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The rise and rise of executive pay

Sue Shepherd reflects on what lies behind the increase in the salaries of vice chancellors and other executive team members over recent years and what this tells us about the management of universities today.

The eye-watering levels of vice chancellors' pay attracted a flurry of negative press coverage last year. Such was the level of interest and concern about this "new breed of fat cat" (Guardian Comment, 3 March 2014) that Vince Cable included reference to "the substantial upward drift of salaries" in his annual grant letter and urged vice chancellors to exercise much greater pay restraint.

Whether or not this has happened is debatable. The recent Times Higher Education survey of executive pay (THE, 2 April 2015) suggests that at 3.6% the average rise in vice chancellor salary in 2013-14 significantly exceeded the 1% rise for rank-and-file staff. Although some universities did freeze, or even lower, the pay of their heads of institution, others oversaw significant rises.

Across the sector as a whole, the average salary has reached £240,794 or just over sixteen times the level of that of the lowest paid university staff. Whilst this ratio is well below that seen in some parts of the private sector, it has nevertheless become the source of some resentment, not least because fewer than 10 per cent of universities are accredited living wage employers.

And it is not only vice chancellors who have seen their remuneration increase; my doctoral research has shown that the recent trend within pre-1992 universities to appoint deputy and pro vice chancellors (PVCs) via external open competition - rather than internal secondment - has acted as a salary escalator at the second tier of management.

So why has the pay of these executive team members risen to their current heights? The obvious answer is that the scale and complexity of these senior management roles have grown significantly over the last few years. From this perspective, it is perhaps only natural that salaries should rise accordingly. However, I have identified a number of other explanatory factors.

Firstly, a highly competitive recruitment market has been created for these senior jobs. My research has shown that there is an ever-expanding pool of would-be vice chancellors: of those PVCs I interviewed who are still young enough to take on another role, most aspire to the top job. Equally, at the next tier down a significant proportion of deans and heads of school have ambitions to become PVCs. These findings suggest that an HE management career is becoming a much more attractive option. Perhaps not surprisingly, the higher financial rewards on offer are one – though not the major – part of the appeal.

Nevertheless, despite the growth of this "competitive waiting room" (as the late David Watson described it), in practice a conservative and risk-averse approach to recruitment is limiting the pool of serious contenders to the most experienced candidates. And who could be better placed to demonstrate experience than someone already doing the job elsewhere? The outcome is a recirculation of senior figures from institution to institution, generally in a move up the perceived prestige ladder. Accordingly, we are now seeing second and even third- time vice chancellors, like Janet Beer who is moving from Oxford Brookes to Liverpool, and Chris Snowden from Surrey to Southampton. This same pattern is also being replicated at PVC level.

The increasing use of executive search agencies – already *de rigeur* at vice chancellor level and now used for 60% of externally advertised PVC posts - has provided a mechanism for institutions to 'tap

up' senior figures already in post elsewhere and persuade them to move on. The lure of a higher salary is likely to form an integral part of this campaign of persuasion.

Moreover, as the effective management of our universities becomes increasingly critical, so the importance of attracting and retaining a good leader grows. This puts the incoming vice chancellor in a strong negotiating position. Add to this the fact that remuneration committees tend to set salary levels relative to comparator universities and the result is self-perpetuating upwards trend.

Finally, the lay influence on the governing body may lead to a greater willingness to pay more for executive posts because they are used to much higher private sector salary levels. At this point I would add that I find the use of comparisons between vice chancellors' salary levels and those of private sector CEOs less than convincing. That is because, although universities are large organisations that are increasingly being run like businesses, most vice chancellors do not have extensive experience outside higher education and are highly unlikely to be perceived as prime candidates to be head hunted as private sector CEOs.

So what does the inexorable rise in university executive pay signify? Firstly, it reflects the real performance demands and pressures now faced by executive management teams. Vice chancellors, for example, are typically appointed on a change manifesto designed to improve the institution's competitive position and expected to deliver on it. Secondly, I believe that higher salaries include a premium to offset the shorter tenure and greater insecurity of the role. Although vice chancellors hardly find themselves in the 'hire-'em-fire-'em' world of the football manager, there have been a few premature departures and the position undoubtedly carries a higher personal (as well as arguably an institutional) risk than has been the case in the past.

Finally, and most importantly, I believe that the yawning salary gap between the executive team and other members of the university community is symptomatic of the growing chasm between 'management' and rank-and-file staff. This is a serious issue and my advice to vice chancellors would be to redirect their gaze from the external environment to their own institution. As for governing bodies, they need to be more robust in ensuring that the salary – and cultural – gap between the executive team and the rest of the university community is narrowed.