19 November 2019

An open letter to staff impacted by the UCU pensions and pay disputes from Universities UK and the Universities and Colleges Employers Association

We – Universities UK (UUK) and the Universities and Colleges Employers Association (UCEA) – are taking the unusual step of writing a joint letter because the University and College Union (UCU) has brought together two distinct current national disputes.

Following a set of disaggregated ballots of its members, UCU is now planning 8 days of strike action in 60 institutions, with 43 facing action on both disputes. Since the announcement of industrial action, both UUK and UCEA have continued to talk to the union to understand the steps employers could reasonably take to avert industrial action.

The disputes are distinct, covering different sets of higher education institutions – there are 340 employers in the Universities Superannuation Scheme (USS) and 147 for the pay dispute – and each is set within a separate bargaining arrangement. Such complexity makes it very difficult to find one national resolution.

Employers respect the right of UCU members to express their concerns about these important matters and recognise that those voting to support industrial action would not have done so without having strongly held views or concerns. However, we do not agree with UCU's claims that its members are being 'forced' into this action, and through this letter we would like to take this opportunity to explain why.

In recent months employers have taken significant steps to protect the value of both pensions and pay because we care about our dedicated and talented staff. We are very sorry that the industrial action called by UCU is likely to cause unwelcome disruption to students. We respectfully ask UCU, and its members, to reconsider whether the proposed action is the best approach to expressing and addressing their concerns.

We set out here where we now are on each of UCU's disputes.

<u>The dispute on pensions</u>

The 340 USS employers have made huge efforts over the last 18 months to find a jointly acceptable solution to the pension scheme's funding challenges. This has included:

- protecting member benefits at current levels – abandoning previous proposals to reform benefits;

- paying 65p in every pound of increased cost, to protect member benefits in full;
- contributing an additional £250 million a year to the scheme, by increasing employer contributions from 18% of salary to 21.1%;
- commissioning advice, with UCU, from a joint panel of experts (the Joint Expert Panel, or JEP) and using its recommendations to deliver positive change;
- agreeing to bear greater risk to strengthen the pension scheme's covenant to prevent still higher contributions for members and employers;
- influencing the USS Trustee and The Pensions Regulator to improve their valuation assumptions within regulatory limits, to keep increased costs down;
- committing to work jointly with UCU and USS to develop and deliver greater transparency, governance reforms and to agree shared valuation principles – following advice from the (soon to be published) second report of the Joint Expert Panel;
- progressing the positive joint working with UCU (and the USS Trustee) which is looking at how risk is assessed and quantified within USS.

USS remains an enviable pension scheme with excellent benefits and employers believe it is reasonable that individual members of USS also meet the scheme obligations to make a fair contribution to cover the rest of the increased cost of their pensions, by meeting the one-third share, as set out in the scheme rules.

Unfortunately, UCU has been unwilling to move from its interpretation of a 'no detriment' position, which opposes any member contributions to maintain benefits above the 8% level that applied prior to April 2019, despite the economic challenges and the legal necessity of higher total contributions.

Under pensions law the scheme needs more money to keep benefits at the same level. From last month, USS employers began paying contributions of 21.1% of salary towards the pensions of their staff. This is an increase in employer contributions of over 50% in the last 10 years.

Now is the time for further constructive engagement on USS. We currently have an aggregate contribution rate of 30.7% for two years, a rate very close to the JEP's first recommendations and an outcome to the 2018 valuation which we believe the JEP would support. Individual members are being asked to contribute 9.6% of salary, the same or less than many other professional groups – such as teachers and doctors – contribute towards their defined benefit pension schemes.

We realise this is only a short-term solution, but we hope the publication of the JEP's second report will present UUK and UCU with the opportunity to develop a valuable and sustainable future for USS. This means working through an improved funding approach and optimising the scheme's governance. USS employers are committed to working with UCU to deliver these much-needed reforms. It will also involve looking at the kinds of pension which would be most attractive – and crucially which offer members the most value for their contributions – for all phases of their career, and for all kinds of roles. This is what UUK and UCU signed up to in 2018.

USS is one of the very best pension schemes in the country, with average payments in retirement worth nearly three times the national average for private sector defined benefit schemes, and comparable to government-backed public sector schemes. This will not be affected by the changes resulting from the 2018 valuation and yet UCU have announced industrial action.

<u>The dispute on 'pay and equality' issues</u>

The 2019 pay negotiations and the related disputes procedures ran earlier this year. The five trade unions represented the 325,000 staff covered and UCEA represented the 147 participant higher education institutions. They concluded at an impasse with the trade unions and UCEA unable to reach a settlement, and UCEA concluding that there was no prospect of the unions negotiating anywhere near the zone in which UCEA acting collectively for all employers could discuss from the mandate they provided. UCEA advised institutions to implement the final pay offer increases of between 3.65% and 1.8% in August rather than make the thousands of staff covered wait many more months to receive their increased pay. Entirely separately from these increases the institutions have also paid the incremental and progression increases their colleagues were due under their individual pay arrangements and we know that two-thirds of academic colleagues will thus have seen pay increases in 2019 of 4.8%.

In the ballots in relation to the pay dispute, UCU did not reach the required mandate in around two-thirds of universities they balloted, while the other four trade unions did not get sufficient support anywhere. It is clear that the great majority of the 325,000 colleagues in UK universities covered by the collective negotiations on the base pay uplift understand the financial realities for their institutions. In more than meeting the prevailing level of inflation this year – 1.7% at August and 1.5% now – the pay increases this year have ensured that the national pay spine has maintained its value in real terms over the past six negotiating years.

Across the collective of 147 institutions, it is very clear that they simply cannot afford to put more into this year's pay increases than they already have. The institutions have demonstrated their commitment to prioritising the investment they make in the reward and benefits of their employees, as can be seen from their stepping up to make significant pension contribution increases – including on the Teachers' Pension Scheme – as well as pay increases. The last decade has also seen these institutions consistently prioritising increases ahead of inflation for their colleagues paid on lower pay points.

While the collective employers' view is that a fair and realistic outcome has been reached on pay, they acknowledge however that UCU pursued its campaign on three other themes around workload, gender pay/equality and casual employment arrangements, and that these are important matters that their members, and indeed other colleagues, feel strongly about.

The focus of the negotiations was almost entirely on the pay uplift and the offers that UCEA made for sector-level work on the other three issues – set out in the final offer document – were not extensively discussed.

UCEA has therefore invited UCU to meet to discuss those other issues. Employers tell us that they are fully committed to addressing their gender and ethnicity pay gaps and that they genuinely wish to sustain working environments where all colleagues feel valued, respected and supported and have work demands that are also fair and reasonable. UCU tell us they want to explore what more UCEA can do at a sector-level to enable individual institutions to take forward such work.

Rather than pursue its industrial action plans, we very much hope that UCU will see the merit in entering further dialogue with UCEA which we genuinely hope may be productive on the three areas of their claim around casual employment, workload and gender equality. We are willing to listen to suggestions from UCU on what may be realistic aspirations for work at sector-level that can support and encourage the substantial efforts already underway within universities.

Resolving the disputes

The universities represented in both these sets of negotiations have shown with these outcomes that they place a high value on their employees and have increased their investment in both pay and pensions to continue to offer fair pay and excellent pensions benefits.

We continue to talk to the union in the hope of finding a way of averting industrial action. To meet the union's current demands on each of their disputes, however, employers would have to divert unsustainable amounts of money from other budgets with potential consequences including for jobs, student support, course closures and larger class sizes.

Disruption to students from strikes would be deeply regrettable. Universities will do all they can to minimise the impact of any strike action on students, their other staff and the wider community and they know that their colleagues contemplating strike action will want this too.

We sincerely hope we can work together with UCU towards a more constructive dialogue in which all colleagues in our institutions can have confidence that we reach fair and acceptable solutions.

Signatories:

Mark E Smith Chair, UCEA	Julia Buckingham President, Universities UK	Helen Fairfoul Chief Executive, UCEA	Alistair Jarvis Chief Executive, Universities UK