiny part of this increase; it's mostly due to rising numbers of staff. Since 2002/03, the number of University of Leicester employees has grown by almost 30 per cent. The following chart shows in which categories of staff this growth has occurred.

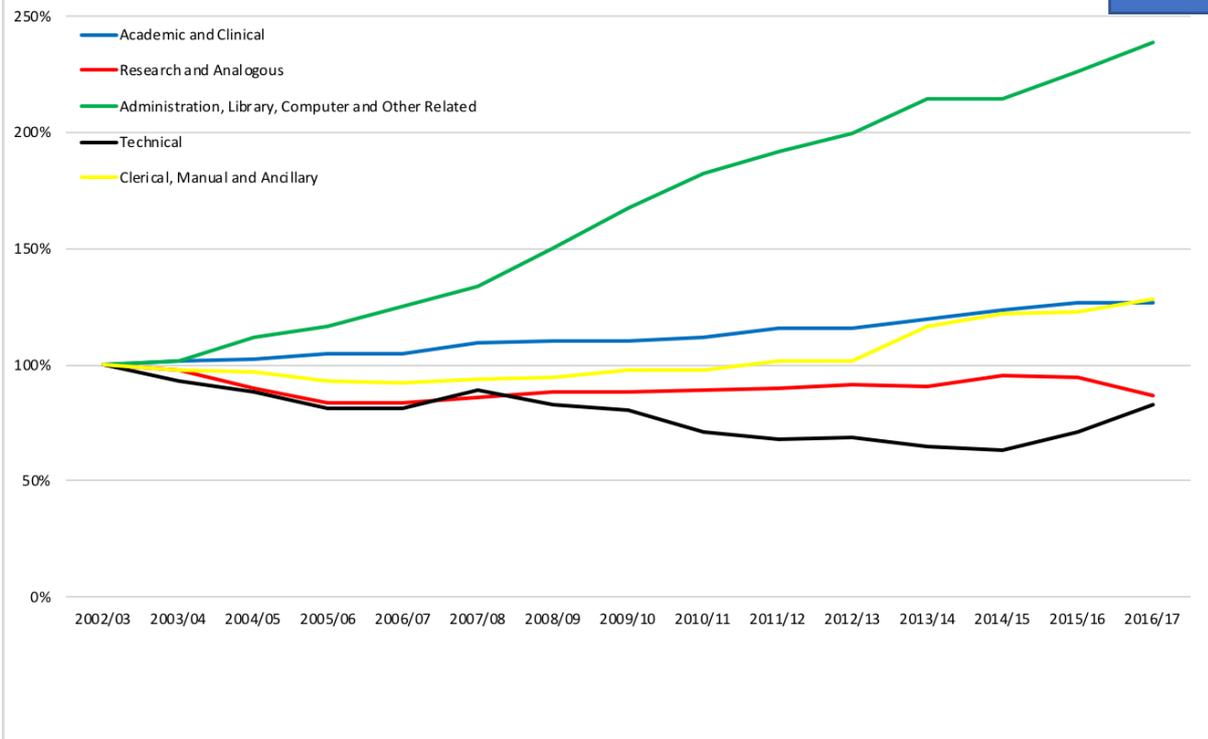


What chart 8 reveals is so astonishing it's worth recalibrating the numbers, so that we can see the growth (or contraction) in each of the five categories. That's what we've done in chart 8. The number of academic and clinical staff has grown by just over a quarter over the past decade and half, as has the number of clerical, manual and ancillary employees. The numbers in the 'research and analogous' and 'technical' categories has fallen, by 13 and 17 percent, respectively. The number of those employees working in 'administration, library, computer and other related' has more than doubled: it's grown by 139 percent!

We really need to unpack this information a little more. Obviously many colleagues working in these areas have skills essential for the running of a university: we need librarians and IT specialists and time-tablers and others who communicate with students on the 'frontline'. These people make the jobs of those who teach and do research easier. But, we think it's also obvious to everyone who works in a university, that the jobs of academics has not become easier over the past 15 years: as the number of administrators has risen, so has the administrative burden on scholars. It's not possible from the statistics we have here to untangle the chains of causation, but we'd hazard a guess that many of the new university administrators perform 'bullshit jobs'.*

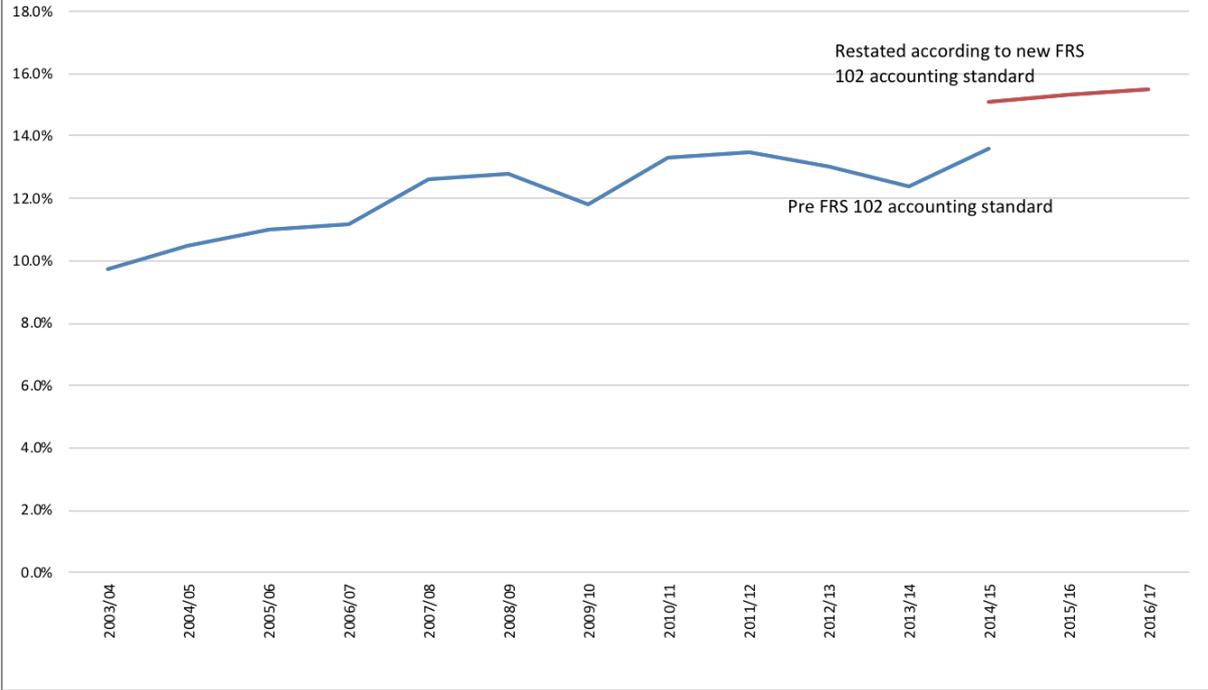
* The term is anthropologist David Graeber's. It's important to recognise that doing a 'bullshit job' is rarely the fault of the person who does it. In fact, as Graeber makes clear, many employees themselves describe their jobs as 'bullshit'. An increasing component of a typical academic's job also seems to be bullshit – form-filling and box-ticking exercises that contribute neither to teaching nor research.

University of Leicester: Growth in staff numbers by category – 2002/03=100



We see a similar picture if we look at the expenditure on ‘administration and central services’: from £15.6 million in 2003/04, this had grown to £38.9 million in 2014/15, a real-terms rise of 87 percent. As a proportion of total expenditure, administration and central services spending looks like this. In a nutshell, expressed in terms of total spending, it has grown by more than a third. No doubt, ‘central services’ provide services to *someone*, but these services aren’t always to the benefit of the University’s researchers, teachers or students!

University of Leicester: Expenditure on Administration and Central Services as a proportion of total expenditure

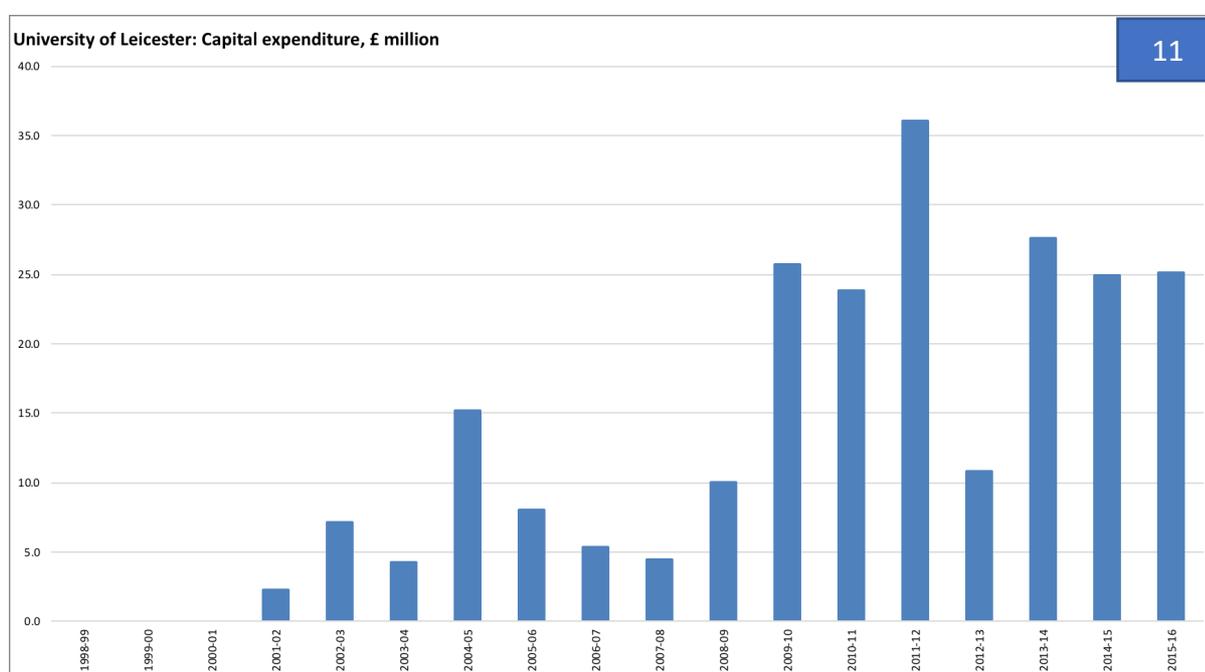


Our last – but not least important – points about staff and spending on staff concerns the gender pay gap and precarious contracts. We don't have good information on either – and hence cannot say very much – but what we do know doesn't paint our employer in a good light.

The financial statements for 2016/17 reported a mean gender pay gap of 23.1% and a median gender pay gap of 25.1%. In other words, a typical man employed by the University of Leicester earned one-quarter more the typical woman.

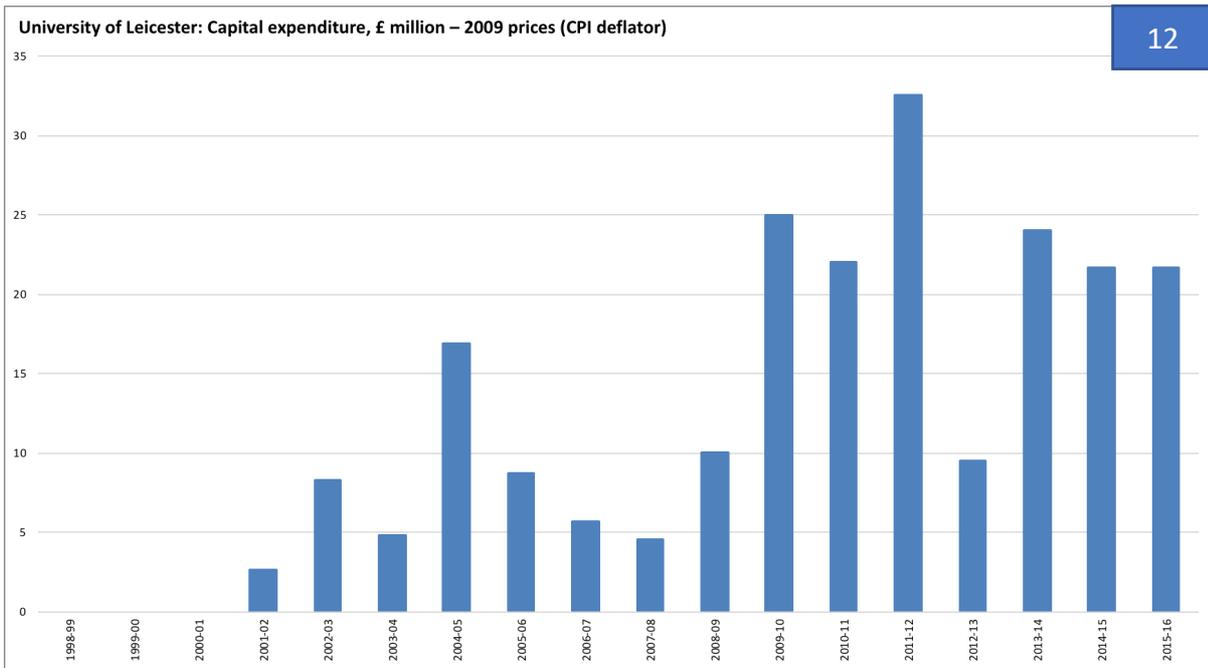
We know that our employer has been making increasing use of insecure, fixed-term contracts. Figures are not reported in the financial statements, but various UCU exercises has shown University of Leicester to be a fairly poor employer in this regard. [This 2016 report](#), for instance, based on 2014/15 HESA data, has our institution as a top-50 offender.

Now, let's turn our attention to capital expenditure. We know this is a much-discussed issue across the sector and here in Leicester. The ['transformative £500 million estate investment programme'](#) has been controversial to say the least: recall, one of Leicester UCU's slogan-demands in its recent dispute over compulsory redundancies was ['brains before buildings'](#). Chart 11 shows the trend.

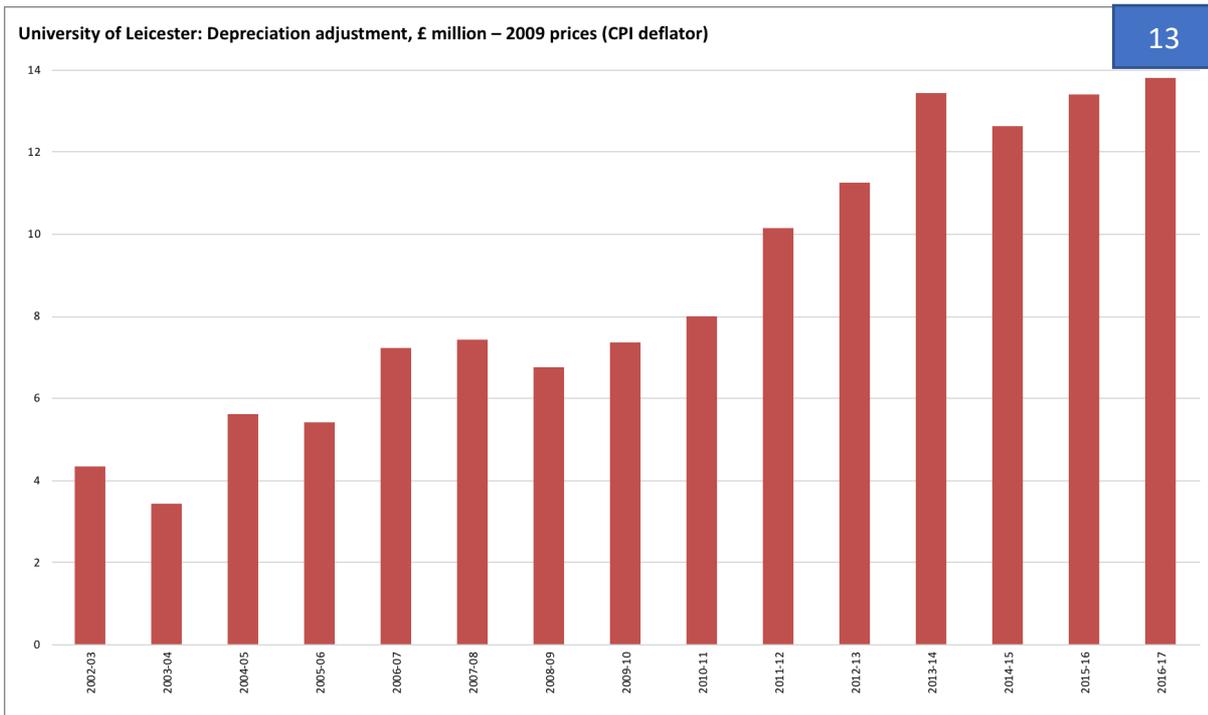


Expressing these figures in 2009 prices – i.e. taking inflation into account – we get chart 12.

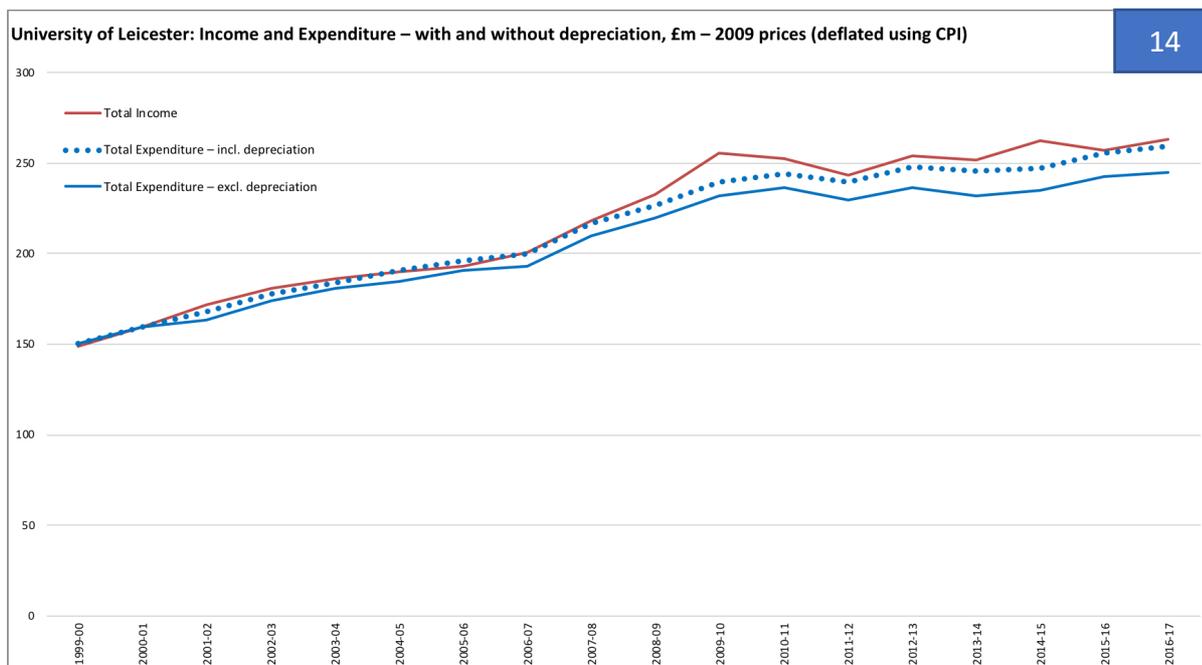
What this chart quite clearly indicates is a step-increase in expenditure on 'fixed assets' – mostly spending on buildings – in 2009/10. The effect of capital expenditure on a university's balance sheet is not straightforward, however. Infrastructure spending doesn't come out of a university's annual financial 'results', its operating surplus – the difference between income and expenditure. Instead, capital spending is financed either from savings (i.e. accumulated surpluses) or from borrowing, or a mixture of the two. This capital spend then appears on the annual figures through depreciation. At University of Leicester new builds are assumed to depreciate over 50 years, that is to have a useful life of 50 years; refurbishments are assumed to have a useful life of 15 years. Thus, if a new building costs £50 million, it is assumed to depreciate by £1 million each year and this is the figure that appears in the accounts, i.e. a £1 million figure is allocated to the accounts each year; after 50 years, enough has been allocated to replace the building.



The next chart shows the annual adjustment for depreciation. These costs have clearly risen – in fact they have doubled in real terms over the past decade – and that is because of successive vice-chancellors’ (first Bob Burgess and now Paul Boyle) infrastructure spending. Moreover, they are continuing to rise.



When we look at our employer’s annual accounts – its income and spending each year – it’s these depreciation figures that make a big difference, especially now. Above we charted these two series along with spending on staff. Total expenditure in that chart includes imputed depreciation. Below, we demonstrate what’s happened to the institution’s spending when we exclude this depreciation figure.



We see very clearly a gap that has opened up between the University’s income (the red line) and its real spending of staff and other day-to-day items (shown by the solid blue line).

One possible explanation is that VCs and other university leaders, include those at the top table of our institution, have taken advantage of eroded wages – and indeed have themselves help suppress those wages – in order to pursue ambitious infrastructure projects. But those very infrastructure projects result in new items – imputed depreciation sums – in universities’ financial accounts that seem to show that money is too tight to grant university workers salary rises that even match inflation. In other words, in this vicious circle, eroded pay and further eroded pay is the cause and the result.

To conclude, it seems that some senior people at our institution – acting as the de facto board of directors of University of Leicester Ltd. – have enjoyed very rewarding employment terms over the past two decades. But they have been implementing a fairly consistent drive towards both casualisation and work-intensification. As well as suppressing employee wages, they have chosen to concentrate what growth in staff spending there has been on administrative staff – as opposed to researchers and teachers – and on employing people on precarious contracts. They have also implemented capital spending projects that – we contend – do little make our University a better place to work or study. Instead these ambitious infrastructure projects have a pernicious effect on the University’s accounts – which are then mobilised by ‘University leaders’ in order to further suppress salaries and further worsen employees’ working conditions.

The implications of our reading of the University of Leicester’s account are quite clear. Our employer *can* afford to grant us a 5% pay increase – and a minimum £1,500 rise for those lowest paid staff. It can also afford to make a serious effort to end the twin scandals of its table-topping gender pay gap and record on precarious contracts. But it might be necessary for the University Leadership Team to rethink its strategic priorities. Perhaps it’s time for another strategic conversation...

[This piece was inspired by a [presentation](#) made by Sam Marsh, of Sheffield UCU. We’ve followed some of the structure of Sam’s discussion of the issues and have made use of some of his figures, which are available in [this spreadsheet](#). We’re grateful to both Sam and Sheffield UCU for this.]