

Employers' technical note – Real terms pay and Incremental progression in Higher Education

20 April 2012

1. Introduction

This paper provides commentary on calculations by the employer and trade union sides relating to the 'real terms' value of pay in higher education and an analysis of the incremental progression of higher education staff. It is intended as a background paper to inform discussions at New JNCHES for the 2012-13 negotiating round.

2. Calculating real terms loss of earnings

The trade unions' joint claim presented at New JNCHES on 30 March stated that HE staff had seen a 'real terms cut of over 10% in the value of take home pay' over the last three settlements. The employers' acknowledged that the increases awarded through New JNCHES were below RPI inflation in two of the last three years but did not recognise the cumulative figure provided by the trade unions. It was agreed at the meeting on 30 March that both sides would share their calculations.

Trade union analysis

A paper prepared by David Belsey (EIS) from the trade union side outlined the calculation by the trade unions. The trade union claim stated:

For most staff the increase in pay over the last three settlements has amounted to approximately 1.4%. During the same period, the RPI index has increased by over 12%, resulting in a real terms cut of over 10% in the value of take home pay for staff.

According to the supporting analysis, the calculation uses the annual RPI increase at the end of each pay settlement period. For example, the 2010-11 award implemented on 1 August 2010 is set against RPI at August 2011. The figure for the 2011-12 agreement is based on the projected level of inflation for August 2012. The RPI figures for the three settlement periods are added to give a figure of 13.3% which was rounded down to 'over 12%'. The paper differentiates between the cumulative increase for lecturers and staff on the lowest spine point due to the cash sum approach in 2011-12.

UCEA analysis

UCEA's figures differ from the trade unions' figures due to a different reference period and use the RPI index rather than individual annual figures. UCEA's initial analysis used the RPI up until the implementation date as the reference period for RPI assuming that the cost of living adjustment is made with reference to real terms losses accrued over the previous year rather than the anticipated loss in real earnings in the forthcoming year.

Using the RPI index, which has 13 Jan 1987 as its base (=100), UCEA calculated that the increase in RPI was 8.7% between August 2008 and August 2011. This means that the real terms loss over the period was 7.3%.

Following UCEA's explanation of its method, the trade unions provided an additional calculation based on the RPI index for the period from August 2009 to February 2012 giving a figure of 11.9%.

3. Incremental progression in HE

At the New JNCHES meeting on 30 March representatives for the employers' side contended that incremental progression was an important part of the employee benefit package and meant that a majority of staff in the sector would receive a pay increase of 3%. The trade union side responded that they would like to know what the actual figure was and how the figure was determined. UCEA agreed to share this information.

In its annual negotiating round questionnaire, UCEA asks a question about the proportion of staff eligible for incremental progression in the forthcoming pay year. UCEA had based its statement that the 'majority' of staff receive an increment based on information from the previous year when 58% of staff were eligible for an increment and 60% in the year before that.

UCEA has now had the opportunity to analyse responses from this year's survey and the average figure for 2012-13 is 43% with a median of 40%. UCEA has not been able to investigate the drop in increment eligibility between 2011-12 and 2012-13 in any more detail.

In terms of a cost on the paybill, UCEA does not currently have data on how these increments fall across the pay spine so cannot currently provide an exact figure. Assuming that the staff eligible for increments are evenly spread across the pay spine then the average percentage increase would be 1.2%.