

Interim evaluation of the Rewarding and Developing Staff in Higher Education initiative

Summary

1. In November 2000 the Government allocated £330 million over three years to recruit and retain high quality staff, and to modernise management processes. It was a 'something for something' initiative: in return for funding allocations, institutions were expected to show evidence of real improvements in recruitment, retention, and human resource (HR) development and staff management. This report responds to a request from the Secretary of State in November 2001 to evaluate the impact of this investment.

2. It is too early to draw firm conclusions on the impact of the funding, since changes will take time, and the majority of the investment is yet to be made. However, significant improvements have occurred, with signs that HR management in higher education is moving from transactional to transformational that is from merely processing the routine to engaging with high level strategic issues. The scheme has undoubtedly raised the profile of HR management and kick-started some fundamental changes.

3. In the first year of the scheme major investments have been made in:

- recruitment and retention, particularly market-related supplements
- staff training and development, especially professional training, IT training, equal opportunities and diversity training, and management development
- systems development and pilots for job evaluation, and modern approaches to performance reviews.

4. There is, as expected, a wide variation between institutions in the focus of expenditure. This reflects the diversity of the sector, and different starting positions of institutions. There is without doubt a widespread commitment to the scheme's objectives and effective dissemination across the sector of what works.

5. To build on the success of the scheme, funding needs to continue. This would provide the investment required to achieve further progress in implementing institution-wide job evaluation, and to develop performance review systems linked to reward.

6. If the investment levels are sustained, the scheme should be amended in order to:

- fully align with the objectives of the Government's strategy for higher education
- focus on issues that require particular improvements
- allow the concept of 'earned autonomy' to be developed, applying proportionate allocation and assessment methodologies so the burden of the scheme is minimised across the sector.

7. These changes would build on the existing impetus and enable progression to further improvement. They would also provide the prospect of reassigning this earmarked funding to the core grant, once 'the something for something' condition had been delivered and we were confident that these improvements would be sustained.

Outcomes and results

8. Although it may be too early for changes to have worked through and delivered comprehensive measurable improvements in the sector as a whole, many HEIs and stakeholders reported results in a number of areas:

- recruitment and retention difficulties in specific areas have now been addressed. Problems remain, but HEIs have committed significant funding to deal with these
- several HEIs have gained or been re-instated as accredited Investors in People.¹ Others have introduced institution-wide initiatives, for example on leadership development.
- a number of positive equal opportunities targets and developments have been made by several HEIs. Many are awaiting the outcome of national negotiations before they undertake job evaluation, but in advance of that have invested heavily, for example in testing appropriate software. Significant sums have been committed to pay for the effects of job evaluation over the next two or three years. This will become a key priority of the initiative as it progresses
- in terms of staffing, many HR functions now play a far more central role in the planning process and are working with senior managers to effect changes in structures. Some of the funding has financed voluntary redundancy initiatives which has facilitated much needed change
- it is less easy to assess the impact of performance management systems, and measures to deal with poor performance. Tackling poor performance has tended to become wrapped up in the design and launch of new performance management systems
- many institutions have recognised that a lack of reliable data hinders their ability to make changes and set targets. They have therefore invested in establishing the data management processes necessary to monitor change.

¹ Investors in People – (developed in 1990) the national standard that sets a level of good practice for training and development of people to achieve business goals.

Background

9. The Secretary of State's letter of guidance² to the HEFCE Chairman in November 2001 said:

'Last year, this department allocated £50 million in 2001-02, £110 million in 2002-03 and £170 million in 2003-04 for both academic and support staff pay, in part to recruit and retain high quality academic staff in strategically important disciplines or areas and to help modernise the management processes in the sector. In return for an investment of this size, I will be looking for evidence of real improvements in recruitment, retention, and human resource development and staff management. The Council is monitoring the impact of this investment through the human resource development plans that each institution has to submit to release funds. I look forward to a report on the Council's assessment of these plans by October 2002.'

10. To inform our response to the Secretary of State's request, we commissioned two reports from external consultants. The first considered what had been achieved by higher education institutions (HEIs) during their development of human resource (HR) strategies,³ and to what extent the additional funding had enabled them to improve upon existing practice. It analysed the strategies, and compared the differences and advances made between strategies that we had assessed as 'emerging' and those with full status.

11. The second consultants' report evaluated the first year of the rewarding and developing staff scheme, considering both the impact of the scheme and the efficiency of our processes in running the initiative.⁴ This evaluation was undertaken through consultation, with all HEIs encouraged to provide open feedback. The consultants used a web-based survey to collect opinions from senior staff in the sector, and met with HEFCE representatives, professional bodies and sector-based trade unions, as well as undertaking site visits and interviews with a representative sample of 20 institutions. A response rate of over 90 per cent demonstrates the seriousness with which the sector takes this initiative, and means we can rely on the results as representing the views of the sector. This document summarises the findings of both reports, which are published on the HEFCE web-site.

² 'Higher Education Funding for 2001-02 and beyond': letter to Sir Michael Checkland, Chairman of the HEFCE from the Rt Hon David Blunkett MP. DfEE Press Release 29 November 2000.

³ 'The development of HR strategies: learning from assessing strategies and advising institutions', The Office for Public Management, November 2002.

⁴ 'Evaluation of the rewarding and developing staff in higher education initiative', Deloitte & Touche, November 2002.

The initiative

12. Following the Secretary of State's announcement of additional funds (see paragraph 9 above), we consulted the sector on how best to distribute the money (HEFCE 00/56).

13. We received overwhelming support for our proposal to allocate the funds upon the submission of a human resource strategy. In March 2001 (HEFCE 01/16) we invited institutions to submit HR strategies covering six priority areas. These were to:

- a. Address recruitment and retention difficulties in a targeted and cost-effective manner.
- b. Meet specific staff development and training objectives that not only equipped staff to meet their current needs but also prepared them for future changes, such as using new technologies for learning and teaching. This would include management development.
- c. Develop equal opportunities targets, with programmes to implement good practice throughout an institution. This should include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.
- d. Regularly review staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.
- e. Conduct annual performance reviews of all staff, based on open and objective criteria, with rewards connected to the performance of individuals, including where appropriate their contribution to teams.
- f. Address the need to take action to tackle poor performance.

14. HEIs were also required to identify HR objectives, describe how the money would be spent, and set specific targets, as well as making clear the coherence between the HR strategy and the institution's mission and strategic plan.

15. There were two phases to HR strategy development. All institutions submitted HR strategies in June 2001. At this point they could choose whether to submit a full or an emerging strategy. The latter option recognised that different institutions had different needs, and were at different stages of developing their HR systems and policies. We also recognised that some HEIs required more time to consult with trades unions and staff, and to prepare baseline data for SMART⁵ targets.

⁵ Targets that are: specific, measurable, agreed, realistic, and time-limited.

16. An emerging strategy was only required to cover three of the six priority areas, whereupon HR funding for 2001-02 only would be released, pending the submission of a full strategy one year later. A full strategy was expected to address all six areas, and fully meet the criteria set out in paragraph 13 above. A full strategy would lead to the release of the total three years' funding. We assessed all strategies with support from independent consultants, the Office for Public Management (OPM). In June 2001, most strategies were submitted as emerging.

17. To support institutions in developing their strategies from emerging to full, during 2001-02 we:

- produced a good practice guide (HEFCE 02/14)
- held regional seminars to provide senior institutional staff with the opportunity to discuss their experiences of HR strategy development, and share good practice
- appointed OPM to offer institutions confidential consultancy advice.

18. In 2002 we assessed the strategies of almost all institutions as full. However, a significant number of these approvals were granted with conditions. The most common reason for this was the absence of SMART targets, particularly in the priority area addressing equal opportunities. Institutions whose HR strategies were assessed as 'full with conditions' were granted four months to meet them, until December 2002. Failure to do so will lead to a suspension of funding. We expect most if not all institutions to meet the conditions.

Achievements

Learning from HR strategies

19. Our assessment of HR strategies in both 2001 and 2002 has provided a picture of the relative strengths and weaknesses of HR development in the sector, and helped us to identify improvements made so far as a result of the additional funding.

20. Significant improvements were made in HR strategies between 2001 and 2002. Considerably more work went into the analysis that underpinned the strategy and its development. This in turn helped institutions to define priorities more clearly and develop more robust plans to improve HR practices in the future. There is evidence that a wider cross-section of managers and other staff were brought into the work. This not only improves the quality of the strategy but helps implementation by building support for it.

21. For HEIs, the schemes they have already implemented as a result of the rewarding and developing staff initiative are just the start. They have identified plans to continue investing in these areas over several years, assuming the funding continues.

22. The investments increase over time in line with increases in allocations. This profile recognises that changes take time to plan and implement. Institutions have tentatively assumed that HR funding will continue in some form beyond the three years, in order to

make the best strategic use of the investment. Discontinuing the funding would have significant and in some cases severe consequences for institutions.

23. In summary the 2002 HR strategies showed improvements from those submitted in 2001 in the following specific areas:

- the clarity of direction and focus
- integration between HR strategies and wider corporate goals and other institutional strategies
- the assessment of current practice and performance in HR, and the lessons learnt from past experience
- the importance given to managing organisational and cultural change in the implementation plans, including arrangements for monitoring and evaluating the work and communicating with staff.

24. However, a number of challenges remain, which many institutions intend to address by:

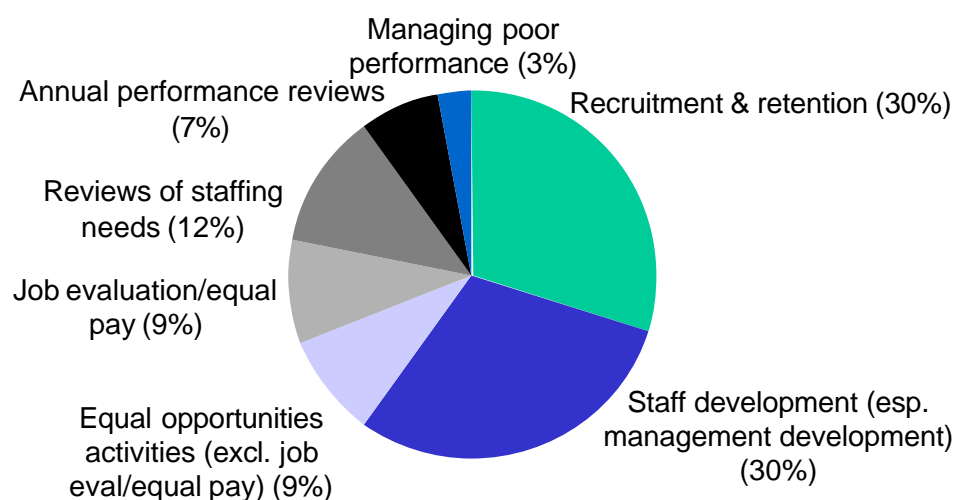
- developing improved data on key HR activities as part of the evidence base to underpin priorities and monitor progress
- developing more SMART targets, especially at the outcome level. The need for improved targets was particularly noticeable in the equal opportunities section of many strategies
- providing more detailed implementation plans – including clearer timescales and accountabilities, tighter project management, and clearer processes for monitoring and evaluating the work.

25. There are also a number of underlying factors, most notably the capacity of the HR function and its relationship with the rest of the institution.

Achievement in the six priority areas

26. We analysed achievements in the six priority areas that we required HR strategies to address, and the amount invested in each area (see Figure 1 below). The largest investments addressed the first two priority areas (recruitment and retention, and staff development). Significant investment in other areas would take more time to build up because of the need to plan and manage change, and where necessary to agree approaches with staff and trades unions. There have been investments in implementing evaluation systems and assessing performance review systems, but in many cases much more work needs to be done. Changes in these areas represent significant challenges both to institutions and to trades unions; even with support from all sides, they will take time to bring about. A start has been made, but to build on it the impetus of the rewarding and developing staff initiative needs to be maintained. The following sections analyse achievements against each priority area.

Figure 1 Investment in the six priority areas (based on a sample of 53 institutions)



Priority area a.

Address recruitment and retention difficulties in a targeted and cost-effective manner

27. On average, spending on recruitment and retention initiatives is around 30 per cent of the total allocation, making this the largest area of expenditure. This is not surprising, given the level of pay and rewards in higher education compared with other sectors, and the needs identified in the Bett⁶ and Dearing⁷ reports. In addition, there is an expectation among many in higher education that addressing pay and rewards is central to this whole initiative.

28. Recruitment and retention of staff is widely recognised by institutions as an essential aspect of HR management and a key strand in their HR strategies. Most strategies refer to the fact that the institution's ability to achieve the aspirations set out in its mission and corporate plan – to deliver high-quality research and teaching – depends on its ability to recruit and retain high-calibre staff.

29. Where problems exist, they are largely in recruiting and retaining specific staff rather than difficulties with all posts. This concurs with the conclusion in the Bett report that recruitment and retention problems are 'particular rather than widespread' (pp 56-57). The annual surveys of recruitment and retention in UK HEIs, by the Universities and Colleges Employers Association (UCEA)⁸, show that many institutions see problems with recruitment

⁶ 'Independent review of higher education pay and conditions' – chaired by Sir Michael Bett, 1999.

⁷ 'Higher education in the learning society: report of the National Committee of Inquiry into Higher Education' – chaired by Sir Ron Dearing, 1997.

⁸ 'Recruitment and retention of staff in UK higher education – a survey and case studies 2001', UCEA 2002.

and retention worsening among certain groups of academic staff, and increasingly among support staff as well.

30. The difficult areas identified in our analysis of HR strategy submissions are the same as those publicised in the UCEA surveys. For academic staff these are in disciplines such as engineering, education, accountancy, economics and law. Some HEIs experience problems recruiting and retaining staff in clinical and medical disciplines. Among support staff the main perceived problems are with computing, finance and administrative and clerical staff – especially in institutions in London and the South-East and some parts of the South-West. The main reasons for these problems were seen as the inability to compete with private sector pay rates, the high cost of living, and transport difficulties.

31. The ability of HEIs to manage recruitment and retention effectively depends not only on funding but also on their ability to gather and analyse data. Reliable data enable institutions to benchmark performance and set meaningful objectives and measurable targets. Those with good data were able to set quantified targets around such areas as reduction in turnover and vacancies; and increases in numbers of applicants on short lists and those successfully completing probation, and improvements in staff satisfaction. These targets were often combined with intermediate objectives that would help the institution to achieve its goals.

32. Some HEIs aimed specifically at improving the process of recruiting staff to the institution. This included funding initiatives aimed at improving the overall efficiency of the recruitment process, as well as strengthening its effectiveness – delivering candidates of the right profile and calibre. Institutions recognise that their reputation can be enhanced or damaged by selection processes.

33. Pay-related investment in recruitment has largely concentrated on direct enhancements to pay and other incentives, such as market supplements or relocation packages. When an institution is in an area of high-cost housing, greater priority is attached to relocation expenses. Most institutions using market supplements and enhanced recruitment packages outline plans to do so in a targeted way. Some institutions are using market supplements for support staff, such as computer staff or manual craft grades, as well as for academic staff.

34. Where institutions are using pay and rewards to strengthen staff retention, rather than recruitment, the diversity of approaches is wider. More than half of institutions are planning to implement some kind of reward scheme linked to performance. A small proportion already had schemes in place, at least for some staff. Some institutions are making changes to grading structures. For example, in one pre-1992 HEI, the lecturer 'A' grade is being abolished; others are doing away altogether with the lecturer grade and establishing senior lecturer as the main academic career grade. The cost of implementing these schemes is substantial and consumes a large part of funding allocations. Institutions recognise that the additional funding presents them with a major opportunity to address pay and grade issues as part of wider job evaluation for staff.

35. Many institutions are using the funds to improve staff retention by offering non-pay benefits. These include initiatives for flexitime and more part-time working, workplace nursery places, waiving of study fees for postgraduate study, assistance with NVQ work or continuing professional development for support staff, and personal health insurance. In addition, the initiative has funded improved arrangements for sabbaticals or more time off for research or consultancy, as part of supporting wider organisational goals of improving research performance as well as staff retention. In some cases, institutions are offering to fund support staff to assist with research and other duties. In others, institutions linked initiatives to a wider programme to support staff retention, including staff development, internal communication, and staff involvement to create a positive working environment.

Priority area b.

Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching. This would include management development.

36. After recruitment and retention, staff development is the second major area of investment for many institutions, with the combined spend over three years averaging 30 per cent. Staff development and training is the strongest and most well-developed part of most HR strategies, and its role in supporting wider institutional objectives is clearly demonstrated. The focus for staff development is closely linked to the strategic priorities in the institution, such as improving research capability, improving the quality of teaching and learning through professional development and using information technology, and improving equal opportunities practices. There has also been a significant emphasis in many institutions on management development.

37. A process that has helped many institutions to develop a clearer focus and commitment to staff development is the Investors in People (IiP) initiative. Around a quarter of all institutions whose strategies were evaluated in 2002 have responded to the encouragement of the Bett and Dearing reports to pursue IiP accreditation, as part of strengthening HR processes. Many of these have achieved accreditation for parts of the institution or, in a few cases, the whole institution.

38. Many institutions have put money into analysing training and development needs, in order to link the requirements of individual staff and those of the institution as a whole in a more coherent way. Others have yet to establish a comprehensive and systematic way of doing this. Some institutions have processes for developing a corporate, top-down view of the key skills and competencies needed to support institutional goals, and seek to integrate this with a bottom-up process for building a clear picture of personal development needs arising from annual appraisal and review.

39. The main activities planned in this area aimed to improve teaching, research and management, and to support diversity. Strengthening skills in learning and teaching, as well as research, figures strongly in most institutions' HR strategies. Professional development

for academic staff is seen as central. Many HEIs have set up special units devoted solely to this. Almost three-quarters (72 per cent) of the institutions whose strategies were evaluated in 2002 are promoting and supporting membership of the Institute for Learning and Teaching, often by paying individual's professional subscription fees. A substantial number of institutions are also offering development programmes to encourage greater proficiency in IT-based learning. Some institutions aim to support staff who want to acquire postgraduate teaching qualifications.

40. A desire to increase research capability in some institutions has led to plans for programmes on developing research skills, or in some cases the offer of assistance from a research support unit that will be set up for this purpose. Institutions with large numbers of contract researchers are planning to offer them tailored programmes, including induction and help with proposal writing and grant applications, as well as career support.⁹ Others have opened the door for research staff to join programmes available for other staff in the institution.

41. Management development programmes are also an important element of staff development plans. Overall, a fifth of the total expenditure on staff development is earmarked for programmes for managers, which for many was the most significant item. Equal opportunities and people management skills were a common focus of many programmes, as were project management and planning, leadership and managing change.

Priority area c.

Develop equal opportunities targets, with programmes to implement good practice throughout an institution. This should include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.

42. Spending in this area varied – excluding job evaluation, it averaged some 9 per cent. However, this understates investment since in many cases equal opportunity and diversity training were included under priority area b. There is nonetheless a wide range of practice and investment in the area of equal opportunities and diversity. Best practice takes a broad view of equal opportunities, making links to corporate priorities of diversity among staff and students, inclusiveness, and widening participation. The vast majority of institutions are planning activities and spending on job evaluation and equal pay, and on wider equal opportunities work, including improving the proportion of under-represented groups who apply for, and are appointed to senior positions.

43. Current and expected legislative requirements are key drivers of what data are collected, along with the particular objectives of an institution. Minimum data requirements here are likely to be total staff categorised by age, gender, and ethnic group, and broken

⁹ This is part of the Research Careers Initiative, set up by the sector and the main funders of research in HE. More details are on the Universities UK web-site, at www.universitiesuk.ac.uk/activities/rci.asp

down by salary, department and grade. Similarly, applicants for posts need to be analysed by gender, and ethnic group. In addition data on disability is important to monitor effectiveness of policies in this area. Many institutions have some of this information, and a small number are also analysing reasons for leaving, for example to see if their family friendly policies are effective. The Race Relations Amendment Act in particular is acting as a spur to improve staff data. The HESA staff record is currently under review: in future it will cover all staff (not just academic) and enable a more sophisticated analysis to be undertaken.

44. In addition to hard data, most HEIs recognise that they need to do more to assess qualitative information, which relates to their equal opportunities objectives. For example, some have undertaken surveys to see what staff feel about policies and practices. Others have reviewed existing policies and practices, sometimes using the services of the Equality Challenge Unit (ECU).¹⁰ Such reviews can give rich data about how policies translate into practice, and provide the basis for further intervention.

45. Ideally, planned activities would derive from an analysis of present problems and would include what is needed to achieve desired outcomes. An increasing number of HEIs demonstrate such good practice; the best have equal opportunities embedded across the whole strategy. Equal opportunities objectives and activities are then part of a broader approach to organisational change.

46. The major condition placed on the HR strategies otherwise assessed as full was the requirement to develop SMART equal opportunities targets. From discussion we know that in some cases this reflected a lack of confidence in existing data, which made the institution reluctant to commit to a target which might later prove unachievable. In other cases there was a concern that targets would be wrongly interpreted as quotas. However, many institutions did produce SMART targets, and regarded these as quantified and meaningful expressions of the institution's intentions to bring about change. This is a complex area where improvements will take time to deliver. The work of the ECU has been and will be particularly valuable in providing institutions with advice and support. ECU seminars on target setting were well attended.

Job evaluation and equal pay

47. Institutions that ensure the equal treatment of staff through analytical systems of job evaluation are following established good practice in HR management. There is not just a legal and moral imperative to ensure that equal pay is assigned to work of equal value, but also a business necessity to achieve success through an underpinning structure of good management practice. Progress has been made over the last year, as institutions have

¹⁰ The Equality Challenge Unit promotes diversity and equality of opportunity for all who work or seek to work in higher education. The ECU works within the Equality Challenge Framework agreed between the representative bodies (SCOP and Universities UK), the four HE funding bodies, and the HE trades unions.

begun building the infrastructure to support a job evaluation scheme. In some cases this has been implemented in part of the institution, typically a support service. Job evaluation will undoubtedly remain a key feature of the initiative in the near future, supported by increased investment.

48. There are significant variations in spending in this area, from a fraction of a percentage of the rewarding and developing staff funding, to 76 per cent of it over two years. Most institutions are between these two extremes, spending between 11 and 25 per cent. A large number cite national pay negotiations and the piloting of HERA software¹¹ as the reasons why they have made less progress in implementing a job evaluation scheme than they would have liked. The vast majority are planning to undertake, or have started and are expecting to complete, an equal pay review over the next two years, although in some cases the timetable for implementing the outcomes will be beyond 2004. Most are putting aside money both for the process of job evaluation or pay audit and for the anticipated impact on salaries. The amounts being set aside for salaries vary from nothing to £5.6 million. Some HEIs are reluctant to commit themselves to large amounts of future spending without the security of guaranteed HR funding beyond 2004.

49. The Bett report noted the problem of women being paid less than men for work of equal value, but decided against setting national targets because of the variations between institutions. Instead it recommended that institutions set their own targets. However, for now, most of the objectives in this area are to start or complete job evaluation, or an equal pay audit. In the absence of information about the current position on equal pay for work of equal value, it is not possible for HEIs to identify the scale of the problem or to set targets for its resolution. Most are hoping that HERA or one of the alternatives will provide the means of removing the indirect discrimination over pay that may have developed in the past.

50. On the basis of comments made in the strategies, it seems there is a lack of expertise in job evaluation in the sector. Many institutions need to buy in consultants to undertake job evaluation and audits and/or train internal staff. Some HEIs have recognised that they can make improvements – such as rationalising existing grades and job clusters – which they see as valuable in themselves and which will make job evaluation easier.

51. Institutional activities need to be seen in the context of national developments. A few HEIs have taken part in the HERA pilot, and others have been involved indirectly through their relationships with these institutions. Consequently some HEIs are making good progress with job evaluation, and are able to estimate the cost of implementing the outputs from the exercise. This will enable these institutions to tackle the potentially difficult issue of indirect discrimination.

¹¹ HERA (Higher Education Role Analysis) is a computer-based tool to help HEIs categorise roles and set grades, see <http://hera.ucea.ac.uk/>

52. The Association of University Teachers (AUT)¹² may have contributed to some HEIs standing back from deciding which job evaluation scheme to use. It may also have encouraged some institutions who do wish to move forward to begin with non-academic staff.

53. Few strategies recognised the impact of applying a job evaluation scheme, although the issues are widely acknowledged in the sector. Experience elsewhere shows that job evaluation tends to create considerable discontent: those who gain often believe that it should have been done earlier; those who are unaffected wonder what the point was; and those who lose are, not surprisingly, resentful. This calls for careful management of expectations and of the processes used before, during and after the exercise.

¹² A trade union and professional association for academic and related staff in UK higher education.

Priority area d.

Regular reviews of staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.

54. On average the percentage spent on reviews of staffing needs was around 12 per cent of the total HR supplement. A number of institutions, especially among post-1992 HEIs, set aside large sums in their HR development budgets to address the implications of restructuring. In some cases this was supplementing monies from other budgets.

55. Where reviews of staffing needs are being addressed in HEIs' plans for the next two years, it is usually part of a general update of the human resources information system and what it might be expected to deliver in the future.

56. Weaknesses in institutional data made it hard for many HEIs to set quantifiable targets. Many settled for improvements in processes and investment in new HR systems, which will provide improved information in future. Those that have looked at longer-term needs have set objectives to complete the restructuring, and in some cases are allocating significant sums to fund current or anticipated severance and redundancy arrangements. In some HEIs the staffing position is being reviewed more frequently as a result of the requirements of a financial recovery plan.

57. Falling student demands in some subject areas (such as chemistry, physics and certain modern languages) had led to phasing out courses and subject areas, and consequential adjustments to staffing. As part of these restructuring plans, some institutions have schemes in place to retrain and re-deploy staff where they can, rather than making them redundant. Some institutions who were not facing this scenario, were nevertheless updating policies and procedures so that they could, if required, deal with it in future.

58. Interestingly, few institutions discussed in their HR strategies the staffing consequences of significant expansion in student numbers, despite the context of the government's plans for growth in participation in HE.

Priority area e.

Annual performance reviews of all staff, based on open and objective criteria, with rewards connected to the performance of individuals, including where appropriate their contribution to teams.

59. The Bett report referred to 'benign neglect' and too much focus on individual development needs. While these themes may still be relevant, a number of HEIs have recently invested in establishing effective systems of performance review. Many HEIs are planning to review their existing arrangements. As with job evaluation, some of these reviews have been on hold while national negotiation over pay scales and the piloting of HERA are completed.

60. Despite the lack of hard information, there are some common themes in the problems identified by HEIs. The uneven use of the systems is one. Whether someone gets a review may be the result of a manager's predilection rather than the needs of staff. The result is a relatively low proportion of staff being reviewed. The disparity in the type of system used for different groups of staff is also significant. Many HEIs have different systems for academic, manual, administrative and clerical staff; this appears to be the result of historical accident rather than design.

61. Underpinning most of the difficulties, however, is the issue of managerial skill and attitude. One HEI admitted that the problem was that most managers are not committed to annual performance reviews, and that this is the rock on which every new system founders. While others did not offer this conclusion, the vast majority recognised that they need to improve their managers' ability, confidence and willingness to undertake reviews of performance. The wide range of skills and attitudes among managers leads to inconsistency in whether reviews take place and the quality of the review meeting. Consequently, many HEIs are proposing to make a substantial investment in training managers in the use of these systems.

62. There were clear trends in the changes that HEIs are trying to achieve in their annual performance reviews. As indicated above, schemes have historically focused on personal development and career goals. A greater emphasis is now being placed on performance and on linking individual goals with organisational ones. Similarly, an effort is being made to move from a series of fragmented schemes to a more uniform approach, while recognising that some flexibility will be needed to meet the needs of different staff groups. The new investment has been invaluable in starting to bring about this shift in attitudes.

Rewards linked to performance

63. Rewards linked to performance include but are not limited to performance-related pay. They could cover many of the measures identified in paragraph 34, particularly when they are linked to performance. In this way they make it more likely that the institution will be able to retain and motivate good quality staff, and give others an incentive to improve.

64. Views are mixed on the use of performance-related pay or merit- or contribution-based schemes. About 44 per cent of institutions have rejected them, and in about 10 per cent of cases it is not possible to identify what they are doing. This leaves 46 per cent. It is not always clear from the strategies what is currently happening and what is planned, but we estimate that about 15 per cent have a scheme in operation, sometimes for all staff but more often for senior staff only. Some are thinking of extending their schemes with a large group considering using performance-related pay (20 to 30 per cent).

65. The arguments for and against performance-related pay have been well rehearsed both in higher education and across the public and private sectors. Those in favour point to the need to reward performance as opposed to time served. Often, those against see a range of practical difficulties in measuring performance or offering sufficient rewards, and

have concerns about the impact of the scheme on the motivation of those who are performing well but just miss out on an award. It is undoubtedly a contentious issue. Improved approaches to performance review would help overcome some of the practical objections, although linking pay to performance can itself provide the driver for this improvement.

66. Linking performance to reward in a way that is sympathetic to the requirements of higher education and carries the support of staff remains a major challenge for most institutions.

Priority area f.

Action to tackle poor performance

67. Most HEIs recognise that this is an area that has received insufficient attention in the past. Most have discipline and grievance policies and procedures, and have taken the opportunity to update these or are planning to do so. As in other areas there is a lack of data – on, for example, the number of days lost to sickness absence, number of grievances, number of disciplinary cases – and a lack of analysis of the extent to which poor performance is a problem or what causes it. As with annual performance reviews, many institutions say that their managers feel uncomfortable with such issues and tend to avoid them or pass them to HR staff.

68. Many HEIs are now distinguishing between discipline and capability in their policies, although most managers feel as uncomfortable tackling issues of competence as they do matters of discipline – if not more so. A significant number of institutions are taking a wider view of performance and are looking to support staff and managers, through probation, induction and training alongside policies for discipline and capability. Because of the importance of staff support for action in this area, several institutions mentioned involving trades unions and professional bodies in negotiating changes.

Other issues

Capacity of human resources departments

69. From the spending plans in each HR strategy, we estimate that around 5 per cent of the total funding has been spent on recruiting HR professionals to the sector. This equates to some £15 million over three years. In the past the professionalisation of human resource management has been slower than we would have hoped because of a shortage of qualified individuals to take the reforms forward. In many cases, institutions, especially the smallest ones, could not afford to employ such staff. Yet continued investment in HR staff and their development is essential if the benefits gained from this initiative are to be maintained.

70. Having enough qualified staff has been crucial in the development of strategic thinking about HR, and the implementation of strategies once agreed. The new funding has enabled HEIs to invest in HR capacity, and all but the smallest institutions now have

professionally qualified heads of HR, usually supported by small but increasingly qualified teams. Many have appointed staff with specialist expertise in equal opportunities, job evaluation and organisation development.

71. Staff development is an area where many are planning an expansion of capacity. Typically most institutions have relied on a mix of programmes designed and delivered in house together with some bought in. Most aim to continue this approach in future and this is reflected in the roles of the HR staff concerned. Many institutions already had staff development units, and in some cases had set up separate learning and teaching units to provide specialist support to academic staff. Where these units are outside HR functions, there is a real need for co-ordination and integration. In some of the smaller institutions, there is often only one HR professional or a small team, which does not include a training and development specialist. In these cases, one way to address staff development needs was to provide access to other institutions' programmes.

72. The increase in the number of HR professionals in the sector has helped to raise the quality of thinking and practice, and this is reflected in many of the strategies. Nevertheless the production of HR strategies continued to stretch many HR teams' resources. In part this was because their presence has begun to flush out issues that might have been tackled before had the money been available, such as sickness absence levels, and that are now generating considerable casework. Many HR teams struggled to develop their strategy while meeting operational requirements.

73. The relationship between HR and the rest of the institution, particularly senior management, was crucial in how these tensions were handled. Some HEIs were using the arrival of skilled HR professionals and the requirement to produce a strategy as part of a broader approach to change. Others kept a narrow focus and held HR at arm's length. This made strategy development more difficult, particularly where those involved found it hard to get a critical mass of people together to think about HR issues and the means to resolve them. This was easiest when HR was fully involved in broader strategic planning processes. This is still an area where a significant number of HEIs can make improvements.

74. The general picture of HR strategy development and implementation in the sector is one of considerable progress but uneven development. However, there are encouraging signs that HR management is moving from transactional to transformational that is from merely processing the routine to engaging with high level strategic issues. There are common themes running through the analysis of progress in the six priority areas, most notably the continued need for improved data and qualitative information. This is reflected in the need to improve targets, monitoring and evaluation.

75. Continued investment in HR systems and in HR staff will maintain progress and build on achievements. We have seen how crucial it is that the senior managers in institutions continue to give this issue the priority it deserves. It is also clear that progress in many aspects of HR strategy is dependent upon the interplay between national and local developments.

Evaluation of HEFCE processes

76. We evaluated our internal processes underpinning the initiative, looking at: assessment and feedback, consultancy support and advice, the good practice guide, and the regional seminars.

Assessment and feedback-

77. It was considered that the evaluation of HR strategies submitted in 2001 resulted in robust assessments, which accurately reflected the strengths and limitations of strategies. Most HEIs perceived the evaluation to be accurate and the process transparent, although some did not fully understand the evaluation criteria. These were set out in the invitation to submit strategies but were not always understood. In addition, initial feedback from the evaluation process itself was considered too generic and short to be useful. Some HEIs felt that the evaluation roles of OPM and HEFCE advisers led to some communication problems and duplication of effort.

78. We addressed all these points in refining and improving the process for 2002. This year's written feedback was much more detailed. The good practice guide included a checklist that helped HEIs to judge for themselves the completeness of their strategies before submission, and this checklist was consistent with the assessment methodology. We avoided duplication of effort through clarifying the separate, but complementary, assessment roles of the OPM assessors and our own staff, who limited themselves to advising on the fit with the institution's corporate strategy.

Consultancy support and advice

79. We retained OPM to provide a specialist advice and support service to HEIs in developing their strategies, and this service was generally well received. OPM applied a sound understanding of the sector and knowledge of HR strategy, and HEIs perceived OPM consultants to be effective at transferring knowledge. However, a number of HEIs expressed unease at OPM both evaluating HR strategies on behalf of the HEFCE, and advising institutions. However, these HEIs may not have been aware that we insisted that OPM adopted a carefully monitored system of separate responsibilities, ensuring that different people were responsible for the advice and assessment stages of work with each HEI.

Good practice guide

80. The good practice guide was made available in draft form for consultation on the HEFCE web-site from October 2001. The final printed version was available in March 2002. The timing of publication meant that many HEIs felt that it did not help them in developing their strategy for initial submission. Yet, conversely, almost all HEIs (some 90 per cent) claimed to have used the guide in some way. We encouraged HEIs to access the web version, so advice was available before publication of the final printed version. The guide has subsequently been a valuable resource for HEIs, the checklist proving particularly useful. We hope to update it in 2003, building on the achievements articulated in the latest strategies.

Regional seminars

81. We organised regional seminars in conjunction with the UCEA to discuss the development of HR strategies. These were well attended and provided an excellent opportunity for networking. Each seminar included workshops run by HR representatives from HEIs, and attendees generally found these practical case studies most useful, as well as the HEFCE presentations.

Next steps: 2004-05 and beyond

82. It is clear from the assessment exercise that institutions are at different stages in the process of developing their HR strategies, and we should remain alert to these sector differences. To meet conditions of funding, many HEIs will be submitting revisions to their HR strategy by December 2002. We expect that, by early 2003, we will have approved almost all strategies in the sector as unconditionally full.

83. How and if the initiative is developed further depends upon the HE strategy review and the resources made available following the Government's 2002 spending review. Assuming that funding continues, some leaders in the sector are keen to see funding for the rewarding and developing staff initiative incorporated within the block grant. On the other hand, most HR managers would like the funding to remain separately allocated, as they believe this has provided the real incentives to change. Some may want the funding returned to core because they believe that earmarked funds is more vulnerable to any future reductions. HEIs would also like to see an end to the process of submitting strategies, although they recognise that this is an important way for HEIs to be able to justify funding.

84. The concept of 'earned autonomy' may be the key to the future, applying proportionate allocation and assessment methodologies so the burden of the scheme is minimised across the sector. Institutions with sustainable approaches to human resource management would have much lower (if any) monitoring requirements. The prospect of returning the funding to core could itself act as incentive to those institutions with greater room for improvement. If further resources were forthcoming, this idea would be explored through consultation with the sector in spring 2003.

85. We will organise seminars, jointly with the UCEA, in March 2003 to continue to encourage representative bodies and professional associations to develop good practice networks. The seminars would also give us an opportunity to begin the consultation process for the next three years. This would need to take account of the Government's forthcoming HE strategy document.