

Higher Education

A Tale of Two Payslips

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The Intergenerational Foundation

The Intergenerational Foundation (www.if.org.uk) is an independent, non-party-political charity that exists to protect the rights of younger and future generations in British policy-making. Whilst increasing longevity is to be welcomed, our changing national demographic and expectations of entitlement are placing increasingly heavy burdens on younger and future generations. From housing, health and education to employment, taxation, pensions, voting, spending, transport and environmental degradation, younger generations are under increasing pressure to maintain the intergenerational compact whilst losing out disproportionately to older, wealthier cohorts. IF questions this status quo, calling instead for sustainable long-term policies that ensure younger and future generations are better protected by policy-makers.

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Foreword

There is an intergenerational crisis within higher education in England. While older, more senior academics enjoy the last few remaining final salary pensions and an increase in salaries, new entrants to the academic profession, particularly those seeking an academic career outside STEM subjects, are facing a toxic mix of research funding cuts, increasing student debt, job cuts, lack of employment protection and changes to their pensions. This will lead to increasing intergenerational tensions as young academics realise they face being 30% worse off in retirement than senior colleagues retiring today.

This important new report suggests that talented, poorer young academics could become increasingly locked out of a career in higher education unless action is taken to re-balance access, pay and conditions more fairly across the generations. As well as losing a potential pool of new creative talent, social mobility will also be at stake if a career in academia becomes increasingly dependent on having private means.

The £13 billion pension black hole in the University Superannuation Scheme (USS) provides yet further evidence that the scales are tipped too much in favour of older academics. While much good work has been done to bring university pensions in line with other sectors — with the introduction of career average pensions — pension trustees may have to consider lowering current pension payouts further (due to sudden longevity gains) to ensure the long-term sustainability of the USS.

Commentators might suggest that young academics are merely facing a short period of bad luck following a period of economic stagnation, however policy makers should be under no illusions that losing new academics could affect the UK's position as a leading global education provider.

Angus Hanton

Co-founder, Intergenerational Foundation

Executive summary

Thanks to a toxic combination of job cuts, student debt and pension changes, young people entering the academic profession in the coming years will have it worse than ever before. Meanwhile, a crisis in funding for Masters degrees — particularly in the humanities and the social sciences — means that many prospective academics will simply fail to get a foot in the door.

Key points

- Thanks to a deficit of up to £13 billion in the main university pension scheme, younger academics are likely to retire at least 30% worse off than professors today, while proposed reforms to the scheme threaten to lock in generational inequality.
- Research councils funded roughly 45% fewer Masters places in the humanities and social sciences in 2012/13 than new PhD places, meaning that hundreds of potential researchers likely had to ‘pay to play’ to get on the academic ladder.
- Students in the first cohort of the new undergraduate fees regime, graduating with almost £40,000 of debt, could be forced to take on up to £10,000 more debt at commercial rates to fund Masters study — or face being pushed out by those with private wealth.
- At 9.9% APR, Professional and Career Development Loans (PCDLs) are worse value than many commercial loans, but uptake has increased by more than 20% since the 2010/11 financial year, with almost 40,000 people studying or making repayments.
- Pay for Russell Group Vice-Chancellors shot up by more than £20,000 on average in 2013. Meanwhile, the gap between ordinary professors’ salaries and those of other academic staff has also increased by almost 2% between 2008 and 2011, suggesting that junior academics are bearing the brunt of the financial crisis.
- Surveys suggest that more than 12% of all academic staff and a shocking 47% of teaching-only staff are employed on zero-hours contracts, with no guarantee of work.
- The combined effect of all of the above will be to convert the higher echelons of our university system into playgrounds for the privately wealthy, with poorer students increasingly discouraged from even attempting to enter.

This is bad news for a profession already lacking in diversity, but it’s also potentially catastrophic for the country as a whole: do we want our future economists, sociologists and historians to be those with the brightest minds and the best ideas or those whose parents have the biggest wallets?



Introduction

Most senior academics contemplating retirement today have been the beneficiaries, consciously or otherwise, of a Golden Age in the UK higher education system. Born in the late 1940s, they enjoyed free education at both undergraduate and postgraduate levels, funded through a comprehensive system of state grants. After completing their PhDs — still a relatively novel qualification in the late 1970s — they were presented with an unusually broad choice of academic jobs thanks to the expansion of the British higher education system recommended in the 1963 Robbins Report. Whether they opted for a position in an established institution or in one of the new “plate-glass universities” — Sussex, York, East Anglia, etc. — they were enrolled in a generous final salary pension scheme. Moreover, if they were fortunate enough to be awarded a professorship before the abolition of tenure in the controversial 1988 Higher Education Act, they were guaranteed a job for life.

The situation facing prospective academics today could hardly be more different. This report uses data from the Higher Education Statistics Agency (HESA), the Skills Funding Agency (SFA), the National Union of Students (NUS), the University and College Union (UCU) and individual universities to map out a potential career path for a high-flying student studying social sciences or humanities in the first £9,000 undergraduate fee cohort. Born in 1992 and due to graduate next year, such students face a catastrophic funding gap when it comes to choosing a Masters degree, a key “entry ticket” for the academic profession. Assuming they manage to scrape through a Masters year and win a funded PhD place, their years of training will entitle them to a stipend of barely more than the Living Wage. When they do finally reach the academic job market, the few positions available are likely to be characterised by extreme precarity and linked to pensions that will pay out far less than those of their predecessors.

The Masters funding gap

That postgraduate students in the UK face serious funding issues is widely acknowledged — indeed, the fact that it's widely acknowledged is itself widely acknowledged, as a summary of the problem in the Higher Education Funding Council for England's (HEFCE) 2013 overview report makes clear.¹ Proposals for a proper student loans system for postgraduates have been put forward by a number of commentators and analysts, including “social mobility tsar” Alan Milburn, the think tank CentreForum, the independent Higher Education Commission (HEC) and the NUS. A recent report by Universities UK summarised and re-stated these proposals in no uncertain terms; still, concrete policy action on the issue has yet to emerge.² So what does the present system actually look like from the point of entry, and why has it been so roundly condemned?

The first cohort to enter higher education under the Coalition Government's controversial £9,000 fee regime will graduate next year. Let's take a high-performing student — call her Sara — who expects to leave the University of Sheffield with a First Class degree in History, and who has been encouraged by her tutors to consider an academic career. Both her parents work, and their relatively modest combined income of £45,000 meant that she was ineligible for a maintenance grant; as such, she will leave university with total debts of around £38,000. Her parents gave her a small amount of money during her studies, but with two younger siblings who both hope to go to university, she cannot reasonably ask for any more financial assistance.

In order to qualify for a PhD place, Sara will need to complete a Masters course lasting between nine months and a year, preferably in the specialism that she hopes to move into. Fees range from around £5,500 to almost £9,000 at Oxford and Cambridge, where students are required to pay a substantial “college fee” on top of their tuition fee. Sara opts to stay at Sheffield for the university's MA in Historical Research, where she is eligible for a 10% alumni discount on her tuition fees, leaving her to pay a total of just over £5,100.³

The Masters funding offered by Sheffield's History department is extremely limited, consisting of one full studentship funded by the Arts and Humanities Research Council (AHRC), covering fees and offering a stipend of around £9,700, and a small number of fees-only awards funded by both the AHRC and the university. This is typical of arts and humanities departments at research-intensive universities across the UK.⁴ Sara is ranked second out of scores of accepted

¹ “Postgraduate Education in England and Northern Ireland”, *Higher Education Funding Council for England* (July 2013), pp. 31–33, <<https://www.hefce.ac.uk/media/hefce/content/pubs/2013/201314/Postgraduate%20education%20in%20England%20and%20Northern%20Ireland%20Overview%20report%202013.pdf>> [accessed 16 April 2014].

² “Postgraduate Taught Education: The Funding Challenge”, *Universities UK* (29 May 2014), <<http://www.universitiesuk.ac.uk/highereducation/Documents/2014/PostgraduateTaughtEducationTheFundingChallenge.pdf>> [accessed 30 May 2014].

³ Tuition fees for the 2015/16 academic year have been generated by uprating 2014/15 figures by 2.5%, as a rough estimate of inflation.

⁴ The situation in the social sciences is admittedly somewhat better, with the Economic and Social Research Council (ESRC) offering a relatively large number of “1+3” studentships — as the name implies, these incorporate fees and maintenance for both a one-year Masters course and a three-year PhD.

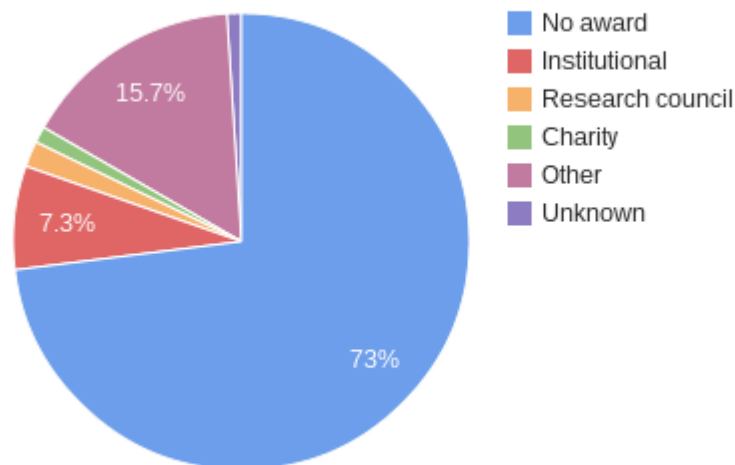


students and is awarded a fees scholarship, writing off her tuition fees entirely. Unfortunately, she still needs to find several thousand pounds for the year’s food, rent, bills and travel.

Mapping the rat race

At this point, it is worth zooming out to consider how exceptionally successful Sara has been in the overall Masters funding competition. The chart below shows sources of funding for Masters students’ tuition fees in the 2012/13 academic year, limited to UK-domiciled students on arts, humanities and social science courses — institutional grants, research council stipends and charity awards are highlighted as the three most obvious sources of funding for a student in Sara’s position.⁵

Masters funding (arts/humanities/social science)

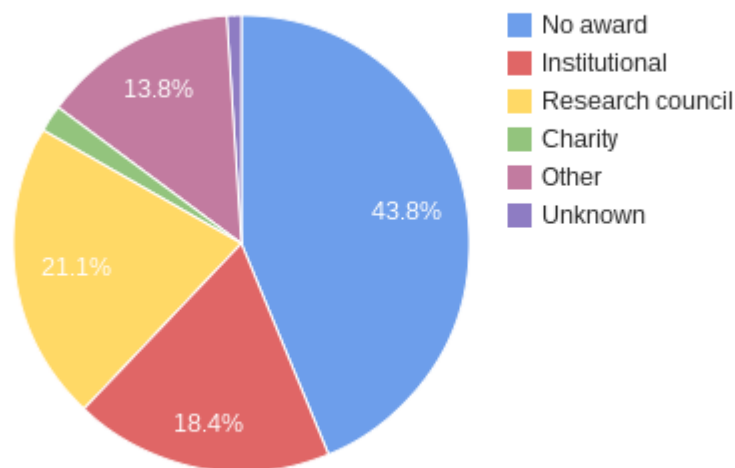


Clearly, the funding available from research councils is extremely limited — the overall figure is just 395, putting Sara in a category that makes up just 2.5% of the total Masters population. Moreover, HESA only collects data on the “major source of tuition fees” for postgraduate students, meaning that anyone lucky enough to fall in the funded segment of the above chart could still be paying up to 49% of their fees out of their own pocket, not to mention living expenses. Data obtained through Freedom of Information requests sent to individual universities suggests that the “Institutional” category, in particular, is likely to be composed overwhelmingly of fee waivers rather than of studentships with maintenance stipends.

⁵ Data obtained from the HESA Student Record through a bespoke request. The chart is based on the “major source of tuition fees” field restricted to Masters students on courses falling under the JACS single-digit subject codes B (social studies), F (languages), G (historical and philosophical studies) and H (creative arts and design) and conforming to the qualification aims L00, M00 and M01.

For comparison, let’s look at the situation on the next rung of the academic ladder. The chart below shows the same data as above, but restricted to first-year Doctoral students.⁶ The greater variation in funding sources reflects a “whittling down” of the overall population as some Masters students decide not to pursue their studies further. Crucially, however, the funded segment shrinks at a much slower rate than the overall number of students: in 2012/13 there were 33% as many funded Doctoral students as Masters students, but just 16% as many students overall. This bias towards PhD funding is most pronounced in the most important and prestigious area of funding, the research councils — in fact, the data considered here shows 45% fewer Masters students than Doctoral students in receipt of research council awards, representing a gap in absolute terms of 325.

Doctoral funding (arts/humanities/social science)



Even assuming that, under the current system, every recipient of a research council Masters award would not otherwise have been able to fund their studies, they are still forced to compete in the market for PhD funding with several hundred students who have simply paid their way in. If we believe that those who receive publicly-funded PhD awards should be the most intellectually deserving — particularly given that they are generally more than four times as costly to the public purse as full Masters awards — then we need to fund a significantly higher proportion of Masters places to allow the whittling-down process mentioned above to take place on an equal footing.⁷

⁶ “Doctoral students” here means those on courses conforming to the qualification aims D00 and D01.

⁷ Funding an identical number would seem to obviate the need for two separate competitions and stages of postgraduate study at all.



The “Golden Age”

Before covering Sara’s options for living expenses, let’s briefly consider how the postgraduate funding landscape of the 2010s compares with that which obtained in the 1970s, when the retiring academics mentioned in our introduction were studying for their higher degrees. Having almost certainly had their nominal undergraduate tuition fees paid by their respective Local Education Authorities (LEAs), these students entered a postgraduate system that would have seemed familiar. In a 1978 article assessing the state of higher education funding across Europe, the authors note that a recent increase in tuition fees (in fact, postgraduate fees more than quadrupled in 1977, rising from £182 to £750 per year) “affects only a minority of students who are for one reason or another not eligible for student grants (mainly overseas students and some postgraduates with poor first degrees).”⁸

The situation was much the same when it came to maintenance grants, the biggest point of contention being a means test which required wealthier parents to make a modest contribution towards costs. In 1973, the House of Commons Expenditure Committee recommended “that loans should be introduced for postgraduate students, coupled with free tuition and a basic maintenance grant exempt from any means test”; three years later, the government “announced” that “it had no present intention of introducing a loans scheme in partial or complete substitution for grants,” and it denied that the saving involved in a loans scheme for postgraduates would be large enough to outweigh its “unpredictable effects” and “potentially dangerous consequences in terms of social equity.”⁹

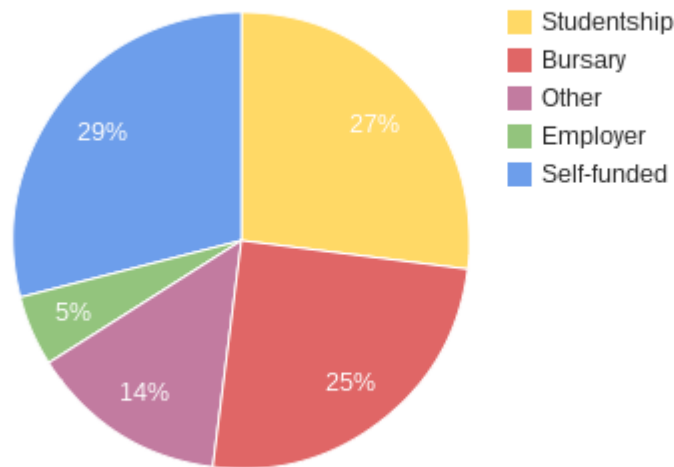
A more detailed picture of postgraduate funding in the mid-1970s is provided by a Department of Education and Science/Scottish Education Department survey covering the academic year 1975/6. Compared to today, the situation in terms of absolute numbers of Masters and PhD students was reversed, with 55% of university postgraduates studying for the latter and just 36% for the former, along with a further 9% taking other diplomas or certificates. This partly reflects the convention under which many undergraduates — particularly those with academic ambitions — would enrol directly on to Doctoral courses, without needing to complete further taught courses first.¹⁰

⁸ Mark Blaug and Maureen Woodhall, “Patterns of Subsidies to Higher Education in Europe”, *Higher Education*, 7.3 (August 1978), 331–61 (p. 333).

⁹ *Ibid.*, pp. 346–47.

¹⁰ Susan Dight and Peter Bush, “Postgraduate income and expenditure”, *Office of Population Censuses and Surveys* (London: Her Majesty’s Stationery Office, 1979), p. 1.

**Total postgraduate funding, 1975/6
(languages/arts)**



The previous chart shows sources of maintenance funding for UK Masters and PhD students on languages and arts courses in 1975/6, including both universities and polytechnics.¹¹ While this is far from being directly comparable to the charts shown earlier, not least because it focuses on maintenance grants rather than tuition fees (the assumption being that the vast majority of UK-domiciled students would have their fees paid anyway), it gives some idea of how significantly the status quo has changed over the past 30 years. It would be no exaggeration to say that, for a high-flying student considering an academic career in the early- to mid-1970s, there would be no prospect at all either of going into debt or of having to pay out of pocket for any aspect of their undergraduate or postgraduate education.

¹¹ Data generated using Dight and Bush, p. 14, Table 3.5. The survey does not include separate subject data for Masters and PhD courses; the subject divisions, meanwhile, are somewhat crude, and do not allow for the separation of academic social sciences from more practical “administrative and business” courses.



The PCDL trap

In 2010, the NUS estimated the living costs for one year as a student at just over £12,000.¹² While this was easily covered by standard Research Councils UK (RCUK) PhD stipend for that year, Masters awards are generally lower — the figure for the 2014/15 academic year, without London weighting, is still just £9,681.¹³ With no personal savings and unable to turn to her parents for help, Sara struggles to come up with even this relatively minimal figure. In order to fund her studies, she takes a minimum wage job for 10 hours per week; while this leaves her less time to study than her wealthier friends, it offsets her living expenses by about £3,000 over the course of the year. For the remaining £6,700, she is forced to take out a Professional and Career Development Loan (PCDL).

Revamped and relaunched by the Labour government in 2009, PCDLs are offered by Barclays and the Co-operative Bank in amounts ranging from £300 to £10,000, with repayment periods of up to five years. They are intended specifically for funding training, so payments do not fall due until one month after completion of the course, prior to which interest is covered by the government. Unfortunately, the rates charged after this holiday period are extortionate, currently standing at 9.9% APR. The situation is so bad that entrepreneurs are beginning to smell a profit opportunity: in recent months, the start-up StudentFunder has moved aggressively to undercut PCDLs, offering crowdfunded loans at 8.1% APR with repayment deferred for up to 18 months, though without the interest holiday offered by the official scheme.¹⁴ Even the popular financial website MoneySavingExpert.com advises students to “give your development loan the heave-ho as soon as the 0% period ends”, taking out an ordinary bank loan at a lower interest rate to pay it back.¹⁵

In fact, with rates currently as low as 4.3%, standard personal loans invariably work out as significantly better value than PCDLs, even when an initial year of making repayments from the loan capital itself is factored in. The catch is that a prospective Masters student, lacking regular income, would stand virtually no chance of being approved for this level of commercial credit, even if he or she met the basic requirements of age and residency. Stuck with the PCDL system, Sara applies for a £6,700 loan, £1,100 less than the average value for 2013/14; concerned about the total amount of interest payable over the 60-month maximum repayment period, she opts for a three-year plan, though this still leaves her paying back well over £1,000 in interest alone. Her monthly payment, starting one month after the end of her Masters course, will be £215.88.

¹² “What are the costs of studying and living?”, *NUS* (13 December 2010), <<http://www.nus.org.uk/en/advice/money-and-funding/average-costs-of-living-and-study/>> [accessed 16 April 2014].

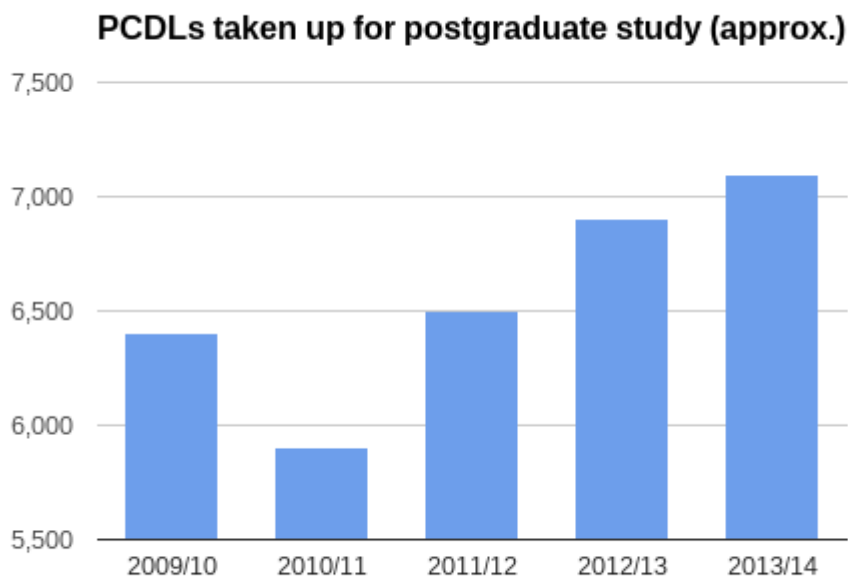
¹³ “Maintenance and Fee Breakdown – Academic Year 2014/15”, *Arts and Humanities Research Council*, <<http://www.ahrc.ac.uk/Funding-Opportunities/Postgraduate-funding/Documents/Studentship%20Maintenance%20and%20Fees%20Rates%20for%2014-15.pdf>> [accessed 16 April 2014].

¹⁴ *StudentFunder*, <<https://www.studentfunder.com/>> [accessed 29 May 2014]. Loans from StudentFunder require a guarantor with “an excellent credit history”, and the company admits that “most of the funds you raise [through the crowdfunding system] come from people you already know.”

¹⁵ Amy Ellis, “Career Development Loans”, *MoneySavingExpert.com* (31 March 2014), <<http://www.moneysavingexpert.com/students/career-development-loans>> [accessed 29 May 2014].

The rising tide

While PCDLs remain a minority option for postgraduate study, data obtained from the Skills Funding Agency shows that they have increased in popularity by more than 20% since the 2010/11 financial year. The SFA estimates that 7,100 postgraduate students are currently studying with funding from a PCDL, and cautions that this figure may increase as “a few loans will be notified to us after the FY end”. Meanwhile, the average value of a PCDL has risen by more than inflation every year except 2012/13, when it still rose by 2.7%.¹⁶

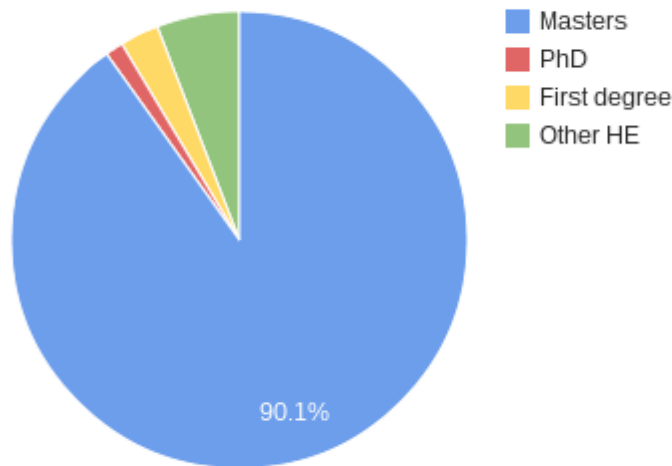


¹⁶ Inflation measured using the official ONS CPI figure for April of each year.



According to the SFA, more than 83% of PCDLs taken out in 2013/14 were for higher education and, as the chart below makes clear, the vast majority of these were for Masters degrees. In total, including loans taken out for non-postgraduate courses, the SFA estimates that almost 40,000 people are either studying with PCDL funding or currently making repayments, representing roughly 1 in every 1,400 people in England.¹⁷

PCDLs for higher education, 2013/14



¹⁷ "Annual Mid-year Population Estimates for England and Wales, 2012", *Office for National Statistics* (26 June 2013), <<http://www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-england-and-wales/mid-2012/mid-2012-population-estimates-for-england-and-wales.html>> [accessed 19 May 2014]. The SFA only operates in England.

Paid at last

Barely a third of the way through her Masters course, Sara begins the process of applying for PhD places for the 2016/17 academic year. Having narrowed down her field of research, she realises that there are no appropriate supervisors for her project at the University of Sheffield, so she applies to the University of Oxford, among other institutions.¹⁸ After months of waiting, she is successful, and is awarded a full AHRC Doctoral studentship, covering her fees and giving her a tax-free yearly stipend of £14,142.¹⁹ She is delighted — but her financial problems aren't over yet.

The pre-tax, non-London Living Wage in 2016 has risen to £16,112, on the basis of a 37.5-hour week (a very conservative estimate of the amount of time Doctoral students actually spend on work, in one form or another).²⁰ After tax and national insurance, this falls to roughly the same level as Sara's stipend — in other words, she is being paid slightly more than the very lowest amount that it is considered possible to live on, for an extremely competitive job that has required four years of high-level training paid for out of her own pocket. She has no private pension and is not building up national insurance contributions towards a public one. It is difficult to imagine, say, a trainee commercial lawyer accepting similar terms.²¹

Sara's PCDL repayments will continue for the duration of her PhD, wiping £2,591 off her salary every year — this leaves her with £963 each month to pay for rent, bills, food, travel and other expenses. Assuming she rents a room in a shared house for around £550 per month and pays roughly £70 per month for gas, electricity, water, internet access and her mobile phone (as a full-time student, she is exempt from council tax), rent and bills will eat up almost 65% of her remaining monthly income, leaving her with just £413 to pay for food, travel, leisure and other incidentals. If she attended a university in the capital, she would receive an extra £2,000 in London weighting, but — despite Oxford's high cost of living — she is only entitled to the basic stipend.

¹⁸ In the most recent funding competition, which determined institutional allocations until the 2019/20 academic year, Oxford and Cambridge were awarded 400 AHRC studentships between them — more than the total allocations for the North West of England and Scotland put together (Louis Goddard, "What the AHRC really thinks about your consortium: full DTP/CDT rankings leaked", <<http://hypogrammar.tumblr.com/post/75364580240/>> [accessed 17 April 2014]).

¹⁹ The figure for the 2016/17 doctoral stipend is derived from the 2014/15 level, uprated by 1% twice over. This accords with practice since 2012/13, though prior to that the RCUK stipend rate was frozen for two years, and between 2006/07 and 2010/11 it was uprated by around 2.5% each year.

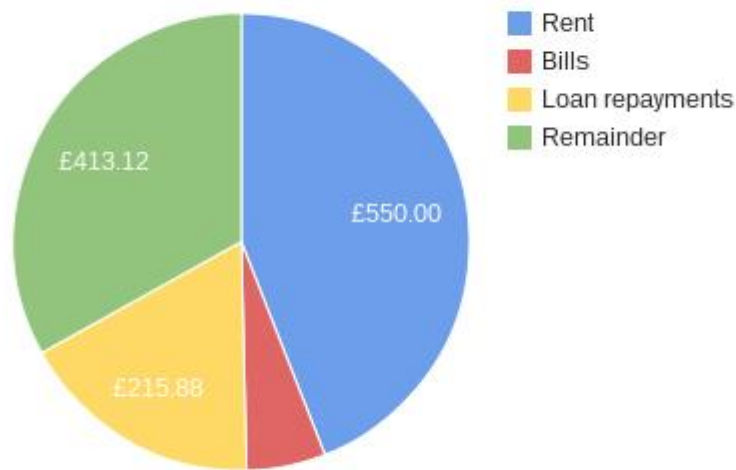
²⁰ £16,068 is derived from an estimated hourly rate of £8.24, which represents the 2013 rate (£7.65) uprated by 2.5% three times. The yearly figure uses the same assumptions as are used in calculating the Living Wage: "We assume 365/7 weeks in the year, and 37.5 hours in a working week (the figure most commonly used in wage bargaining negotiations)" ("Working paper: uprating the UK Living Wage in 2013", *Loughborough University*, <<http://www.lboro.ac.uk/media/wwwlboroacuk/content/crsp/downloads/Uprating%20the%20out%20of%20London%20Living%20Wage%20in%202013.pdf>> [accessed 17 April 2014]).

²¹ In a recent *Times Higher Education* article, the paltry stipends offered by PhD studentships were described as a "ticking time bomb" for academic recruitment, particularly in engineering and the physical sciences (Holly Else, "Low PhD stipends are recruitment 'time bomb'", *Times Higher Education* [1 May 2014], <<http://www.timeshighereducation.co.uk/news/low-phd-stipends-are-recruitment-time-bomb/2012998.article>> [accessed 8 May 2014]).

Scrimping, but not saving

The pie chart below illustrates Sara's monthly budget in 2016/17 terms, more than 17% of which is taken up by loan repayments. By pursuing postgraduate study, she is effectively giving up at least four years of private pension contributions, and it seems highly unlikely that she will be able to set aside any of her stipend in a savings account or ISA. While some universities offer paid teaching opportunities for PhD students, many restrict these to the second or even the third year of study. As regular sources of income, they are notoriously precarious and unreliable, with rates of pay fluctuating wildly between institutions.²²

Sara's monthly budget



²² Holly Else, "Huge variation in graduate teaching assistants' pay", *Times Higher Education* (21 April 2014), <<http://www.timeshighereducation.co.uk/news/huge-variation-in-graduate-teaching-assistants-pay/2012859.article>> [accessed 8 May 2014].

Getting the job

Assuming that her work progresses well, Sara is likely to hand in her PhD in either the 2018/19 or the 2019/20 academic year. Mapping out an individual career this far in the future is, obviously, somewhat difficult, so at this point we'll consider a more tentative route that she might take. One useful source of information is the AHRC's 2013 report on the career paths of funded PhD students in the 2002, 2003 and 2004 cohorts. This report tracked students 5–7 years after starting their degrees (i.e. two years at most after handing in their theses) and found that 61% were in permanent academic roles, "mainly as lecturers or senior lecturers", with a further 27% in fixed-term jobs, either as lecturers or as postdoctoral researchers.²³

Given this relatively rosy overall figure of 88%, it does not seem too extravagant to assume that Sara will manage to find some sort of academic role. Less clear are the employment conditions that she is likely to face, particularly after a decade of radical changes in the university sector. One high-profile issue is that of so-called "zero-hours contracts" — agreements under which employers are not obliged to provide a fixed amount of work, or indeed any work at all. Last year a study conducted by UCU found that those on zero-hours contracts constituted more than 12% of all academic staff, and a shocking 47% of teaching-only staff (i.e. those not employed for research). Of the 142 institutions that responded to the survey, 8 indicated that "at the current time all their zero hours teaching staff were without work", while a further 24 revealed that between 12.2% and 98.2% of their staff were in the same position, stuck in a sort of employment limbo where seeking work elsewhere might jeopardise their ability to take on academic work when it eventually came along.²⁴

Let's assume that Sara's extraordinary luck holds and she manages to avoid the zero-hours quicksand — a position in her specialism comes up at a Russell Group university a few months after she hands in her PhD and she is taken on as permanent member of the academic staff. As with anyone starting an academic job at a "pre-1992" university since October 2011, she will not be eligible for final salary membership of the main university pension fund, the Universities Superannuation Scheme (USS); instead, she will be enrolled in the Career Revalued Benefits (CRB) section, paying into an individual pension pot which will be uprated roughly in line with inflation each year. She realises that this puts her at a disadvantage in relation to her colleagues — but just how bad is the situation?

²³ "Career Paths of AHRC funded PhD Students", *Arts and Humanities Research Council* (21 May 2013), <<http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Career-Pathways-Final-Report-PhD.pdf>> [accessed 19 May 2014], pp. 3–4. It should be noted that these percentages represent proportions of respondents to the survey, not proportions of the overall population — in other words, there may be a degree of self-selection.

²⁴ "The Use of Zero Hours Contracts in Further and Higher Education", *University and College Union*, <[https://ucu.custhelp.com/ci/fattach/get/129380/0/filename/UCU Use of Zero Hours Contracts Report 0913.pdf](https://ucu.custhelp.com/ci/fattach/get/129380/0/filename/UCU%20Use%20of%20Zero%20Hours%20Contracts%20Report%200913.pdf)> [accessed 19 May 2014], p. 6. Just 10 institutions "indicated that none of their zero hours teaching staff were without work".



Robbing Sara to pay Stephen

The 2011 changes to USS were made in order to tackle a yawning gap between the scheme's assets and liabilities — as of March 2014, the latest indicative update, the total deficit is said to stand at £8 billion, rising to £13 billion when new “de-risking” strategies and longer lifespan assumptions are factored in.²⁵ While the significance of such figures has been disputed, most notably by Warwick economics professor Dennis Leech,²⁶ the changes themselves are now cold, hard fact, and those caught on the wrong side of the October 2011 cut-off date have been given a very raw deal indeed. It is true that USS is considering even more radical proposals which could see all of its members moved on to the CRB scheme from the 2015/16 academic year; but, far from spreading the wealth, this would simply lock in the generational inequality that already exists, making sure that the very best benefits remain confined to those who “got out while the going was good”.²⁷

So how does the USS CRB section stack up against its final salary equivalent? Detailed modelling of the then-proposed CRB scheme was undertaken by Susan Cooper and Stephen Cowley in 2010, but changes in how the reforms were actually implemented — most notably an increase in the hard cap on yearly revaluation of the pension pot from 7.5% to 10% — means that their results are no longer completely valid.²⁸ Using data made available by Cooper, IF updated and re-ran the model on the basis of the USS CRB scheme as it stands today.²⁹ The chart below shows the respective pensions that could be drawn by an academic beginning a relatively successful career in 1973 and retiring, at the age of 65, in 2013.³⁰

Because yearly uprating of the pension pot under CRB is subject to a hard cap at 10%, with anything above 5% only counting for half, the new scheme is strongly affected by inflation: for any year that CPI rises above 5%, members of the CRB section will effectively lose money. (This is without even mentioning the negative effects of a shift from RPI to CPI as the inflation

²⁵ Jack Grove, “Is it the end for USS final salary pensions?”, *Times Higher Education* (22 May 2014), <<http://www.timeshighereducation.co.uk/news/is-it-the-end-for-uss-final-salary-pensions/2013456.article>> [accessed 22 May 2014].

²⁶ Dennis Leech, “Universities’ Pensions Deficit is not Believable”, *Dennis Leech’s blog* (17 September 2012), <http://blogs.warwick.ac.uk/dennisleech/entry/university_pensions_deficit/> [accessed 21 May 2014].

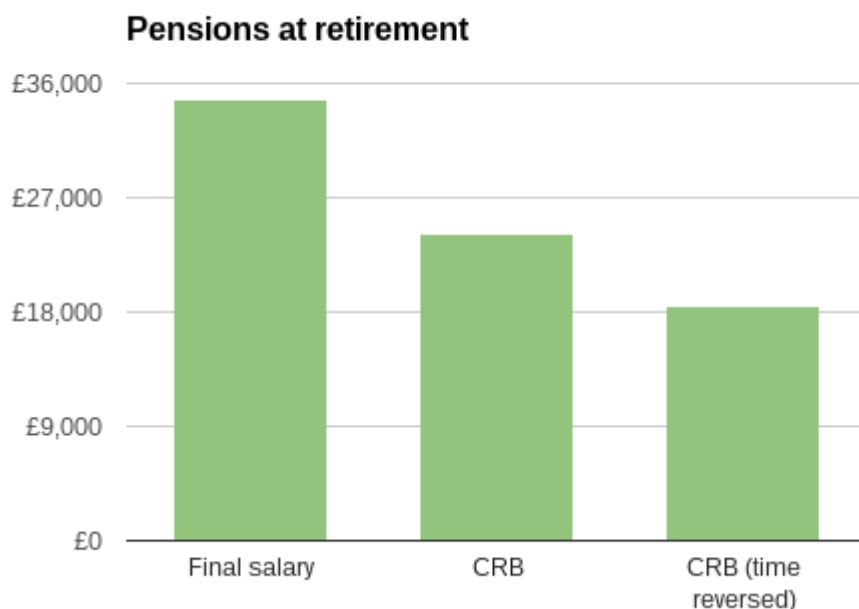
²⁷ Grove, “Is it the end for USS final salary pensions?”.

²⁸ Susan Cooper and Stephen J. Cowley, “What do the USS Pension Changes Mean?”, *Oxford Magazine* (5th week, Michaelmas Term, 2010), <http://www.admin.cam.ac.uk/offices/pensions/uss/cooper_cowley.pdf> [accessed 9 June 2014].

²⁹ Susan Cooper, “USS Pension Changes”, <<http://www.physics.ox.ac.uk/users/scooper/USS/USS.xls>> [accessed 9 June 2014]. The assumptions of this updated modelling remain practically identical to those described in the *Oxford Magazine* article cited above, the only changes being (a) the increase of the CPI revaluation cap to 10%; (b) the addition of the years 2011, 2012 and 2013 to the data; (c) a corresponding shift in the career start date from 1970 to 1973; and (d) an update of the single pay spine to reflect its 2013 values. The updated spreadsheet can be found at the following address: <https://docs.google.com/spreadsheet/ccc?key=0AqPa-5YsvwN7dDVJbXpScEdYcVRDeXJreXp0aHR0Rnc&usp=sharing>.

³⁰ Taking the University of Oxford as their model institution, Cooper and Cowley describe their subject as “an academic who started in October 1970 at age 25 as a post-doc at the bottom of grade 7, was awarded the available automatic annual increments on that grade, and moved at age 35 to a University Lectureship with a £5000 pensionable college housing allowance, starting at the bottom of that scale and being awarded the available automatic annual increments” (p. 4).

measure.) This effect is exacerbated if a period of high inflation coincides with the later stages of an academic's career, when his or her pension pot is largest. The third bar in the chart illustrates this, showing the catastrophic effect on pension value for a hypothetical academic whose highest-earning years came during a period like the 1970s and early 1980s.



Judging by the data above, academics starting their careers today should expect to receive starting pensions of, at best, between a quarter and a third of their final salaries, a far cry from the 50% guaranteed for 40 years' service under the pre-2011 scheme; even if inflation is completely discounted, the typical CRB pension still comes out at 20% less than its final salary equivalent. By insisting that all new recruits (and, if proposed reforms go through, all current recruits as well) enrol in a strictly-capped CRB pension scheme, USS is effectively forcing academics to play a game of high-stakes inflation roulette in which the only way to be sure of winning is to have already finished playing.

A shift from final salary to career average pensions is, of course, taking place right across the public sector, and it would seem unfair for academics alone to escape the changes. Even so, there is evidence that the USS CRB section offers much less than comparable schemes. Similar changes to the Teachers' Pension Scheme (TPS) — used not only by schools but also by most post-1992 universities — are due to be implemented in April 2015. Research commissioned by UCU last year showed that, in almost every conceivable case, the benefits offered by USS to a new academic are worse than those offered by the reformed TPS, even when the latter's higher contribution rate is taken into account.³¹

³¹ "The Programme Group – Results of the Individual Benefit Comparisons and Global Costings", *University and College Union/Mercer* (31 January 2013), <http://www.ucu.org.uk/media/pdf/9/8/uss_tps_carecomparison_report_jan13.pdf> [accessed 21 May 2014].

Having looked at pensions, it's worth concluding by noting a related and much more obvious form of generational inequality in the academic world: salaries. Much has been written about the eye-watering compensation packages offered to Vice-Chancellors and other senior managers in recent years — the issue even made it into the government's 2014 HEFCE grant letter.³² But the humble professor also seems to be benefiting from the “substantial upward drift of salaries” to which Vince Cable and David Willetts refer.

Data obtained from HESA and represented in the chart below shows that the salaries of professors have increased by more than those of their non-professorial academic colleagues in every year since the financial crisis. While comparable data for 2012/13 is unavailable due to changes in reporting methods, the trend suggests that the gap could now have surpassed what previously looked like an anomalous spike in 2004/05 academic year. USS began making noises about serious “funding challenges” in 2009; is it just a coincidence that those closest to retirement and most likely to be enrolled in the final salary section have seen their pay — on the basis of which their pensions will be calculated — rise the fastest since then?³³



³² “Higher Education Funding 2014–15”, *Higher Education Funding Council for England* (10 February 2014), http://www.hefce.ac.uk/media/hefce/content/news/news/2014/grantletter/grant_letter_2014.pdf [accessed 19 May 2014].

³³ “Important information for USS members – dealing with the funding challenges”, *Universities Superannuation Scheme* (June 2009), <https://www.admin.cam.ac.uk/offices/pensions/uss/challenges.pdf> [accessed 19 May 2014].

Conclusion

The prospects for those entering the academic profession in the coming years are, to put it bluntly, bleak. An ambitious undergraduate reading the analysis above would be forgiven for wanting to avoid ending up in Sara's position — after all, what's the point of putting yourself through four or five years of training to win a stressful, poorly-paid academic job when in less than half the time you could end up in an equally stressful but infinitely better-remunerated position in law or management consultancy, or a similarly-paid and much less gruelling role elsewhere in the public sector? Unfortunately, that's not the end of the story. The fictional student followed in this report has been about as lucky as it is possible to be — for every Sara, there are dozens of students who stumble at one of the many hurdles set up along the road to the ivory tower, either failing to secure sufficient funding or becoming trapped in years of insecure, poorly-paid teaching work.

The 1960s and 1970s were, in many respects, a different era, not least in terms of overall student numbers — to fund a similar proportion of postgraduate students today as were funded then would be completely beyond the horizon of mainstream political thinking. Nevertheless, a radical review of the situation is needed, with a particular focus on the most obvious bottleneck: the funding gap for Masters students in arts and humanities subjects. As spending on postgraduate education continues to decline, this gap threatens to act as a crude socioeconomic filter, stripping out poorer students at one of the most sensitive points in the process — the point at which they first consider the possibility of pursuing an academic career. While students in the sciences and engineering often benefit from so-called “enhanced undergraduate” courses, where integrated Masters years are funded by the Student Loans Company, no such system exists for those in disciplines like history or modern languages; as for overall public funding, the charts speak for themselves.

As was emphasised at the beginning of this report, the problems laid out here are not just internal to academia, or even to the broader higher education “wonk” community constituted by the university mission groups, think tanks and the Department for Business, Innovation & Skills (BIS). These are issues that will affect the fundamental makeup of our most important institutions of higher learning in the years to come, with potential knock-on effects on everything from economic policy to how the history of our era will be written. The PhD students of today are the professors of two, three and even four decades' time. If we want a profession that truly reflects the diversity of this country, and not an anaemic caste of pay-to-play dilettantes, then those who benefited most from the “Golden Age”, and who have risen to sit in positions of academic and political authority, need to take action now.