GLA LONDON WEIGHTING ADVISORY PANEL

Evidence from the Association of University Teachers, February 2002

Introduction

The Association of University Teachers (AUT) represents a wide range of professional staff across higher education and research establishments. Our membership of 43,000 includes academics, researchers, administrators, librarians and computer staff.

Higher education in London

There are over 40 universities and higher education institutions in London. According to a recent report commissioned by the Higher Education Funding Council for England, "higher education is central to the cultural life, health, prosperity and environment of London". The universities and higher education institutions in London are nationally and internationally recognised for their excellence in research and teaching in almost every academic discipline. Collectively, they provide about a quarter of all student places in England and account for about a third of all publicly funded research. Higher education is a major sector of London's economy, with annual expenditure of £2.6 billion and 53,000 employees. It is a successful export industry, attracting many overseas students to the city, collaborating with international researchers and selling courses throughout the world. The work carried out in London's higher education institutions underpins many successful London industries and businesses, from tourism to biotechnology.

Existing pay structure

Given the importance of higher education in London, it is vital that institutions can continue to recruit and retain the best staff. In recent years, pay levels have not kept pace with increases in average earnings and London weighting has fallen well below other sectors. Over the 20 years since 1981, pay for pre-92 academic and academic-related staff has gone up by 5% in real terms, while for academic staff in post-92 institutions the corresponding figure is 7%. By contrast, average earnings for all full-time employees have increased by 44% over inflation over the same period.

At present there are separate national salary scales for pre-92 and post-92 institutions (the new universities). Negotiations are currently taking place at national level on a single pay spine across the higher education sector. In the pre-92 sector the starting

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1 "London, City of universities", HEFCE, June 2001
salary for a lecturer is £20,470, while for academic-related and research staff the figure is £17,626. Staff in London also receive a London weighting of £2,134 which has not been increased since April 1992. This figure is paid to staff in all constituent parts of the University of London and to staff at City University.

The AUT regards it as scandalous that London weighting has not been increased for nearly ten years in the old universities. If London weighting had been increased in line with the minimum point of the lecturer scale, it would be £3,254 today. Higher education institutions in London receive additional funding for the extra costs of London but this has not been passed on to staff. Furthermore, the London employers have been reluctant to discuss the matter with AUT representatives.

During the time that London weighting has been frozen at £2,134, property prices in the capital have increased by 122% and the average price is now £179,558, compared with a UK average of £96,149. Travel costs have also risen by more than the rate of inflation: for example, a travelcard for zones 1-3 has increased by 53% from £596 in 1992 to £912 in 2002. Many staff in London have much higher travel costs and spend much longer travelling to work.

In the post-92 sector the starting salary for a lecturer is £19,575. There are three levels of London weighting: Inner £2,353; Outer £1,543; and Fringe £602. Although the level of London weighting has been increased in recent years and the amount paid in inner London now exceeds the level in the old universities, it is still way below other public sector payments.

The 1974 Pay Board's conclusions on the main elements of cost differences for those living and working in London are still appropriate today, but we would see housing and travel costs as the major concerns for our members.

Comparisons

The panel seeks views on comparing private and public sector employees in England. The AUT supports this approach. Virtually all higher education is within the public sector but it is relevant to examine what our members could earn if they pursued other careers in London. The London Higher Education Consortium, a body representing the London employers in higher education, recently wrote to the Minister for Higher Education stating that "London's universities and colleges are little different from the public sector at large in experiencing severe difficulties in recruiting and retaining staff, and for the same reason: salaries are uncompetitive with the commercial sector at a time of severe shortage of affordable housing across the capital".

We welcome the panel's proposal to compare public and private sectors in similar occupations. The Government's public sector pay policy argues that such comparisons are not valid but our view is that employers must recognise the realities of the labour market. We also agree with the panel's point about comparing reward "packages" as a

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2 Salary levels with effect from 1 March 2002
3 Halifax Bank, Q4 figures 2001
4 Salary level from 1 February 2002
5 Figures from 1 January 2002
6 Times Higher Education Supplement, 8 February 2002
whole. It is worth noting here that higher education staff do not get any benefits such as bonus payments, health insurance or cars that might be found in the private sector. An increased level of London weighting for higher education staff is unlikely to make up the gap with private sector remuneration packages but it could assist in recruitment and retention.

A study undertaken by Hay Management Consultants found that "higher education salaries, for most grades in most staff groups, are below the wider market medians". The gap was as much as 34% for senior academic staff. The study also found that the gap between higher education salaries and prevailing market rates was greater in London than for the UK as a whole.

It is also relevant to examine London weighting payments for other public sector groups. Many public sector groups have received substantial increases in London weighting in recent years, in recognition of the recruitment and retention problems in the capital. Public sector workers such as school teachers, firefighters, nurses and prison officers now get £3,000 or more in London payments, while police officers receive allowances totalling over £6,000.

We support the efforts to boost the pay of these key groups of staff, but we would stress that other groups deserve similar treatment. London will need more higher education staff to fulfil the Government's ambitious targets for widening access to higher education. A further consideration is that many of those starting a career in higher education will do so with significant debts from years of study as an undergraduate and postgraduate.

Recent research by LRD concluded that someone at the top of the main lecturer scale in a pre-92 university, earning £32,537 plus £2,134 London weighting, could afford the average property price in just one London borough - Barking and Dagenham. That illustrates the scale of the problem facing those at the bottom of the pay scales.

**Cost compensation**

The AUT agrees that the panel should consider a cost compensation approach to London weighting. It has long been accepted that staff in London should receive a supplement in recognition of the additional costs of living and working in London. The AUT believes that it is important that such payments should be broadly in line with each other. The additional costs associated with working in London are the same regardless of the sector of employment. Our members resent the fact that London weighting for higher education staff is now well below almost all other groups and, for many staff, has not been increased for ten years. We do not believe this is a sustainable position. An independent report into higher education pay and conditions concluded that "the significantly higher costs of living and working in the capital will affect recruitment and retention if staff employed at universities and HE colleges in London are not paid a premium broadly equivalent to that offered by other employers".9

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7 Commissioned for the Independent review of higher education pay and conditions, 1999
8 Labour Research, December 2001
9 Independent review of higher education pay and conditions, 1999
The AUT supports a flat rate London weighting. This provides a particular benefit to those at the bottom of the pay scales, who are the ones likely to have the most difficulties getting on the housing ladder. We also believe that there should be a London wide figure for London weighting for higher education staff. This would avoid poaching between institutions. It would also recognise that staff are unlikely to live in the immediate vicinity of their institution but could live anywhere in London and beyond. Any differences in housing costs between locations within London are not relevant for the purposes of setting London weighting.

The panel seeks views on boundaries for London weighting. Wherever boundaries are drawn, there will be issues about staff who work just outside the boundary. There may well be arguments for supplements in other parts of the South East or beyond where living costs are higher than average, but this is a separate debate. Boundaries between inner and outer London create additional anomalies. There is no clear pattern in house prices between inner and outer London boroughs.

We do not believe that London weighting payments of around £3,000, or even £6,000, have any impact on house prices in London. The increase in house prices in London last year was 17.1% according to the Halifax, far in excess of increases in earnings. Some commentators have suggested that six figure bonus payments made to some City workers may affect house prices at the top end of the market.10 It is possible that such huge one-off payments may have an impact but it lacks credibility to suggest that monthly London weighting supplements of around £250 before tax could have any effect.

Other approaches

The report of the GLA's Affordable Housing Scrutiny Committee makes recommendations for facilitating home ownership for "key" workers in London. The report acknowledges that there is no simple definition of this group of workers and that their proposals could be applied more widely. We believe that a powerful case can be made for extending any measures on housing to higher education staff.

The Government has proposed £5,000 "golden hellos" for new lecturers in shortage subjects. While this is welcome, it does not address the general problems facing higher education staff in London.

Imperial College in London has recently decided to abolish the lower two-thirds of the scale for lecturers, resulting in an increase of over £8,000 in starting salaries. The minimum salary for professors was increased by almost £3,500 last October, with a further £2,500 increase next October. The College argued that academic pay was "uncompetitive in the international marketplace". Although the pay increases are welcome, problems of recruitment and retention cannot be solved by unilateral action by individual institutions. The AUT believes that Imperial College's new policy underlines the need for root and branch reform of the pay structure across the UK and for a significant increase in London weighting.

10 Guardian, 14 February 2002