

# Because you're worth it: Are vice-chancellors worth the pay they get?

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Debate Paper 33

## **About the Author**

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## **Acknowledgements**

I am very grateful to all my colleagues at HEPI for their suggestions and encouragement. I would like to thank Josh Freeman in particular for his substantial help in the final stages of editing. Of course, responsibility for any remaining errors is mine.

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## Executive Summary

Vice-chancellors' pay is often scapegoated by politicians and the media, but there is a need for a serious and evidence-based discussion of the topic. This HEPI Debate Paper probes the question of how to fairly set the rate of vice-chancellors' remuneration. It argues the following:

- Universities are high-revenue organisations, receiving up to £2.2 billion annually, and have enormous local, national and international influence, so high-quality leadership is essential.
- Vice-chancellor pay is not a Wild West, but determined carefully by remuneration committees, who draw on guidance such as *The Higher Education Senior Staff Remuneration Code* and the *Code of Governance*.
- In 2022, the top three highest earning UK vice-chancellors received £714,000, £542,000 and £539,000 - and the average remuneration in 2021 was £269,000. This is more than the UK Prime Minister, but less than institutional leaders of private sector companies with similar revenue.
- UK vice-chancellors earn less than their equivalents both in the US, where vice-chancellors earned up to \$2,509,687 (£1,966,274) a year in 2022, and in Australia, where they earned up to AUD \$1,515,000 (£792,700) in 2021.

The report makes the following seven recommendations to universities:

1. Combat divisive rhetoric by redoubling efforts to increase awareness of the complex roles of higher education leaders.
2. Strengthen the capability of institutional governing bodies on pay remuneration.
3. Attract the best candidates by making key documents on remuneration more flexible.
4. Seek a wide range of advice when setting remuneration rates.
5. Develop innovative and flexible strategies to align performance with remuneration.
6. Encourage a wide range of applicants to apply to leadership positions.
7. Consider reviewing remuneration rates, as well as terms and conditions, of staff across all roles in the higher education sector.



## The Witch Hunt

Every so often, individuals from across the political spectrum publicly criticise, explicitly or implicitly, the salaries of the UK's vice-chancellors for being too high.

In December 2017, the then Universities Minister and Conservative MP, Jo Johnson, declared, 'We need to see restraint that ends the upwards ratchet in pay [of vice-chancellors] and the use of benchmarks that are appropriate for a system in receipt of significant public funding.'<sup>1</sup>

The Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities, questioning the usefulness of some university courses in his keynote speech for the Centre for Policy Studies's 'Margaret Thatcher conference on Growth' on 16 November 2022, took a swipe too, saying:

*In HE [higher education] ... [there are] far too many courses [that] have been designed for university vice-chancellors to fill their boots, rather than to provide students with means of contributing successfully to the economy and to their own advancement. So we need change there.'*<sup>2</sup>

As part of a campaign to cast opprobrium on the salaries of higher education providers' leaders, the University and College Union's (UCU) General Secretary, Dr Jo Grady, made a seaside game out of the topic. In August 2022, she invited members of the public on Brighton's promenade to guess how much various UK university vice-chancellors were paid. The predictable shock and horror followed, with camera-friendly jaw-drops and vox pops full of outrage posted to YouTube.<sup>3</sup>

When Angela Rayner MP, the current Deputy Leader of the Labour Party, was Shadow Education Secretary, she vowed to cap vice-chancellor pay, issuing the following statement in 2018:

*It is a kick in the teeth to students struggling with £9,000+ fees that Vice-Chancellors' benefit packages have increased by an eye-watering 227%. The Tories' trebling of tuition fees is*

*subsidising fat cat pay packets at the top, while hardworking staff face the prospect of losing up to 40% of their pension and students are saddled with up to £57,000 in debt. This cannot continue. The next Labour Government will ensure this immoral practice ends and impose a 20:1 salary ratio at publicly funded institutions, including in universities.<sup>4</sup>*

While senior Tories such as Johnson and Gove are no political bedfellows of senior members of the Labour Party, still less the leader of the leading university employees' union, they do all seem to coalesce around the idea that the pay of UK university vice-chancellors needs at least watching, and the increases curbing.

News outlets are more than happy to join the pile-on, knowing that this topic, while being a legitimate one on which to report, is also excellent clickbait and revenue-generating material for their own businesses.

The *Times Higher Education (THE)* survey in 2016/17 was 'the first sector-wide analysis of UK university leaders' pay', making data and commentary easily available.<sup>5</sup> Scrutiny was stepped up after the case of the Vice-Chancellor of the University of Bath, Professor Glynis Breakwell. Before her resignation in 2017, she was the highest-paid UK university vice-chancellor in a mainstream institution, taking home £468,000 per year in addition to other substantial benefits. Veteran Labour politician, Lord Adonis, queried her salary and opined that 'Glynis Breakwell is paid almost exactly half a million pounds, more than three times the prime minister's salary' and that 'the only example the vice-chancellor of the University of Bath is setting to her staff is one of greed'.

It was revealed that Professor Breakwell sat on the Remuneration Committee which decided her pay packet, an irregularity which clearly needed correcting. The whole saga at Bath led to the University engaging professional consultants, who made over 70 recommendations, with a particular focus on overhauling governance. A specific outcome was the appointment of staff and student representatives to the Remuneration Committee for the first time.

Meanwhile, the incoming Chief Executive of the newly formed higher education sector regulator, the Office for Students (OfS), Nicola Dandridge, called for vice-chancellor pay restraint that year. She initiated a report which would track trends in institutional heads' remuneration and show how much more they were paid than the average academic salary for their institutions.<sup>6</sup> This report was due to be published annually but the most recent one available is for the academic year 2020/21, suggesting this is not currently a priority area for the OfS.<sup>7</sup> The Committee of University Chairs (CUC), the support organisation for the chairs of university governing bodies, moved to publish *The higher education senior staff remuneration code* in 2018, which was welcomed by Dandridge.<sup>8</sup> This voluntary code provides guidelines and principles for governing bodies responsible for the setting of senior pay.

Discussion of higher education leaders' remuneration is welcome, as is the provision of guidelines to help with the process, but simply placing a few individual vice-chancellors in the stocks does no more than provide cheap thrills. In addition, repeating a mantra about the need for pay restraint among higher education leaders, whether by politicians, unions, the media and the regulator, is potentially dangerous for the higher education sector. It is also replete with unforeseen consequences, particularly in connection with reducing the pool of talented and committed staff who are willing to take on the leadership of universities. A better approach is to keep under review the processes in place to set executive pay in universities. In addition, better explanations are needed of what the leaders do, what their responsibilities are and what skills are needed to perform these roles. After all, UK universities need to consider where their next leaders are coming from in a competitive global market such that the vitality of the sector, so important to the health of the UK economy, is sustained.

## **Just reward**

There is an awful lot hanging on good leadership in higher education. Julia Roberts, Practice Lead for Education at GatenbySanderson, gets to the heart of the matter when she explains that the UK's vice-

chancellors have to be 'a global ambassador for their institutions and UK education, business leaders responsible for huge balance sheets and estates while also being academic standard-bearers'. We could add to that list the roles of civic leader and social mobility champion, areas which have become increasingly important and formally scrutinised over the last generation or so.

The CUC's publication, *Context for the higher education senior staff remuneration code*, provides a thoughtful and succinct account of the high-stakes and personally demanding nature of heads of institutions' work. In 'a single day', reads the document, a head of institution's duties can

*range from dealing with an individual student complaint, negotiating a multi-million-pound financing scheme, leading a discussion on future strategic initiatives, receiving a top-level international delegation, [to] an interview with a national journalist.*<sup>9</sup>

The CUC's publication opens with a series of statistics which show just how important the higher education sector is to the UK's economy. That universities are organisations in receipt of substantial revenue is in no doubt. According to figures published by Universities UK, the total income for the UK higher education sector in 2020/21 was £43.9 billion.<sup>10</sup> Most of that revenue came from teaching fees, with a significant, but still minority chunk, coming from grants, awards, donations and other sources. Some of the internationally acclaimed and larger universities have eye-watering annual revenues: the University of Manchester's is over £1.2 billion; University College London's is over £1.7 billion; the University of Cambridge's is over £2.2 billion.<sup>11</sup> Swathes of the sector's revenue comes from international students who, according to a May 2023 study by HEPI, London Economics, Universities UK and Kaplan, boost the UK's economy by £41.8 billion.<sup>12</sup> Running these high-budget institutions requires very skilled individuals who can be trusted to make the right plans and decisions.

Aside from the substantial economic and financial responsibilities that vice-chancellors have, they also wield considerable soft power



locally, nationally and internationally. Many sit on leadership forums involving local councils, combined authorities, Local Economic Partnerships, NHS Trusts and more. Nationally, institutional leaders demonstrate the impact of their organisations through universities' mission groups including MillionPlus, University Alliance and the Russell Group, and through representative bodies like Universities UK, GuildHE and IndependentHE. On the international scene, large numbers of heads of state worldwide attend UK higher education institutions, and universities and colleges frequently host international dignitaries to promote research collaboration, inward investment and better cultural understanding.<sup>13</sup>

The UK's vice-chancellors are running very high-revenue organisations, taking responsibility for thousands of staff and students, and championing fair access, social mobility, world-class research and regional development. They are also the public face of their institutions, constantly in the public eye and often blamed when things go wrong.

### **It's not a Wild West**

The setting of senior staff pay in higher education is far from a Wild West scenario. The Higher Education Statistics Agency (HESA) publishes datasets listing vice-chancellor pay, making the figures open to scrutiny and universities themselves publish financial paperwork; the OfS has also become involved.<sup>14</sup>

Most institutions' governing bodies oversee vice-chancellor pay, often establishing remuneration sub-committees. These bodies are encouraged to use guidance like *The Higher Education Senior Staff Remuneration Code* and the related publication, the *Code of Governance*.<sup>15</sup> Remuneration sub-committee membership usually includes staff, student and lay representation – increasingly so since the high-profile case at the University of Bath – and is open to scrutiny. Many of these committees employ experienced consultancies to provide remuneration benchmarking as well as advice and guidance ahead of the recruitment of a new vice-chancellor. In addition, the committee of University Chairs commissioned another body, Advance HE, to publish its *Independent review of the HE Senior Staff*

*Remuneration Code* in its quest to strengthen and improve the guidance.<sup>16</sup>

While it is important to guard against poor practices by governing bodies and their remuneration committees, as were highlighted by HEFCE in its report on the University of Bath in 2017, the membership of most remuneration committees is generally carefully thought out to ensure a range of perspectives, checks and balances and appropriate specialist knowledge.<sup>17</sup> It is these committees, which each publish an annual report, that really decide what compensation a vice-chancellor should be given. In short, salary levels for higher education leaders are not plucked out of thin air and are not a secret. There are a range of resources available to higher education institutions to guide their decision-making, codes of practice in place and ample opportunities for questions, debate and action whenever a problem with senior pay is perceived.

## **The counter argument**

So why is there periodic lambasting of vice-chancellors for their levels of pay and calls for pay restraint?

One of the strongest arguments for keeping vice-chancellor pay in check is that most universities are set up as charities where profiteering is not allowed: charities cannot make profits, only surpluses. A HEPI blog, itself an introduction to a book, explores the notion of universities as charities and the more significant role charitable status could have in keeping in check the pay of heads of institutions.<sup>18</sup> In addition, almost all mainstream universities are in receipt of public financial support, so must demonstrate good value for money, including the cost of staff. Most universities also receive direct public funding, for example for research, or via student loans which derive from the public purse. That many student loans are written off unpaid puts further pressure on vice-chancellors to show restraint in their own compensation packages.

Just as strong is the point that millions of students are borrowing large sums of money to fund their course fees and living costs, with the latter being subject to periodic inflationary pressures. At the

time of writing, summer 2023, there is a widespread cost-of-living crisis among UK students.<sup>19</sup> Media coverage of vice-chancellor pay is often juxtaposed with details about the university fees that students are paying.<sup>20</sup> HEPI and Advance HE's 2023 *Student Academic Experience Survey* shows, as it has done for years gone by, that only a minority of students think that their experience at university represents 'good' or 'very good' value.<sup>21</sup> Most students do not expect to see their fees ploughed into excessive pay for a few.

Many argue too that it is important for institutional staff morale that a leader's pay is not a huge multiple of average pay in the organisation. Further economic arguments underpin this line of thought, codified most extensively and with full theoretical flourish by thinkers like Karl Marx.<sup>22</sup> Much more recently, commentators have developed the idea that a more equal society is economically stronger, more healthy and more cohesive, as fleshed out in Richard Wilkinson and Kate Pickett's seminal yet provocative 2009 book, *The Spirit Level*.<sup>23</sup> Those close to developments at the University of Bath in the late 2010s reflect that concern with their vice-chancellor's pay was indicative of a more general broken culture back then where the level of pay seemed to be the first or even only way that gratitude was expressed to staff and where those on modest salaries could feel less valued. When a new vice-chancellor was appointed on half the pay of his predecessor, it was intended to signal a fresh start for the institution.<sup>24</sup>

The *Higher Education Senior Staff Remuneration Code* itself is not intended to be prescriptive about levels of pay for heads of institutions but rather offers guidance on how institutions can set about structuring senior staff pay awards. However, it does stipulate that institutions should publish

*the pay multiple of the HoI [head of institution] and the median earnings of the institution's whole workforce, illustrating how that multiple has changed over time and, if it is significantly above average, an explanation of why.*

This does seem to draw on the arguments like those given in *The Spirit Level* unquestioningly. In addition, the preamble to the *Code* urges those setting senior pay levels to consider the

*enormous pressure on public finances, the uncertainties of Brexit and increasing impact of climate change. In HE [higher education], challenges related to pensions, wage freezes and pay gaps related to ethnicity, gender and other protected characteristics have highlighted differences between staff and those at the top of institutions. This is especially important given specific actions in some nations around living wages and reducing pay inequalities.*

This sermonic statement surely leaves most readers with the feeling that restraint is what the writers of this document expect when it comes to setting executive pay. It is at odds with the rest of the document which is rightly more neutral in tone.

A HEPI report has confirmed that, back on campus, there is a cavernous divide between academic staff on permanent contracts with generous pensions, sick pay and leave entitlement attached, and those on temporary contracts with far fewer significant benefits who now make up about half of the academic workforce.<sup>25</sup> In order to avoid exacerbating tension, some vice-chancellors refuse pay increases or take pay cuts, or donate any increases to student hardship funds and charities.<sup>26</sup>

It can even be argued that a perception of excessive or unjust pay at the top could be harmful to student recruitment. The University of Bath, for example, saw a dip in student recruitment at the time of its vice-chancellor pay scandal.<sup>27</sup>

Another vague idea commonly held is that reducing top pay would mean more money available for other things. This idea was neatly put to bed by Nick Hillman, Director of HEPI, in his Foreword to the recent publication about academics' pay and conditions:

*in the unlikely event that every vice-chancellor were to start working for free, it would reduce total spending in the higher education sector by only a minimal amount and the savings would be worth very little (about £100 a year) if they were to be spread equally across all other (academic and non-academic) staff. If the savings were to be given to the millions of students*

*instead, it would work out at around £1.50 each – not even enough to buy a flat white.*<sup>28</sup>

It is certainly crucial that university governing bodies are scrupulous and diligent in their handling of pay decisions, and that those bodies are themselves properly convened, appropriately diverse and expert, and that they refrain from lazy, cosy or – worse still – corrupt practices. However, this does not equate to showing restraint in making an award. It might be the case that due process results in offering a vice-chancellor a princely sum.

Leaving aside the values-based arguments for pay restraint for a moment, which are subjective and therefore divisive, another approach is to offer vice-chancellors a good but restrained basic pay award, then make provision for a performance-related bonus which could be sufficiently generous to be appealing to a wide-range of prospective institutional leaders. Many institutions do offer performance-related bonuses of one kind or another, but their acceptability of course hangs on the targets set, the criteria used to judge these and perceptions about who is selected to make the final judgement. One former student union president commented that university governing bodies and their remuneration sub-committees need exceptionally strong chairs who can provide assurance that a bonus really has been earned. Bonus schemes ultimately do not necessarily fix the problem of perceptions about overly high vice-chancellor pay.

The arguments for pay restraint are compelling to a point and touch on broader arguments that the Conservatives adopted as far back as 1995 of adhering to the *Seven Principles of Public Life (the Nolan Principles)* about value, fairness and equality.<sup>29</sup> However, lauding pay restraint at the top may have unforeseen consequences and indeed be counterproductive. The very best research and education in our higher education institutions can only be achieved with the very best leadership, and as we will see from the next section, this generally requires the most competitive remuneration packages.

## Comparisons are odious

How much pay do UK vice-chancellors receive? Analysis by the Office for Students (OfS) in 2021 suggested that vice-chancellors had a mean remuneration of around £269,000 in the 2019/20 academic year. This figure includes both base salary and other benefits. However, this figure conceals significant variation between institutions, some of which pay their vice-chancellors' significantly more.

The below table shows the top 10 highest-paid UK vice-chancellors at mainstream institutions by total remuneration, the sum of salary and all benefits, for the financial year ending July 2022.

<b>Higher Education Provider</b>	<b>Leader in July 2022</b>	<b>Remuneration</b>
Imperial College London	Alice Gast	£714,000
University of Oxford	Louise Richardson	£542,000
London School of Economics and Political Science (LSE)	Minouche Shafik	£539,000
University of Cambridge	Stephen Toope	£536,000
London Business School	François Ortalo-Magné	£533,000
University College London	Michael Spence	£495,000
University of Huddersfield	Bob Cryan	£408,000
University of West London	Peter John	£407,000
University of Edinburgh	Peter Mathieson	£406,000
University of Essex	Anthony Forster	£402,000

Source: Higher Education Statistics Agency<sup>30</sup>

Comparisons with other sectors may be odious, and they are certainly quite hard to undertake for the compensation packages of university vice-chancellors. What exactly are the right comparisons to make?

At least seven of the above leaders – from Imperial, Oxford, LSE, Cambridge, London Business School, UCL and Edinburgh – have had substantial international careers. Some might argue, therefore, that

we expect such universities to price their salaries at a competitive international rate. However, even leaders who have had primarily domestic careers are undertaking very challenging roles, often doing the heavy-lifting on social mobility. It is important to place all salaries within context.

In the media, comparisons are often drawn between vice-chancellor pay and that of the UK Prime Minister, who is paid a basic salary of £164,000, with additional allowances for living expenses, fulfilling public duties and running an office.<sup>31</sup> Prime Ministers enjoy a number of other benefits such as use of a grace-and-favour country house, Chequers, in addition to use of a residence in Downing Street, both fully staffed, and they also receive a generous pension. In terms of basic salary, 170 UK vice-chancellors earn more than the UK's Prime Minister. Some say this comparison makes little sense because Prime Ministers can go on to lucrative speaker-circuit and company board careers in a way that vice-chancellors tend not to. A straight retort to this is that it is wrong to pay someone less than they deserve because they might become a celebrity afterwards.

In fact, the Prime Minister's salary is held down for political reasons. Prime Minister Gordon Brown, for example, took a pay cut in 2010 as a recession hit and his successor, David Cameron, further reduced his own salary. There may even be a case for increasing the basic salary of the Prime Minister to attract high calibre candidates to this publicly-scrutinised, highly stressful and ultimately crucial role. There is a big penalty to pay if you are in the public eye like the Prime Minister and vice-chancellors who regularly incur the wrath of the public over their pay, albeit vicariously via the media, compared say with those with a less public profile, such as Permanent Secretaries. Danger money is in order for those who are frequently scapegoated and pilloried yet all the while are having to run complex, high-stakes operations.

Another interesting point of comparison is with the role of chief executive of an NHS trust. Like vice-chancellors, NHS chief executives oversee many millions (and sometimes billions) of pounds, commission complex services and deliver wide-ranging healthcare, manage a large body of diverse and independent staff and handle crises as well as future planning. Levels of remuneration

for NHS chief executives are similar, albeit a little lower, to those of vice-chancellors, with the *Telegraph* reporting in late 2022 that the NHS employs more than 2,000 managers on six-figure salaries, with the best-paid being Dr Bruno Holthof, Chief Executive at Oxford University Hospitals NHS Foundation Trust, on a package of between £295,000 to £300,000.<sup>32</sup> The healthcare charity, the King's Fund, has argued that good managers, and sufficient numbers of them, are essential to deliver healthcare at scale and to exacting standards. If the NHS were a country, in terms of turnover, it would be the thirtieth largest in the world.<sup>33</sup>

Juxtaposing vice-chancellor pay with private sector executives offers another point of comparison, albeit not a perfect one. For example, CEOs of companies have overall responsibility for their organisations in the same way that vice-chancellors and higher education institutional leaders do. They both must manage competing objectives and interests as well as large and diverse bodies of staff. Both CEOs and higher education institutional leaders are accountable, whether to shareholders, founders, private equity, boards or governing bodies and all these groups scrutinise leadership compensation packages. The similarities do not stop there. Both CEOs and vice-chancellors are involved in the provision of products or services in exchange for revenue. Many universities and colleges do receive other sources of revenue outside the scope of this very direct exchange; for example, 15% of higher education funding in 2020/21 came from research grants and contracts. However, most of the revenue across UK universities comes from teaching fees.<sup>34</sup> At this transactional level, a university or college is effectively a business.

Where CEOs and higher educational leaders start to part company in terms of their roles is that CEOs of companies are usually required to generate profits and, depending on how the company is structured, pay shareholders and other investors. The UK's universities are nearly all set up as charities, even if they also include trading arms. So they are not intended to generate large profits but rather surpluses sufficient to ensure financial stability and to enable investment for the future. Paying shareholders or building up the core business for sale are not usually features of mainstream UK universities.



Universities and colleges are also different from many (but by no means all) companies in that they receive public money. They may receive this directly, through Scottish students' fees for attendance at Scottish universities, or indirectly, via the Student Loans Company, which provides tuition fee loans to English and Welsh students. As UK higher education has expanded so much over the last two generations, the demands made on the public purse have invited increasing levels of scrutiny. This has emerged in the form of heightened regulation, primarily in England via the OfS. Meanwhile, as most students have been required to pay for their higher education, other regulators have become involved, for example the Competition and Markets Authority. Running a highly regulated organisation with a substantial turnover, delivering complex and high-stakes services in the full glare of public scrutiny surely merits a high-level of compensation. The complexity and importance of the task could arguably lead to the conclusion that vice-chancellors should earn *more* than their CEO counterparts with a similar turnover.

By way of a single comparative snapshot, albeit one full of caveats, a survey undertaken by Heidrick Struggles, an executive search firm, indicated that CEOs of private-equity backed companies in the US with more than \$1 billion of revenue received up to \$1.6 million in cash compensation. This is significantly more than any UK vice-chancellor, including those who lead universities with more than £1 billion of revenue.<sup>35</sup>

We might not necessarily expect like-for-like pay awards here. Private-equity backed companies tend to see leaders in post for relatively short periods of time who therefore expect compensation for the risks associated with taking on roles which are known to be high-pressure and short-term. CEOs here stay as little as two, three or four years, building the company rapidly for sale.<sup>36</sup> Vice-chancellors, according to two pieces of research by HEPI in 2022, stay in post for about eight years.<sup>37</sup> There is certainly considerable risk involved in equity-backed businesses where senior executives may have invested their own money and where job security is low. However, there is risk in leading universities too: from time-to-time

vice-chancellors and other members of staff can be forced to quit or be made redundant if the institution gets into financial difficulties or other scandals break out.<sup>38</sup> Alternatively, the comparatively longer tenure of vice-chancellors may bring stability to an institution, and therefore they may deserve to be rewarded for many years of service.

While universities may have trading arms and other entities, most of the UK's largest universities and colleges are set up as charities. It therefore perhaps makes some sense to compare the remuneration of UK charity leaders with those of vice-chancellors. Taking two points of comparison, the National Trust charity, which takes care of important tracts of land and historic houses, received £651.5 million between 2021 and 2022 and paid its Director General £199,614. Cancer Research UK received £668 million of income between 2021 and 2022 and paid its CEO £247,100. Meanwhile, the University of Liverpool's income for a comparable period was £615 million and its vice-chancellor was paid £361,000.

Of course, there are many caveats here, and various researchers have attempted the challenging task of analysing the value of the various elements of vice-chancellors' compensation packages.<sup>39</sup> This broad-brush indicative comparison shows that vice-chancellors are paid less than CEOs of private equity businesses even when compared with the higher-end revenue universities, but that they are paid more than other well-known UK charities with similar incomes.

## **International comparisons**

Comparisons of vice-chancellors' pay across different countries are just as difficult as comparisons between sectors – very little is exactly like-for-like in terms of student numbers, university structures or funding streams. However, a strong reason to undertake international comparisons is that there is a global recruitment market for top talent to lead academic institutions, at least among some older and richer UK universities and also by those with particular specialisms or ambitions. It is therefore worth at least a glance at other countries as it provides an indication of how university leaders are valued and what the prevailing academic reward cultures outside the UK are like.

We collected data on the pay of institutional leaders from the USA and Australia. Where this was available from multiple years, we used the latest data, which was from 2022 in the USA and 2021 in Australia.

## Two snapshots

### *The USA*

Below is a list of the top 10 highest-earning public college presidents' pay in the USA.<sup>40</sup> These data from August 2023 show the total compensation received by institutional leaders at public college and university systems in the 2022 calendar year.

<b>Higher Education Provider</b>	<b>President</b>	<b>Remuneration</b>
Texas Tech University system	Tedd L. Mitchell	\$2,509,687
Pennsylvania State University	Eric J. Barron	\$2,009,853
Colorado State University at Fort Collins	Joyce Ellen McConnell	\$1,968,350
University of Houston	Renu Khator	\$1,663,391
Cleveland State University	Harlan M. Sands	\$1,434,422
University of North Texas System	Michael Ray Williams	\$1,381,655
University of Kentucky	Eli Capilouto	\$1,378,407
University of Kansas	Doug A. Girod	\$1,356,860
University of Texas at Austin	Jay C. Hartzell	\$1,342,718
Pennsylvania State University	Neeli Bendapudi	\$1,254,063

The top 10 highest paid UK vice-chancellors are generally paid less than their US counterparts. While the above list details the value of the full remuneration package including pensions, bonuses and the like, even base pay is much higher for US leaders. Of course, there are specific differences to account for, such as the size of the various institutions. With a roll of over 61,000 students, the University of

Florida, whose President is paid \$1,160,000, is bigger than any mainstream university in the UK.

It is worth noting that at the University of Pittsburgh, as at other US universities, there are higher-paid staff than the vice-chancellor, such as the lead football coach and the head of the medical faculty. This can be true of UK university staff bodies too where, for example, leading medics, Nobel Prize winners, business school leaders and executives running university spinout and spinoff enterprises can be paid more than the vice-chancellor. This provides a reminder that the salaries are a function of the market whether we like it or not.

### *Australia*

According to research undertaken by journalist James Guthrie, the highest paid vice-chancellors in Australia in 2021 were at the University of New South Wales (AUD \$1,515,000 = £792,700) and at the University of Melbourne (AUD \$1,469,999 = £769,100).<sup>41</sup> Looking at bigger samples, vice-chancellor pay in Australia at the top end is much higher than in the UK and significantly higher in the middle and lower ranks, but is generally lower than in the US. Again, there are specific differences to consider such as the size of the universities. The Vice-Chancellor at the University of New South Wales is running an institution that caters for about 15,000 more students than the biggest mainstream UK university, UCL, which enrolled just over 51,000 in 2022. As in the UK, Australia sees frequent calls for vice-chancellor pay restraint in the media, with a focus on pegging pay to performance, for example by using data from the *Student Experience Survey*, commissioned by the Australian federal government.<sup>42</sup> In addition, Australia's University Chancellors Council (UCC) has published a voluntary code to allow universities to benchmark executive salaries.

## **Further Education (FE) colleges**

Another point of comparison is with FE colleges, of which 155 are listed on the Office for Students' (OfS) Register of higher education providers. FE colleges have very recently been re-classified by the

Office for National Statistics (ONS) as public sector institutions, which means that they are now subject to several new controls. One of those controls, for example, is an approval regime for high pay which applies to jobs advertised in FE colleges at more than £150,000 from May 2023, as discussed in a HEPI blog by Julian Gravatt.<sup>43</sup>

What do we learn from this? Certainly we are reminded that pay in the FE sector is generally lower than in other higher education institutions and that it is anticipated that this new scrutiny of higher salaries will act as an effective pay cap in many colleges. A quick glance at the maintained schools' sector in the UK shows that while the Government has kept a formal eye on schools and academy chains of schools' leaders' pay, there seems to be an acceptance that there is no getting away from market forces being the main driver of institutional leadership pay. Some CEOs of multi-academy trusts (MATs) are paid as much as, or even more than, many vice-chancellors.

The ONS is currently undertaking a long-term review of the classification of universities. While it seems unlikely that universities will be reclassified from their current status in the national accounts as 'not-for-profit institutions serving households', there is a very small possibility that they could go the way of FE colleges, according to Julian Gravatt.<sup>44</sup> Such a situation would alarm most universities which hugely value their relative freedom and independence, including their ability to compete for the very best leaders who in turn can further develop the innovative, diverse and world-leading higher education sector that the UK currently has.

## **A grumbling volcano**

Jonathan Simons, Partner and Head of Education at consultancy Public First, said at a HEPI / UPP Foundation event on the public perceptions of higher education in spring 2023 that remuneration in the higher education sector, seems to have 'dropped away as an issue ... certainly compared with a few years ago'.<sup>45</sup> While the topic of vice-chancellors' pay may not be in the limelight at the moment, it nevertheless grumbles away in the background, like an active

volcano that could erupt at any time. Likely to trigger that eruption are the very real challenges in the sector about funding in general. Another trigger may include disappointing pay settlements for staff at universities outside senior leadership groups.

The concern is that vice-chancellor pay can all too easily become a simplistic scapegoat for more complex problems and policy failures. This risk becomes ever more real in the run up to a general election when the topic can be positioned as a headline-grabber to curry favour with voters and also distract them. Voters may not change their vote over what a political party says specifically about vice-chancellor pay, but it is a topic which sets a tone and signals a party's approach to higher education.

Vice-chancellor pay becomes a distraction from serious and informed conversations about what higher education is for and what it does for individuals, communities and countries, and what it takes to maintain the health and vitality of the sector. The culture wars are used as a decoy in a similar way by some sections of the media to generate outrage and thereby viewing figures. Vice-chancellor pay and a perceived problematic culture on campuses can easily be linked in the public's mind and negate all the incontrovertibly good work that higher education does, for example training doctors, lawyers, teachers, nurses, creative professionals, business and public sector leaders and more.

A crucial component for success in the higher education sector is the deployment of the best possible talent to lead each higher education institution, and that does mean offering excellent compensation packages in a globally competitive market. Executive search firms are constantly hunting for exceptional leaders and lament the negative impact that excessive pay restraint can have on this task.

Another reason to dredge up this topic again after a lull in coverage is to nudge national organisations and institutional governing bodies to check that their guidance and practices are in order and fit for purpose, which could just as well mean the removal of hair-shirted calls for restraint as well as curbs on excess, depending on circumstances. In all cases, the hope is that a wide range of

perspectives on this topic is considered by carefully balanced and properly convened governing bodies. The goal should be more nuanced and accurately targeted remuneration packages that deliver success.

## **We only hear from the critics of high pay**

The loudest voices we hear about the topic of vice-chancellor pay are those that denounce perceived excesses. Those that support generous remuneration in the context of a free-market approach may be seen as part of a highly niche political fringe. Yet the many who stay silent can see both sides of the argument. On the one hand, universities are generally big, complex, high-turnover businesses which have an impact on large numbers of people, so they require the best leadership obtainable in a competitive market for talent where pay is a major factor. On the other hand, it seems invidious to offer eye-wateringly high salaries to leaders in universities which are generally classified as charities and where many university staff are subject to precarious contracts and low pay. Meanwhile, the taxpayer is subsidising billions of pounds worth of unpaid student loans and some students themselves are having to skip meals to be able to cope.

## **Conclusion**

While everyone hopes for campuses which offer a great education and excellent research and enterprise facilities delivered by thriving communities of academic and professional staff, all the while benefiting local and national economies, it is only by thinking beyond scapegoats and simplistic solutions such as cutting vice-chancellor pay that we can hope to achieve these rightly lofty goals. Why should vice-chancellors necessarily be paid any less than, say, the CEOs of similarly sized companies? Highly competitive compensation is needed to attract enough leaders to work in higher education with the necessary range and depth of skills.

As well as serious business obligations, a vice-chancellor is also dealing with the much harder-to-measure risk involved in leading universities which support swathes of people to develop their

potential, including their economic potential, at great personal cost in terms of the time and financial commitment. For most people, they only get one shot at higher education. They need the very best institutional leader available.

### **Seven steps the higher education sector should take**

1. Redouble efforts to ensure a better awareness of the scope, scale and complexity of higher education leaders' roles such that the negative rhetoric about high pay is dialled down and the witch hunts cease. Focus instead on explaining vice-chancellors' skills, their highly public-facing role and their contribution to the UK and global economy. Sector lobby and mission groups have a role to play here, as do universities' communication teams and governing bodies, including their staff and student representatives. Politicians should also resist the temptation to stoke a media pile-on about alleged excessive pay.
2. Strengthen the capability of institutional governing bodies through training and advice to set and review head of institutions' remuneration. This includes good practices such as appointing staff, student and expert representatives to all university remuneration committees.
3. Change the Committee of University Chair's *The Higher Education Senior Staff Remuneration Code* to be more flexible and daring to ensure it helps universities to attract the best. Cauterise the assumption that a very well compensated leader is at odds with higher education sector values and missions.
4. Higher education institutions, especially their governing bodies and remuneration committees, should cast their net wide for advice when tasked with setting or reviewing the pay for a vice-chancellor. In addition to consulting sector guidelines available from the Committee of University Chairs (CUC), Advance HE, University and Colleges Employers Association (UCEA) and Universities Human Resources (UHR), executive search firms and specialist consultancies should also be deployed wherever possible for their extensive expertise.



5. Develop innovative and flexible codes of practice for aligning leaders' performance with remuneration packages. Accept that leadership roles may vary considerably, with some vice-chancellors overseeing billions of pounds of research and enterprise revenue and others embarking on huge transformational projects. Still others are doing the heavy lifting of helping many students from disadvantaged backgrounds, or promoting civic regeneration in regions that have suffered significant underinvestment over the long term.
6. Universities and all those involved in the development of leaders should encourage a wide range of candidates to apply for leadership positions, including those prepared to take on the responsibilities for modest rates of pay and those who expect very substantial compensation packages. Appointments should be made on merit and in the context of affordability, on the basis that there is a market for talent.
7. Consider reviews of remuneration and the terms and conditions of staff across the higher education sector. This may be especially vital for the large proportion of academic staff who have short-term contracts with limited benefits: see HEPI's 2023 report on this matter.<sup>46</sup> It is not a zero-sum game where executives should be played off against other academics.



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August 2023 ISBN 978-1-915744-09-8

Higher Education Policy Institute

99 Banbury Road, Oxford OX2 6JX

[www.hepi.ac.uk](http://www.hepi.ac.uk)

Printed by BCQ, Buckingham

Typesetting: Steve Billington, [www.jarmanassociates.co.uk](http://www.jarmanassociates.co.uk)

**Debate Paper 33**